

TOWN OF WESTOVER HILLS, TEXAS

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2013



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FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Town Council
The Town of Westover Hills, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Westover Hills, Texas (the "Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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 Town'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 Town'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of September 30, 2013, and the respective changes in financial position and, where

applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Town's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-9 and 33-35 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014 on our consideration of the Town's 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 Town's internal control over financial reporting and compliance.

Rylander, Clay + Opetz, LLP

January 30, 2014



Town of Westover Hills

5824 Merrymount Road, Fort Worth, TX 76107

Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the Town of Westover Hills, Texas' (the "Town") financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

The report consists of Management's Discussion and Analysis, combined fund statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a combined fund view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire and inspection, public works, parks and general government administration. Business-type (or proprietary) activities include the Town's water and sewer system. These combined fund statements are designed to be more corporate-like in that activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes, and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities and the net difference. Governmental and business-type activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses on the gross and net costs of the Town's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental funds and business-type (proprietary) funds. Governmental fund statements follow the more traditional presentation of governmental financial statements.
- The Town's general fund is the Town's only governmental fund. A budgetary comparison is presented for the general fund and the business-type fund. Statements for the Town's business-type fund follow the governmental fund and include net position, revenues, expenses and changes in net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

TOWN OF WESTOVER HILLS

Management’s Discussion and Analysis (Continued)

Combined Funds Financial Statements

The Town’s *combined* net position increased \$432,331 for the fiscal year ended September 30, 2013:

Net Position at Year-End

	Governmental Activities		Business-Type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Cash & cash equivalents	\$ 1,040,130	\$ 1,166,037	\$ 674,453	\$ 476,695	\$ 1,714,583	\$ 1,642,732
Other Assets	81,633	85,891	151,460	249,559	233,093	335,450
Internal balances	-	(758)	-	758	-	-
Capital Assets	1,305,936	1,107,319	2,934,202	2,898,677	4,240,138	4,005,996
Total Assets	<u>2,427,699</u>	<u>2,358,489</u>	<u>3,760,115</u>	<u>3,625,689</u>	<u>6,187,814</u>	<u>5,984,178</u>
Other Liabilities	96,148	112,858	63,109	278,267	159,257	391,125
Long-Term Debt	13,658	10,485	-	-	13,658	10,485
Total Liabilities	<u>109,806</u>	<u>123,343</u>	<u>63,109</u>	<u>278,267</u>	<u>172,915</u>	<u>401,610</u>
Net Position						
Net investment in						
capital assets	1,305,936	1,107,319	2,934,202	2,898,677	4,240,138	4,005,996
Unrestricted	1,011,957	1,127,827	762,804	448,745	1,774,761	1,576,572
Total Net Position	<u>\$ 2,317,893</u>	<u>\$ 2,235,146</u>	<u>\$ 3,697,006</u>	<u>\$ 3,347,422</u>	<u>\$ 6,014,899</u>	<u>\$ 5,582,568</u>

TOWN OF WESTOVER HILLS

Management's Discussion and Analysis (Continued)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program revenues:						
Charges for services	\$ 240,476	\$ 265,194	\$ 1,196,809	\$ 1,231,213	\$ 1,437,285	\$ 1,496,407
Grants & donations	97,000	56,917	-	-	97,000	56,917
General revenues:						
Taxes	1,769,919	1,747,571	-	-	1,769,919	1,747,571
Franchise Fees	89,871	104,317	-	-	89,871	104,317
Interest & others	8,748	15,979	4,749	979	13,497	16,958
Total revenues	<u>2,206,014</u>	<u>2,189,978</u>	<u>1,201,558</u>	<u>1,232,192</u>	<u>3,407,572</u>	<u>3,422,170</u>
Expenses:						
General Government	407,905	285,637	-	-	407,905	285,637
Public Safety	1,163,087	1,119,108	-	-	1,163,087	1,119,108
Public Works	423,692	400,754	-	-	423,692	400,754
Sanitation	49,686	52,230	-	-	49,686	52,230
Building Inspections	78,897	81,802	-	-	78,897	81,802
Water & Sewer	-	-	851,974	898,721	851,974	898,721
Total expenses	<u>2,123,267</u>	<u>1,939,531</u>	<u>851,974</u>	<u>898,721</u>	<u>2,975,241</u>	<u>2,838,252</u>
Change in Net Position	82,747	250,447	349,584	333,471	432,331	583,918
Beginning Net Position	2,235,146	1,966,628	3,347,422	2,995,461	5,582,568	4,962,089
Correction	-	18,071	-	18,490	-	36,561
Ending Net Position	<u>\$ 2,317,893</u>	<u>\$ 2,235,146</u>	<u>\$ 3,697,006</u>	<u>\$ 3,347,422</u>	<u>\$ 6,014,899</u>	<u>\$ 5,582,568</u>

The Town reorganized the allocation of expenditures in FY 2013 to separate the Police Chief and Town Administrator positions and allocate expenses to the appropriate department. The Police Department will lose one sworn position as the Police Chief will staff a patrol position.

TOWN OF WESTOVER HILLS

Management's Discussion and Analysis (Continued)

Governmental Fund

The following schedule presents a comparative summary of the Governmental Fund revenues and expenses for the fiscal year ended September 30, 2013 and September 30, 2012.

