

**TOWN OF WESTOVER HILLS, TEXAS**

**AUDITED FINANCIAL STATEMENTS**

**Year Ended September 30, 2014**



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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, 2014, 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, 2014, 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.

### **Emphasis of Matter**

As discussed in Note 14 to the financial statements, the 2013 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the Town's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the restatement as described in Note 14.

### **Other Matters**

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 20, 2015 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 + Opitz, LLP*

January 20, 2015



# 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 Fiscal Year 2013-1014 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 proprietary (business)-type activities. Governmental (General Fund) activities include basic services such as police, municipal court, fire protection, building inspection, public works, parks, solid waste collection, and general 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 an all-inclusive financial position of 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 Town's assets, its liabilities, and the net difference. The net difference is further separated into amounts restricted for specific purposes with the remainder being unrestricted. Governmental activities reflect capital assets including infrastructure and long-term liabilities and the net difference. Both governmental and proprietary-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 property tax and other general 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 (general) funds and proprietary (business)-type funds. Governmental fund statements follow the more traditional presentation of governmental operating 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 Water and Sewer Utility (business)-type fund. Statements for the Town's Water and Sewer Utility Fund follow the governmental fund (General 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 \$137,136 for the fiscal year ended September 30, 2014:

**Net Position at Year-End**

	Governmental Activities		Proprietary-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Cash & cash equivalents	\$ 1,009,131	\$ 1,040,130	\$ 980,553	\$ 674,453	\$ 1,989,684	\$ 1,714,583
Other Assets	73,975	81,633	139,313	151,460	213,288	233,093
Capital Assets	1,301,268	1,305,936	2,822,150	2,880,377	4,123,418	4,186,313
<b>Total Assets</b>	<b>\$ 2,384,374</b>	<b>\$ 2,427,699</b>	<b>\$ 3,942,016</b>	<b>\$ 3,706,290</b>	<b>\$ 6,326,390</b>	<b>\$ 6,133,989</b>
Other Liabilities	\$ 65,656	\$ 96,148	\$ 150,859	\$ 63,109	\$ 216,515	\$ 159,257
Long-Term Liabilities	11,665	13,658	-	-	11,665	13,658
<b>Total Liabilities</b>	<b>\$ 77,321</b>	<b>\$ 109,806</b>	<b>\$ 150,859</b>	<b>\$ 63,109</b>	<b>\$ 228,180</b>	<b>\$ 172,915</b>
Net Position						
Net investment in capital assets	\$ 1,301,268	\$ 1,305,936	\$ 2,822,150	\$ 2,880,377	\$ 4,123,418	\$ 4,186,313
Unrestricted	1,005,785	1,011,957	969,007	762,804	1,974,792	1,774,761
<b>Total Net Position</b>	<b>\$ 2,307,053</b>	<b>\$ 2,317,893</b>	<b>\$ 3,791,157</b>	<b>\$ 3,643,181</b>	<b>\$ 6,098,210</b>	<b>\$ 5,961,074</b>

# TOWN OF WESTOVER HILLS

## Management's Discussion and Analysis (Continued)

### Statement of Activities

	Governmental Activities		Proprietary-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program revenues:						
Charges for services	\$ 205,947	\$ 240,476	\$ 1,077,190	\$ 1,201,129	\$ 1,283,137	\$ 1,441,605
Grants & donations	2,637	97,000	-	-	2,637	97,000
General revenues:						
Taxes	1,799,511	1,769,919	-	-	1,799,511	1,769,919
Franchise Fees	96,513	89,871	-	-	96,513	89,871
Interest & others	3,956	8,748	341	429	4,297	9,177
Total revenues	<u>2,108,564</u>	<u>2,206,014</u>	<u>1,077,531</u>	<u>1,201,558</u>	<u>3,186,095</u>	<u>3,407,572</u>
Expenses:						
General Government	398,531	407,905	-	-	398,531	407,905
Public Safety	1,149,287	1,163,087	-	-	1,149,287	1,163,087
Public Works	434,462	423,692	-	-	434,462	423,692
Solid Waste	50,038	49,686	-	-	50,038	49,686
Building Inspections	87,086	78,897	-	-	87,086	78,897
Water & Sewer	-	-	929,555	851,974	929,555	851,974
Total expenses	<u>2,119,404</u>	<u>2,123,267</u>	<u>929,555</u>	<u>851,974</u>	<u>3,048,959</u>	<u>2,975,241</u>
Change in Net Position	(10,840)	82,747	147,976	349,584	137,136	432,331
Beginning Net Position, as previously stated	2,317,893	2,235,146	3,643,181	3,347,422	5,961,074	5,582,568
Correction of an error (See Note 14)	-	-	-	(53,825)	-	(53,825)
Beginning Net Position, as restated	<u>2,317,893</u>	<u>2,235,146</u>	<u>3,643,181</u>	<u>3,293,597</u>		
Ending Net Position	<u>\$ 2,307,053</u>	<u>\$ 2,317,893</u>	<u>\$ 3,791,157</u>	<u>\$ 3,643,181</u>	<u>\$ 6,098,210</u>	<u>\$ 5,961,074</u>