Summary of Governmental Fund Revenues

	FY 2013	Percent of Total	FY 2012	Percent of Total	\$ Change	Percent Change
Revenues						
Ad Valorem Taxes	\$ 1,769,119	83.7%	\$ 1,744,918	79.8%	\$ 24,201	1.4%
Franchise Tax	89,871	4.3%	104,317	4.8%	(14,446)	(13.8%)
Charges for Services	124,783	5.9%	130,117	5.9%	(5,334)	(4.1%)
Fines	24,395	1.1%	7,986	0.3%	16,409	205.5%
Building Permits	91,298	4.3%	127,091	5.8%	(35,793)	(28.2%)
Interest	1,304	0.1%	3,583	0.2%	(2,279)	(63.6%)
Donations	-	0.0%	7,000	0.3%	(7,000)	(100.0%)
Grants	-	0.0%	49,917	2.3%	(49,917)	(100.0%)
Miscellaneous	12,838	0.6%	12,396	0.6%	442	3.6%
Total Revenues	\$ 2,113,608	100.0%	\$ 2,187,325	100.0%	\$ (73,717)	(3.4%)

Total Governmental Fund revenues decreased by \$73,717, or 3.4%. The ad valorem tax increase was due to an increase in the tax base by approximately \$15.7 million. Municipal fines increased as this year reflects a full twelve months reporting of court fines.. Building permits saw a reduction in revenue due to the restructuring of permit fees resulting in a 28.2% decrease. No grants were obtained during FY 2013. No donations were received during FY 2013.

Summary of Governmental Fund Expenditures

	FY 2013	Percent of Total	FY 2012	Percent of Total	\$ Change	Percent Change
Expenditures						
General	\$ 373,587	16.9%	\$ 261,070	12.4%	\$ 112,517	43.1%
Public Safety						
Police	901,159	40.6%	954,143	45.3%	(52,984)	(5.6%)
Fire	160,011	7.2%	154,768	7.4%	5,243	3.4%
Municipal Court	39,896	1.8%	24,314	1.1%	15,582	64.1%
Public Works	356,404	16.1%	337,414	16.0%	18,990	5.6%
Building Inspections	78,322	3.5%	81,417	3.9%	(3,095)	(3.8%)
Sanitation	49,686	2.2%	52,230	2.5%	(2,544)	(4.9%)
Capital Outlay	258,522	11.7%	240,279	11.4%	18,243	7.6%
Total Expenditures	\$ 2,217,587	100.0%	\$ 2,105,635	100.0%	\$ 111,952	5.3%

Governmental fund expenditures increased by \$111,952, or 5.3%, due primarily to an increase in General Expenditures. General Expenditures increased primarily due to increased costs for accounting and auditing line items.

TOWN OF WESTOVER HILLS

Management’s Discussion and Analysis (Continued)

Business-Type Fund

The following schedule presents a comparative summary of the Business-Type Fund revenues and expenses for the fiscal year that ended September 30, 2013 and September 30, 2012.

Summary of Business-Type Fund Revenues

	<u>FY 2013</u>	<u>Percent of Total</u>	<u>FY 2012</u>	<u>Percent of Total</u>	<u>\$ Change</u>	<u>Percent Change</u>
Revenues						
Water	\$ 997,784	83.0%	\$ 1,035,513	84.1%	\$ (37,729)	(3.6%)
Sewer	199,025	16.6%	195,700	15.9%	3,325	1.70%
Other	4,320	0.4%	400	0.0%	3,920	980.0%
Total Revenues	<u>\$ 1,201,129</u>	<u>100.0%</u>	<u>\$ 1,231,613</u>	<u>100.0%</u>	<u>\$ (30,484)</u>	<u>(2.5%)</u>

Revenues for Water decreased due to less demand.

Summary of Business-Type Fund Expenditures

	<u>FY 2013</u>	<u>Percent of Total</u>	<u>FY 2012</u>	<u>Percent of Total</u>	<u>\$ Change</u>	<u>Percent Change</u>
Expenditures						
Water Cost	\$ 552,759	64.9%	\$ 592,010	65.9%	\$ (39,251)	(6.6%)
Sewer Cost	58,371	6.9%	41,029	4.6%	17,342	42.3%
Repairs and Maintenance	16,035	1.9%	20,459	2.3%	(4,424)	(21.6%)
Materials and Supplies	16,731	2.0%	20,965	2.3%	(4,234)	(20.2%)
Depreciation	149,527	17.5%	137,400	15.3%	12,127	8.8%
Other	58,551	6.8%	86,664	9.6%	(28,113)	(32.4%)
Total Expenditures	<u>\$ 851,974</u>	<u>100.0%</u>	<u>\$ 898,527</u>	<u>100.0%</u>	<u>\$ (46,553)</u>	<u>(5.2%)</u>

Total Expenditures excluding depreciation were relatively flat in FY 2013. Water expenditures decreased due to less demand by residents.

TOWN OF WESTOVER HILLS

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital assets:

As of September 30, 2013, the Town had a net \$4,240,138 invested in capital assets, including police equipment, public works equipment, vehicles, parks, building, roads, bridges, water line and sewer lines. This amount represents a net increase (additions, deductions and depreciation) of \$234,142 or a 5.8% increase over the prior year.