The correction of an error resulted from Town personnel undertaking an inventory of capital assets during fiscal year ending September 30, 2014. During this review, it was determined that there were assets listed in the accounting records that had been disposed of in previous years or items that should not have been capitalized in prior years.



## 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 years ended September 30, 2014 and September 30, 2013.

#### Summary of Governmental Fund Revenues

	2014	Percent of Total	2013	Percent of Total	\$ Change	Percent Change
<b>Revenues</b>						
Ad Valorem Taxes	\$ 1,804,918	85.4%	\$ 1,769,119	83.7%	\$ 35,799	2.0%
Franchise Tax	96,513	4.6%	89,871	4.3%	6,642	7.4%
Charges for Services	132,183	6.3%	124,783	5.9%	7,400	5.9%
Fines	16,719	0.7%	24,395	1.1%	(7,676)	(31.5%)
Building Permits	57,045	2.7%	91,298	4.3%	(34,253)	(37.5%)
Interest	731	0.0%	1,304	0.1%	(573)	(43.9%)
Donations	586	0.0%	-	0.0%	586	100%
Grants	2,051	0.1%	-	0.0%	2,051	100%
Miscellaneous	3,225	0.2%	12,838	0.6%	(9,613)	(74.9%)
<b>Total Revenues</b>	<b>\$ 2,113,971</b>	<b>100.0%</b>	<b>\$ 2,113,608</b>	<b>100.0%</b>	<b>\$ 363</b>	<b>0.02%</b>

Total Governmental Fund revenues were comparable to prior year. The ad valorem tax increase was due to an increase in the assessed value by approximately \$16 million. Municipal fines decreased as the Fiscal Year 2014 reflects a full twelve months collecting and reporting of court fines. Building permits saw a reduction in revenue due to a decrease in residential construction permit fees in current fiscal year resulting in a 37.5% decrease. No grants were obtained during FY 2013. No donations were received during FY 2013.

#### Summary of Governmental Fund Expenditures

	2014	Percent of Total	2013	Percent of Total	\$ Change	Percent Change
<b>Expenditures</b>						
General	\$ 369,991	17.4%	\$ 373,587	16.8%	\$ (3,596)	(0.9%)
<b>Public Safety</b>						
Police	904,766	42.8%	901,159	40.6%	3,607	0.4%
Fire	164,744	7.7%	160,011	7.2%	4,733	3.0%
Municipal Court	43,433	2.0%	39,896	1.7%	3,537	8.9%
Public Works	350,383	16.5%	356,404	16.1%	(2,484)	(0.7%)
Building Inspections	91,929	4.3%	78,322	3.5%	13,607	17.4%
Solid Waste	50,038	2.3%	49,686	2.2%	352	0.7%
Capital Outlay	147,426	6.9%	258,522	11.7%	(111,096)	(43.0%)
<b>Total Expenditures</b>	<b>\$ 2,122,710</b>	<b>100.0%</b>	<b>\$ 2,217,587</b>	<b>100.0%</b>	<b>\$ (94,877)</b>	<b>(4.3%)</b>

Governmental fund expenditures decreased by \$94,877, or 4.3%, primarily due to the decreased activity in current year for capital projects.

**TOWN OF WESTOVER HILLS**

**Management’s Discussion and Analysis (Continued)**

*Proprietary-Type Fund*

The following schedule presents a comparative summary of the Water and Sewer Utility (proprietary) Fund revenues and expenses for the fiscal year that ended September 30, 2014 and September 30, 2013.

**Summary of Water and Sewer Utility Fund Revenues**

	2014	Percent of Total	2013	Percent of Total	\$ Change	Percent Change
Revenues						
Water	\$ 857,644	79.6%	\$ 997,784	83.0%	\$ (140,140)	(14.0%)
Sewer	213,876	19.9%	199,025	16.6%	14,851	7.5%
Other	5,670	0.5%	4,320	0.4%	1,350	0.1%
Total Revenues	<u>\$ 1,077,190</u>	<u>100.0%</u>	<u>\$ 1,201,129</u>	<u>100.0%</u>	<u>\$ (123,939)</u>	<u>(10.3%)</u>

Revenues for Water decreased due to less demand.

**Summary of Water and Sewer Utility Fund Expenditures**

	2014	Percent of Total	2013	Percent of Total	\$ Change	Percent Change
Expenditures						
Water Cost	\$ 592,323	63.7%	\$ 552,759	64.9%	\$ 39,564	7.2%
Sewer Cost	50,591	5.5%	58,371	6.9%	(7,780)	(13.3%)
Repairs and Maintenance	46,782	5.0%	16,035	1.9%	30,747	191.7%
Materials and Supplies	12,868	1.4%	16,731	2.0%	(3,863)	(23.1%)
Depreciation	148,253	15.9%	149,527	17.5%	(1,274)	(0.9%)
Other	78,738	8.5%	58,551	6.8%	20,187	34.5%
Total Expenditures	<u>\$ 929,555</u>	<u>100.0%</u>	<u>\$ 851,974</u>	<u>100.0%</u>	<u>\$ 77,581</u>	<u>9.1%</u>

Total expenditures excluding depreciation were fairly comparable to prior year. Repairs and maintenance expense was higher in current year due to continued repairs to the water and sewer system and a citywide sewer main inspection and a sewer line de-rooting project conducted during the current fiscal year. Total costs for these projects approximated \$26,000.

## TOWN OF WESTOVER HILLS

### Management's Discussion and Analysis (Continued)

#### Capital Assets and Debt Administration

##### *Capital assets:*

As of September 30, 2014, the Town had a net \$4,123,418 invested in capital assets, including police equipment, public works equipment, vehicles, parks, building, roads, bridges, water lines, and sewer lines. This amount represents a net decrease (additions, deductions and depreciation) of \$62,895 or a 1.5% decrease over the prior year.

#### Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Land and Building	\$ 207,927	\$ 194,691	\$ -	\$ -	\$ 207,927	\$ 194,691
Equipment	666,964	640,587	223,858	221,556	890,822	862,143
Improvements other than building	1,359,606	1,258,892	-	-	1,359,606	1,258,892
Water & Sewer Distribution	-	-	4,268,406	4,180,682	4,268,406	4,180,682
Subtotal	2,234,497	2,094,170	4,492,264	4,402,238	6,726,761	6,496,408
Accumulated depreciation	(933,229)	(788,234)	(1,670,114)	(1,521,861)	(2,603,343)	(2,310,095)
Net Capital Assets	\$ 1,301,268	\$ 1,305,936	\$ 2,822,150	\$ 2,880,377	\$ 4,123,418	\$ 4,186,313

The increase in General Fund (governmental) capital assets (excluding depreciation) is primarily related to the Canterbury Drive and Indian Springs street improvement projects that were completed in the current fiscal year. Total amount for these projects was approximated \$100,000.

The increase in Water and Sewer Fund capital assets (excluding depreciation) is the result of approximately \$90,000 of expenditures for improvements to the water distribution and sewer systems.

##### *Debt Outstanding:*

At September 30, 2014 and September 30, 2013, the Town had no long term debt outstanding.

Other obligations of the Town include \$46,657 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 intended to provide the level of Town services expected by its citizens. The budget also serves as a management tool by both the Town Council and the Town Staff setting the direction of the Town, allocating its resources and establishing its priorities.