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Land and Building	\$ 194,691	\$ 179,052	\$ 22,588	\$ 22,588	\$ 217,279	\$ 201,640
Equipment	640,587	507,264	296,953	297,032	937,540	804,296
Improvements other than building	1,258,892	1,104,565	-	-	1,258,892	1,104,565
Water & Sewer Distribution	-	-	4,244,081	3,924,541	4,244,081	3,924,541
Construction in Progress	-	-	-	134,487	-	134,487
Subtotal	2,094,170	1,790,881	4,563,622	4,378,648	6,657,792	6,169,529
Accumulated depreciation	(788,234)	(683,562)	(1,629,420)	(1,479,971)	(2,417,654)	(2,163,533)
Net Capital Assets	\$ 1,305,936	\$ 1,107,319	\$ 2,934,202	\$ 2,898,677	\$ 4,240,138	\$ 4,005,996

The increase in governmental capital assets is the result of \$352,884 of expenditures for one new police vehicle, one new public works truck, the installation of a new floor in Criminal Investigations, brick work at Town Hall, camera installation at Public Works, and street improvements, asset retirements of (\$49,595), and net depreciation of (\$104,672), giving effect to a net increase of \$198,617.

The increase in business-type capital assets is the result of \$185,053 of expenditures for improvements to the water distribution and sewer systems, asset retirements of (\$79), and net depreciation of (\$149,449), giving effect to a net increase of \$35,525.

Debt Outstanding:

At September 30, 2013 and September 30, 2012, the Town had no certificates of obligations outstanding.

Other obligations of the Town include \$54,631 in accrued payable vacation and compensatory time.

TOWN OF WESTOVER HILLS

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient and effective uses of the Town's resources, and a means to accomplish the highest priority objectives. Through the budget, the Town Council sets the direction of the Town, allocates its resources and establishes its priorities.

In considering the Town's budget for the year ending September 30, 2013, the Town Council and management considered the following factors:

- No increase in property tax revenue providing for a 1.5% reduction in the ad valorem tax rate.
- Maintain a flat price per gallon for water.
- Continue the replacement program for aged police and public works vehicles.
- No increase to employee's health benefits or retirement.
- Salary adjustments including a 2% cost of living increase.
- Anticipate customary inflation of the cost for goods and services.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's Administrator, Lyle Dresher, 5824 Merrymount Road, Fort Worth, Texas 76107.

TOWN OF WESTOVER HILLS, TEXAS

STATEMENT OF NET POSITION

September 30, 2013 with Comparative

Total for September 30, 2012

	Governmental Activities	Business-type Activities	2013	2012
ASSETS				
Cash and cash equivalents	\$ 1,040,130	\$ 674,453	\$ 1,714,583	\$ 1,642,732
Receivables, net				
Taxes	68,031	-	68,031	70,379
Accounts receivable	13,602	151,460	165,062	263,511
Prepaid expenses	-	-	-	1,560
Total current assets	<u>1,121,763</u>	<u>825,913</u>	<u>1,947,676</u>	<u>1,978,182</u>
Capital assets not being depreciated				
Land	2,000	-	2,000	2,000
Construction in progress	-	-	-	134,487
Capital assets, net of accumulated depreciation				
Building and improvements	135,159	-	135,159	136,954
Machinery and equipment	378,057	34,974	413,031	326,132
Infrastructure	790,720	2,899,228	3,689,948	3,406,423
Total capital assets	<u>1,305,936</u>	<u>2,934,202</u>	<u>4,240,138</u>	<u>4,005,996</u>
Total assets	<u>\$ 2,427,699</u>	<u>\$ 3,760,115</u>	<u>\$ 6,187,814</u>	<u>\$ 5,984,178</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 36,823	\$ 63,109	\$ 99,932	\$ 316,893
Accrued payroll	18,352	-	18,352	42,777
Noncurrent liabilities:				
Compensated absences				
Current portion	40,973	-	40,973	31,455
Long-term portion	13,658	-	13,658	10,485
Total liabilities	<u>109,806</u>	<u>63,109</u>	<u>172,915</u>	<u>401,610</u>
NET POSITION				
Net investment in capital assets	1,305,936	2,934,202	4,240,138	4,005,996
Unrestricted	1,011,957	762,804	1,774,761	1,576,572
Total net position	<u>2,317,893</u>	<u>3,697,006</u>	<u>6,014,899</u>	<u>5,582,568</u>
Total liabilities and net position	<u>\$ 2,427,699</u>	<u>\$ 3,760,115</u>	<u>\$ 6,187,814</u>	<u>\$ 5,984,178</u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

STATEMENT OF ACTIVITIES

**Year Ended September 30, 2013 with Comparative
Total for Year Ended September 30, 2012**

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		2013	2012
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Functions/Programs:							
Governmental activities:							
General government	\$ 407,905	\$ 48,000	\$ -	\$ (359,905)	\$ -	\$ (359,905)	\$ (237,637)
Public safety	1,163,087	55,249	97,000	(1,010,838)	-	(1,010,838)	(1,024,663)
Public works	423,692	-	-	(423,692)	-	(423,692)	(400,754)
Sanitation	49,686	45,929	-	(3,757)	-	(3,757)	345
Building inspection	78,897	91,298	-	12,401	-	12,401	45,289
Total governmental activities	<u>2,123,267</u>	<u>240,476</u>	<u>97,000</u>	<u>(1,785,791)</u>	<u>-</u>	<u>(1,785,791)</u>	<u>(1,617,420)</u>
Business-type activities:							
Water and sewer services	851,974	1,196,809	-	-	344,835	344,835	332,492
Total business-type activities	<u>851,974</u>	<u>1,196,809</u>	<u>-</u>	<u>-</u>	<u>344,835</u>	<u>344,835</u>	<u>332,492</u>
Total	<u>\$ 2,975,241</u>	<u>\$ 1,437,285</u>	<u>\$ 97,000</u>	<u>(1,785,791)</u>	<u>344,835</u>	<u>(1,440,956)</u>	<u>(1,284,928)</u>
General revenues:							
Property taxes, penalties, and interest				1,769,919	-	1,769,919	1,747,571
Franchise taxes				89,871	-	89,871	104,317
Interest				1,304	429	1,733	4,162
Miscellaneous				7,444	4,320	11,764	12,796
Total general revenues				<u>1,868,538</u>	<u>4,749</u>	<u>1,873,287</u>	<u>1,868,846</u>
Change in net position				<u>82,747</u>	<u>349,584</u>	<u>432,331</u>	<u>583,918</u>
Net position - beginning				<u>2,235,146</u>	<u>3,347,422</u>	<u>5,582,568</u>	<u>4,998,650</u>
Net position - ending				<u>\$ 2,317,893</u>	<u>\$ 3,697,006</u>	<u>\$ 6,014,899</u>	<u>\$ 5,582,568</u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