In considering the Town's budget for the year ending September 30, 2015 the Town Council and Staff considered the following factors:

- Increase in water rates from \$4.25 to \$5.00 per 1,000 gallons.
- Continue the replacement program for aged police and public works vehicles.
- 21% increase in health care costs (Estimated increase at budget time was 21% - reduced by increasing deductibles paid by employees, thus reducing the increase.)
- Salary adjustments including a 3% 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 H. Drescher, 5824 Merrymount Road, Fort Worth, Texas 76107.

## TOWN OF WESTOVER HILLS, TEXAS

### STATEMENT OF NET POSITION September 30, 2014 with Comparative Total for September 30, 2013

	Governmental Activities	Business-type Activities	2014	2013
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,009,131	\$ 980,553	\$ 1,989,684	\$ 1,714,583
Receivables, net				
Taxes	65,316	-	65,316	68,031
Accounts receivable	8,659	139,313	147,972	165,062
<b>Total current assets</b>	<u>1,083,106</u>	<u>1,119,866</u>	<u>2,202,972</u>	<u>1,947,676</u>
Capital assets not being depreciated				
Land	2,000	-	2,000	2,000
Capital assets, net of accumulated depreciation				
Building and improvements	130,147	-	130,147	135,159
Machinery and equipment	328,115	26,248	354,363	413,031
Infrastructure	841,006	2,795,902	3,636,908	3,636,123
<b>Total capital assets</b>	<u>1,301,268</u>	<u>2,822,150</u>	<u>4,123,418</u>	<u>4,186,313</u>
<b>Total assets</b>	<u>\$ 2,384,374</u>	<u>\$ 3,942,016</u>	<u>\$ 6,326,390</u>	<u>\$ 6,133,989</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 16,090	\$ 150,859	\$ 166,949	\$ 99,932
Accrued payroll	14,574	-	14,574	18,352
Noncurrent liabilities:				
Compensated absences				
Current portion	34,992	-	34,992	40,973
Long-term portion	11,665	-	11,665	13,658
<b>Total liabilities</b>	<u>77,321</u>	<u>150,859</u>	<u>228,180</u>	<u>172,915</u>
<b>NET POSITION</b>				
Net investment in capital assets	1,301,268	2,822,150	4,123,418	4,186,313
Unrestricted	1,005,785	969,007	1,974,792	1,774,761
<b>Total net position</b>	<u>2,307,053</u>	<u>3,791,157</u>	<u>6,098,210</u>	<u>5,961,074</u>
<b>Total liabilities and net position</b>	<u>\$ 2,384,374</u>	<u>\$ 3,942,016</u>	<u>\$ 6,326,390</u>	<u>\$ 6,133,989</u>

See notes to basic financial statements.



**TOWN OF WESTOVER HILLS, TEXAS**

**STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2014 with Comparative  
Total for Year Ended September 30, 2013**