GENERAL FUND

BALANCE SHEET

September 30, 2013 with Comparative

Total for September 30, 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,040,130	\$ 1,166,037
Receivables:		
Ad valorem taxes	5,407	4,607
Franchise taxes	62,624	65,772
Other	13,602	13,952
Prepaid expenses	-	1,560
Total assets	<u>\$ 1,121,763</u>	<u>\$ 1,251,928</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 36,823	\$ 38,626
Accrued payroll and related expenditures	18,352	42,777
Due to other funds	-	758
Unearned revenue	5,407	4,607
Total liabilities	<u>60,582</u>	<u>86,768</u>
FUND BALANCES		
Nonspendable	-	1,560
Unassigned	1,061,181	1,163,600
Total fund balances	<u>1,061,181</u>	<u>1,165,160</u>
Total liabilities and fund balances	<u>\$ 1,121,763</u>	<u>\$ 1,251,928</u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

September 30, 2013

Total governmental fund balances	\$ 1,061,181
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund.	1,305,936
Unearned property taxes are not reported as revenues in the General Fund because they are not available for current period expenditures.	5,407
Compensated absences are not due and payable in the current period and therefore are not reported in the General Fund.	<u>(54,631)</u>
Net position of governmental activities	<u><u>\$ 2,317,893</u></u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended September 30, 2013 with Comparative

Total for Year Ended September 30, 2012

Revenues:	2013	2012
Taxes		
Ad valorem taxes, interest, and penalties	\$ 1,769,119	\$ 1,744,918
Franchise tax	89,871	104,317
Charges for services		
Sanitation	45,929	52,575
Alarm	30,854	29,542
Administrative services provided to Water and Sewer Fund	48,000	48,000
Fines/forfeitures	24,395	7,986
Building permits	91,298	127,091
Interest	1,304	3,583
Donations	-	7,000
Grants	-	49,917
Miscellaneous	12,838	12,396
Total revenues	2,113,608	2,187,325
Expenditures:		
Current:		
General government	373,587	261,070
Public safety		
Police	901,159	954,143
Fire protection	160,011	154,768
Municipal court	39,896	24,314
Public works	356,404	337,414
Building inspection and permits	78,322	81,417
Sanitation	49,686	52,230
Capital outlay	258,522	240,279
Total expenditures	2,217,587	2,105,635
Net change in fund balance	(103,979)	81,690
Fund balance, beginning of year	1,165,160	1,083,470
Fund balance, end of year	\$ 1,061,181	\$ 1,165,160

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES Year Ended September 30, 2013

Net change in fund balances - total governmental fund	\$ (103,979)
Amounts reported for governmental funds in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the General Fund.	800
The General Fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	(147,287)
Capital outlays are reported as expenditures in the General Fund. However, in the statement of activities, the cost of those assets is capitalized.	255,884
Contribution of capital assets.	97,000
General Fund capital assets sold have the full proceeds reported as revenue instead of applying the basis of the asset sold.	(6,980)
Some expenses reported in the statements of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the General Fund.	<u>(12,691)</u>
Change in net position of governmental activities	<u><u>\$ 82,747</u></u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

WATER AND SEWER FUND

STATEMENT OF NET POSITION

September 30, 2013 with Comparative

Total for September 30, 2012

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	\$ 674,453	\$ 476,695
Receivables (net of allowance for doubtful accounts of \$4,238)	151,460	249,559
Due from General Fund	-	758
Total current assets	<u>825,913</u>	<u>727,012</u>
Capital assets		
Buildings	22,588	22,588
Water and sewer system	4,244,081	3,924,541
Equipment	296,953	297,032
Construction in progress	-	134,487
Less accumulated depreciation	(1,629,420)	(1,479,971)
Total capital assets, net	<u>2,934,202</u>	<u>2,898,677</u>
Total assets	<u>\$ 3,760,115</u>	<u>\$ 3,625,689</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 58,993	\$ 278,267
Customer prepayments	4,116	-
Total liabilities	<u>63,109</u>	<u>278,267</u>
Net position:		
Net investment in capital assets	2,934,202	2,898,677
Unrestricted	762,804	448,745
Total net position	<u>3,697,006</u>	<u>3,347,422</u>
Total liabilities and net position	<u>\$ 3,760,115</u>	<u>\$ 3,625,689</u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

WATER AND SEWER FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended September 30, 2013 with Comparative
Total for Year Ended September 30, 2012

	2013	2012
Operating revenues:		
Water sales	\$ 997,784	\$ 1,035,513
Sewer services	199,025	195,700
Other revenue	4,320	400
Total operating revenues	<u>1,201,129</u>	<u>1,231,613</u>
Operating expenses:		
Water purchases	552,759	592,010
Sewer services	58,371	41,029
Repairs and maintenance	16,035	20,459
Materials and supplies	16,731	20,965
Depreciation	149,527	137,400
Other operating expenses	58,551	86,664
Total operating expenses	<u>851,974</u>	<u>898,527</u>
Operating income	<u>349,155</u>	<u>333,086</u>
Non-operating revenues (expenses):		
Interest income	429	579
Interest expense	-	(194)
Total non-operating revenue (expenses)	<u>429</u>	<u>385</u>
Change in net position	<u>349,584</u>	<u>333,471</u>
Net position, beginning of year	<u>3,347,422</u>	<u>3,013,951</u>
Net position, end of year	<u><u>\$ 3,697,006</u></u>	<u><u>\$ 3,347,422</u></u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

WATER AND SEWER FUND

STATEMENT OF CASH FLOWS

Year Ended September 30, 2013 with Comparative
Total for Year Ended September 30, 2012

	<u>2013</u>	<u>2012</u>
Cash flow from operating activities:		
Receipts from customers and users	\$ 1,303,344	\$ 1,308,398
Payments to suppliers	(873,721)	(645,851)
Payments to the General Fund for services provided	(48,000)	(48,000)
Net cash provided by operating activities	<u>381,623</u>	<u>614,547</u>
Cash flow from noncapital financing activities:		
Repayment (to) from the General Fund	758	(14,462)
Net cash provided (used) for noncapital financing activities	<u>758</u>	<u>(14,462)</u>
Cash flow from capital financing activities:		
Purchase of capital assets	(185,052)	(451,145)
Principal paid on capital debt	-	(65,000)
Interest paid on capital debt	-	(194)
Net cash used by capital financing activities	<u>(185,052)</u>	<u>(516,339)</u>
Cash flow from investing activities:		
Interest on investments	429	579
Net cash provided by investing activities	<u>429</u>	<u>579</u>
Net increase in cash and cash equivalents	197,758	84,325
Cash and cash equivalents, beginning of year	476,695	392,370
Cash and cash equivalents, end of the year	<u>\$ 674,453</u>	<u>\$ 476,695</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 349,155	\$ 333,086
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	149,527	137,400
Decrease in accounts receivable	98,099	76,785
Increase (decrease) in accounts payable	(219,274)	67,276
Increase in customer prepayments	4,116	-
Net cash provided by operating activities	<u>\$ 381,623</u>	<u>\$ 614,547</u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Westover Hills, Texas (the “Town”) was incorporated in 1937. Since 1939, the Town has operated under an aldermanic form of government as a Type A general law municipality. The Town provides the following services: public safety, public improvements, building inspection, general administration services, and water and sewer utilities.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The Town’s significant policies are described below.

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures and expenses. Actual results could vary from the estimates that are used.

Government-Wide 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 government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues susceptible to accrual as available if they are collected within 60 days after year-end.

Those revenues susceptible to accrual are property taxes, franchise taxes, and investment income. Charges for services such as licenses and permits and fines are not susceptible to accrual because generally they are not measurable until received in cash.

The General Fund is the only governmental fund of the Town.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility service receivables are recorded at each year-end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Town’s proprietary funds are charges to customers for sales and services.

Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town’s proprietary fund is the Water and Sewer Fund which is used to account for providing water and sewer services to residential users in the Town.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town. Because the Town at its option can withdraw funds within a twenty-four hour period, deposits with the Texas Local Government Investment Pool (TexPool) are considered to be cash equivalents.

Receivables

Receivables include amounts due from residents of the Town for property taxes and the use of water and sewer services. Receivables also represent franchise taxes due from businesses who do business within the Town. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts. The Town evaluates the adequacy of the allowance for uncollectible accounts based on a periodic review of individual accounts. The primary factors considered in determining the amount of the allowance are collection history, the aging of the accounts, and other specific information known by the Town that may affect collectability. Accounts are charged off when they are deemed by the Town to be uncollectible.

Prepaid Items

Payments made to vendors for services that will benefit periods subsequent to September 30, 2013 are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure such as roads, bridges, water and sewer systems, drainage systems, and lighting systems, are reported at historical cost. Contributed assets are recorded at their estimated fair market value at the date received. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	30 years
Infrastructure	30 years
Water and sewer system	20 - 33 years
Improvements	10 - 15 years
Machinery and equipment	2 - 10 years

The minimum capitalization threshold is any item with a total cost greater than \$1,000.

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements, if applicable. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Activities 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 business-type activities are reported in the government-wide financial statements as “internal balances.”

Fund Equity

Fund balances of the governmental funds are classified as follows:

- **Nonspendable:** amounts that are not spendable in form or are legally or contractually required to be maintained intact.
- **Restricted:** includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed:** includes amounts that can be used only for the specific purposes determined by a formal action of the Town’s highest level of decision making authority, which is the Town Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance adopted by the Town Council. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- **Assigned:** includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used by the Town for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- **Unassigned:** includes all other spendable amounts.

The highest level of restricted resources are utilized first when an expense is incurred for which restricted, committed, or assigned resources are available. Unassigned resources are utilized after all other resources have been exhausted.

Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets, and adding back unspent proceeds.

Subsequent Events

Management evaluated subsequent events through January 30, 2014 which is the date the financial statements were available to be issued.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. BUDGETARY DATA

An annual budget is adopted for the General Fund, using the modified accrual basis of accounting, and for the Water and Sewer Fund using the full accrual basis of accounting. The basis of accounting for the funds is described in Note 1.

The Town Council uses the following procedures in establishing budgetary data reflected in the financial statements:

- Prior to September 1, the Town submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes 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.
- Once a budget is approved, it can be amended only by approval of a majority of the Town Council members.
- Amendments are presented to the Town Council at their regular meetings. Each amendment must have Town Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Town Council, and are not made after a fiscal year-end. All budget appropriations lapse at year-end, except for capital budget.

The General Fund incurred expenditures in excess of appropriations of \$27,131 for the year ended September 30, 2012. For 2013, no such excess was incurred.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash

State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of the State of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At September 30, 2013, there are no demand deposits of the Town that are not fully collateralized as required by the state statutes. At year-end, the carrying amount of the Town's demand deposits is approximately \$292,555, all of which is covered by federal depository insurance or by collateral held by the pledging financial institution in the Town's name.

Cash Equivalents

The Town's cash equivalents are registered or held by the Town or its agent in the Town's name. At September 30, 2013, the fair value of the Town's cash equivalents is \$1,420,786.

The Town's cash equivalents represent an investment in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The Town's investment in Texpool is rated AAAM by Standard & Poor's Corporation.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

The Town has not formally adopted deposit and investment policies that limit its allowable deposits or investments or address the specific types of risk to which they are exposed.

A reconciliation of cash and cash equivalents as shown on the statement of net position for the primary government at September 30, 2013 follows:

Cash on hand	\$	1,242
Deposits with financial institutions		292,555
TexPool		<u>1,420,786</u>
Total	\$	<u>1,714,583</u>

NOTE 4. AD VALOREM TAX

The Town's ad valorem tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property and personal property located in the Town. The total assessed value upon which the fiscal 2013 levy is based is \$490,574,971. The appraisal function is performed by the Tarrant Appraisal District.

General ad valorem taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service for the year ended September 30, 2013, is \$0.360238 per \$100 of assessed valuation.

Ad valorem taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date, and are considered delinquent after that date. Current tax collections for the year ended September 30, 2013 are approximately 99.999% of the tax levy. Uncollected ad valorem taxes levied for the current fiscal year are recognized as receivables. At year-end, management has determined that an allowance for doubtful accounts is not necessary.

NOTE 5. FRANCHISE TAXES

Through franchise agreements, the Town receives taxes from various companies for the right to provide services to citizens within the Town. The services provided primarily include telephone, cable, electricity, and natural gas. The amount received by the Town for these fees was \$89,871 and \$104,317 for the years ended September 30, 2013 and 2012, respectively.

NOTE 6. INTERFUND TRANSACTIONS

There were no due from/to other funds outstanding at September 30, 2013. In 2012, \$758 was due from the General Fund to the Water and Sewer Fund.

The General Fund charges the Water and Sewer Fund an administrative fee for certain general and administrative services. Administrative charges are recorded as service revenue by the General Fund and operating expenses by the Water and Sewer Fund. The administrative fees were \$48,000 for the years ended September 30, 2013 and 2012.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

A summary of changes in governmental activities capital assets follows:

Governmental activities:	Balance September 30, 2012	Additions	Retirements/ Reclassifications	Balance September 30, 2013
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Total capital assets not being depreciated	2,000	-	-	2,000
Capital assets being depreciated:				
Buildings	177,052	9,289	6,350	192,691
Equipment	507,264	182,918	(49,595)	640,587
Improvements other than building	1,104,565	160,677	(6,350)	1,258,892
Total capital assets being depreciated	1,788,881	352,884	(49,595)	2,092,170
Total capital assets	1,788,881	352,884	(49,595)	2,092,170
Less accumulated depreciation for:				
Buildings	(40,098)	(17,434)	-	(57,532)
Equipment	(230,471)	(74,674)	42,615	(262,530)
Improvements other than buildings	(412,993)	(55,179)	-	(468,172)
Total accumulated depreciation	(683,562)	(147,287)	42,615	(788,234)
Total capital assets being depreciated, net	1,105,319	205,597	(6,980)	1,303,936
Capital assets, net of depreciation	<u>\$ 1,107,319</u>	<u>\$ 205,597</u>	<u>\$ (6,980)</u>	<u>\$ 1,305,936</u>



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

	Balance September 30, 2011	Additions	Retirements/ Reclassifications	Balance September 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Total capital assets not being depreciated	2,000	-	-	2,000
Capital assets being depreciated:				
Buildings	177,052	-	-	177,052
Equipment	374,625	181,900	(49,261)	507,264
Improvements other than building	991,814	112,751	-	1,104,565
Total capital assets being depreciated	1,543,491	294,651	(49,261)	1,788,881
Total capital assets	1,545,491	294,651	(49,261)	1,790,881
Less accumulated depreciation for:				
Buildings	(22,566)	(17,532)	-	(40,098)
Equipment	(221,329)	(56,292)	47,150	(230,471)
Improvements other than buildings	(367,613)	(45,380)	-	(412,993)
Total accumulated depreciation	(611,508)	(119,204)	47,150	(683,562)
Total capital assets being depreciated, net	931,983	175,447	(2,111)	1,105,319
Capital assets, net of depreciation	<u>\$ 933,983</u>	<u>\$ 175,447</u>	<u>\$ (2,111)</u>	<u>\$ 1,107,319</u>

Depreciation is charged to functions as follows:

	2013	2012
Governmental activities:		
General government	\$ 25,182	\$ 20,627
Public works	54,095	59,010
Public safety	68,010	39,567
Total governmental activities depreciation expense	<u>\$ 147,287</u>	<u>\$ 119,204</u>



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

A summary of changes in business-type capital assets follows:

	Balance September 30, 2012	Additions	Retirements/ Reclassifications	Balance September 30, 2013
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 134,487	\$ -	\$ (134,487)	\$ -
Total capital assets not being depreciated	134,487	-	(134,487)	-
Capital assets being depreciated:				
Buildings	22,588	-	-	22,588
Equipment	297,032	-	(79)	296,953
Water and sewer system	3,924,541	185,053	134,487	4,244,081
Total capital assets being depreciated	4,244,161	185,053	134,408	4,563,622
Total capital assets	4,378,648	185,053	(79)	4,563,622
Less accumulated depreciation for:				
Buildings	(22,588)	-	-	(22,588)
Equipment	(247,693)	(14,365)	79	(261,979)
Water and sewer system	(1,209,690)	(135,163)	-	(1,344,853)
Total accumulated depreciation	(1,479,971)	(149,528)	79	(1,629,420)
Total capital assets being depreciated, net	2,764,190	35,525	134,487	2,934,202
Capital assets, net of depreciation	\$ 2,898,677	\$ 35,525	\$ -	\$ 2,934,202



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

	Balance September 30, 2011	Additions	Retirements/ Reclassifications	Balance September 30, 2012
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 134,487	\$ -	\$ 134,487
Total capital assets not being depreciated	-	134,487	-	134,487
Capital assets being depreciated:				
Buildings	32,733	-	(10,145)	22,588
Equipment	299,181	1,896	(4,045)	297,032
Water and sewer system	3,475,292	449,249	-	3,924,541
Total capital assets being depreciated	3,807,206	451,145	(14,190)	4,244,161
Total capital assets	3,807,206	585,632	(14,190)	4,378,648
Less accumulated depreciation for:				
Buildings	(32,733)	-	10,145	(22,588)
Equipment	(237,031)	(14,707)	4,045	(247,693)
Water and sewer system	(1,086,997)	(122,693)	-	(1,209,690)
Total accumulated depreciation	(1,356,761)	(137,400)	14,190	(1,479,971)
Total capital assets being depreciated, net	2,450,445	313,745	-	2,764,190
Capital assets, net of depreciation	\$ 2,450,445	\$ 448,232	\$ -	\$ 2,898,677

NOTE 8. LONG-TERM DEBT

During the year ended September 30, 2013, the following changes in long-term liabilities occurred:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013	Due Next Year
Governmental activities:					
Compensated absences	\$ 41,940	\$ 53,641	\$ 40,950	\$ 54,631	\$ 40,973

During the year ended September 30, 2013, the following changes in long-term liabilities occurred:

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012	Due Next Year
Governmental activities:					
Compensated absences	\$ 34,708	\$ 46,470	\$ 39,238	\$ 41,940	\$ 31,455

There are no long-term debt obligations for the proprietary fund.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

TMRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information ("RSI") for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2012</u>
Deposit Rate	5.0%	5.0%
Matching Ratio (Town to Employee)	1 to 1	1 to 1
A member is vested after	5 years	5 years
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

The following table discloses three-year historical trend information relating to the TMRS plan for the primary government.

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 35,021	\$ 35,021	100%	\$ -
2012	\$ 10,756	\$ 10,756	100%	\$ -
2013	\$ 3,910	\$ 3,910	100%	\$ -

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

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	22.6 years; closed period	25.6 years; closed period	25.5 years; closed period
Amortization Period for new gains/losses	25 years	24 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
*Includes Inflation at Cost of Living Adjustments	3.0%	3.0%	3.0%
	0%	0%	0%

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2012	\$ 1,644,612	\$ 1,652,524	99.5%	\$ 7,912	\$ 938,068	0.8%



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funded Status and Funding Progress (Continued)

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

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

NOTE 10. OTHER EMPLOYMENT BENEFITS

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town 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 Fund does not issue a separate audited financial report.

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.

Contributions

The Town 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 Town's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 are \$3,302, \$3,348, and \$3,932 respectively, which equal the required contributions each year.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11. RELATED PARTY TRANSACTIONS

The Town Secretary during 2012 was also a principal in the certified public accounting firm (CPA firm) that provided accounting and other services for the Town until September 30, 2012. Services provided consisted of preparing monthly statements, payment of invoices, utility billing and collections, payroll preparation, management of checking accounts, and other routine day-to-day operations of the Town. Payments to the CPA firm for these services totaled \$3,800 in 2013 and \$36,446 in 2012. The Town also reimbursed the CPA firm for the cost of postage and office supplies.

The Town Mayor is also a managing partner in the law firm that provides legal advice and other services for the Town. Payments to the law firm totaled \$26,000 in 2013 and \$5,821 in 2012.

NOTE 12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Texas Municipal League Intergovernmental Risk Pool (the "Risk Pool") to provide insurance for workers' compensation benefits, liability, and property coverage.

At September 30, 2013, the Risk Pool was self-sustaining based on premiums charged so that total contributions plus compounded earnings on these contributions are sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience. The Town is not liable for payments beyond the annual contributions.

The Risk Pool has purchased stop loss coverage to protect the assets of the pool from catastrophic losses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years, and there have been no significant reductions in insurance coverage during the current year.

NOTE 13. COMMITMENTS AND CONTINGENCIES

In 1991, the Town entered into a twenty-six year contract with the City of Fort Worth for the transportation, treatment, and disposal of sanitary sewage. Under the terms of the contract, the City is obligated to make payments for sewage actually discharged and to share in the cost of operation and maintenance of the system. Sewer charges were approximately \$58,000 and \$41,000 for the years ended 2013 and 2012, respectively, and are also included as operating expenses of the Water and Sewer Fund.

Effective January 1, 2011, the Town entered into a twenty year contract for the purchase of water. Under the terms of the contract, the Town is obligated to make a minimum annual payment based upon the annual volume charge, consumption, service charge, and current year rate. Payments under this contract are included as operating expenses of the Water and Sewer Fund and totaled approximately \$553,000 and \$592,000 for the years ended 2013 and 2012, respectively.

Effective October 1, 2011, the Town entered into a five year contract for fire protection services. The cost is based upon several factors including the population of the Town and the level of service provided. Charges under this contract were approximately \$160,000 and \$155,000 for the years ended 2013 and 2012, respectively, and are included as expenditures of the General Fund.



REQUIRED SUPPLEMENTAL INFORMATION



TOWN OF WESTOVER HILLS, TEXAS

**SCHEDULE OF TMRS FUNDING PROGRESS (UNAUDITED)
LAST THREE YEARS**

Fiscal Year September 30,	Actuarial Valuation Date December 31,	(a)	(b)	(c)	(d)	(e)	UAAL as a Percentage of Covered Payroll (d) / (e) (1)
		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (a) / (b)	Unfunded AAL (UAAL) (b) - (a)	Annual Covered Payroll (1)	
2011	2010	\$ 1,529,737	\$ 1,576,194	97.1%	\$ 46,458	\$ 859,868	5.4%
2012	2011	\$ 1,593,857	\$ 1,608,706	99.1%	\$ 14,849	\$ 892,261	1.7%
2013	2012	\$ 1,644,612	\$ 1,652,524	99.5%	\$ 7,912	\$ 938,068	0.8%



TOWN OF WESTOVER HILLS, TEXAS

GENERAL FUND

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended September 30, 2013 with Comparative
Total for Year Ended September 30, 2012

	2013			2012
	Original and Final Budget	Actual	Variance	Actual
Revenues:				
Ad valorem taxes, interest and penalties	\$ 1,756,696	\$ 1,769,119	\$ 12,423	\$ 1,744,918
Franchise tax	100,000	89,871	(10,129)	104,317
Charges for services				
Sanitation	49,000	45,929	(3,071)	52,575
Alarm	28,100	30,854	2,754	29,542
Administrative services provided to				
Water and Sewer Fund	48,000	48,000	-	48,000
Fines/forfeitures	34,500	24,395	(10,105)	7,986
Building permits	85,000	91,298	6,298	127,091
Interest	1,200	1,304	104	3,583
Donations	5,000	-	(5,000)	7,000
Grants	-	-	-	49,917
Miscellaneous	3,000	12,838	9,838	12,396
Total revenues	2,110,496	2,113,608	3,112	2,187,325
Expenditures:				
Current:				
General government	360,274	373,587	(13,313)	261,070
Public safety				
Police	917,892	901,159	16,733	954,143
Fire protection	160,011	160,011	-	154,768
Municipal court	34,200	39,896	(5,696)	24,314
Building inspection and permits	82,326	78,322	4,004	81,417
Sanitation	60,000	49,686	10,314	52,230
Public works	355,294	356,404	(1,110)	337,414
Capital outlay	317,000	258,522	58,478	240,279
Total expenditures	2,286,997	2,217,587	69,410	2,105,635
Net change in fund balances	(176,501)	(103,979)	72,522	81,690
Fund balances, beginning of year	1,165,160	1,165,160	-	1,083,470
Fund balances, end of year	\$ 988,659	\$ 1,061,181	\$ 72,522	\$ 1,165,160



TOWN OF WESTOVER HILLS, TEXAS

WATER AND SEWER FUND SCHEDULE OF REVENUES, EXPENSES, AND CHANGES

IN NET POSITION - BUDGET AND ACTUAL

Year Ended September 30, 2013 with Comparative

Total for Year Ended September 30, 2012

	2013			2012
	Original and Final Budget	Actual	Variance	Actual
Operating revenues:				
Water sales	\$ 1,001,346	\$ 997,784	\$ (3,562)	\$ 1,035,513
Sewer services	190,536	199,025	8,489	195,700
Other revenue	1,000	4,320	3,320	400
Total operating revenues	1,192,882	1,201,129	8,247	1,231,613
Operating expenses:				
Water purchases	613,280	552,759	60,521	592,010
Sewer services	78,654	58,371	20,283	41,029
Repairs and maintenance	35,890	16,035	19,855	20,459
Materials and supplies	14,384	16,731	(2,347)	20,965
Depreciation	112,200	149,527	(37,327)	137,400
Other operating expenses	79,616	58,551	21,065	86,664
Total operating expenses	934,024	851,974	82,050	898,527
Operating income	258,858	349,155	90,297	333,086
Non-operating revenues (expenses):				
Interest income	500	429	(71)	579
Interest expense	-	-	-	(194)
Total non-operating revenue (expenses)	500	429	(71)	385
Change in net position	259,358	349,584	90,226	333,471
Net position, beginning of year	3,347,422	3,347,422	-	3,013,951
Net position, end of year	\$ 3,606,780	\$ 3,697,006	\$ 90,226	\$ 3,347,422
Budgeted capital costs	\$ 237,500	\$ 129,387	\$ 108,113	\$ 585,632