	Program Revenue			Net (Expense) Revenue and Changes in Net Position		2014	2013
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Functions/Programs:							
Governmental activities:							
General government	\$ 398,531	\$ 48,000	\$ -	\$ (350,531)	\$ -	\$ (350,531)	\$ (359,905)
Public safety	1,149,287	50,423	2,637	(1,096,227)	-	(1,096,227)	(1,010,838)
Public works	434,462	-	-	(434,462)	-	(434,462)	(423,692)
Sanitation	50,038	50,479	-	441	-	441	(3,757)
Building inspection	87,086	57,045	-	(30,041)	-	(30,041)	12,401
<b>Total governmental activities</b>	<u>2,119,404</u>	<u>205,947</u>	<u>2,637</u>	<u>(1,910,820)</u>	<u>-</u>	<u>(1,910,820)</u>	<u>(1,785,791)</u>
Business-type activities:							
Water and sewer services	929,555	1,077,190	-	-	147,635	147,635	344,835
<b>Total business-type activities</b>	<u>929,555</u>	<u>1,077,190</u>	<u>-</u>	<u>-</u>	<u>147,635</u>	<u>147,635</u>	<u>344,835</u>
<b>Total</b>	<u>\$ 3,048,959</u>	<u>\$ 1,283,137</u>	<u>\$ 2,637</u>	<u>(1,910,820)</u>	<u>147,635</u>	<u>(1,763,185)</u>	<u>(1,440,956)</u>
General revenues:							
Property taxes, penalties, and interest				1,799,511	-	1,799,511	1,769,919
Franchise taxes				96,513	-	96,513	89,871
Interest				731	341	1,072	1,733
Miscellaneous				3,225	-	3,225	11,764
Total general revenues				<u>1,899,980</u>	<u>341</u>	<u>1,900,321</u>	<u>1,873,287</u>
<b>Change in net position</b>				<u>(10,840)</u>	<u>147,976</u>	<u>137,136</u>	<u>432,331</u>
Net position, beginning of year, as previously stated				2,317,893	3,643,181	5,961,074	5,582,568
Correction of an error (See Note 14)				-	-	-	(53,825)
Net position, beginning of year, as restated				<u>2,317,893</u>	<u>3,643,181</u>	<u>5,961,074</u>	<u>5,528,743</u>
<b>Net position - ending</b>				<u>\$ 2,307,053</u>	<u>\$ 3,791,157</u>	<u>\$ 6,098,210</u>	<u>\$ 5,961,074</u>

See notes to basic financial statements.



# TOWN OF WESTOVER HILLS, TEXAS

## GENERAL FUND BALANCE SHEETS

September 30, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents	\$ 1,009,131	\$ 1,040,130
Receivables:		
Ad valorem taxes	-	5,407
Franchise taxes	65,316	62,624
Other	8,659	13,602
<b>Total assets</b>	<b>\$ 1,083,106</b>	<b>\$ 1,121,763</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 16,090	\$ 36,823
Accrued payroll and related expenditures	14,574	18,352
Unearned revenue	-	5,407
<b>Total liabilities</b>	<b>30,664</b>	<b>60,582</b>
<b>FUND BALANCE</b>		
Unassigned	1,052,442	1,061,181
<b>Total fund balance</b>	<b>1,052,442</b>	<b>1,061,181</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,083,106</b>	<b>\$ 1,121,763</b>

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, 2014

Total governmental fund balances	\$ 1,052,442
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.	1,301,268
Compensated absences are not due and payable in the current period and therefore are not reported in the General Fund.	<u>(46,657)</u>
Net position of governmental activities	<u><u>\$ 2,307,053</u></u>

See notes to basic financial statements.





## TOWN OF WESTOVER HILLS, TEXAS

### GENERAL FUND

### STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

Years Ended September 30, 2014 and 2013

<b>Revenues:</b>	<u>2014</u>	<u>2013</u>
Taxes		
Ad valorem taxes, interest, and penalties	\$ 1,804,918	\$ 1,769,119
Franchise tax	96,513	89,871
Charges for services		
Sanitation	50,479	45,929
Alarm	33,704	30,854
Administrative services provided to Water and Sewer Fund	48,000	48,000
Fines/forfeitures	16,719	24,395
Building permits	57,045	91,298
Interest	731	1,304
Donations	586	-
Grants	2,051	-
Miscellaneous	3,225	12,838
<b>Total revenues</b>	<u>2,113,971</u>	<u>2,113,608</u>
<b>Expenditures:</b>		
Current:		
General government	369,991	373,587
Public safety		
Police	904,766	901,159
Fire protection	164,744	160,011
Municipal court	43,433	39,896
Public works	350,383	356,404
Building inspection and permits	91,929	78,322
Sanitation	50,038	49,686
Capital outlay	147,426	258,522
<b>Total expenditures</b>	<u>2,122,710</u>	<u>2,217,587</u>
<b>Net change in fund balance</b>	(8,739)	(103,979)
Fund balance, beginning of year	<u>1,061,181</u>	<u>1,165,160</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,052,442</u></u>	<u><u>\$ 1,061,181</u></u>

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, 2014

Net change in fund balances - total governmental fund	\$ (8,739)
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.	(5,407)
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.	(144,995)
Capital outlays are reported as expenditures in the General Fund. However, in the statement of activities, the cost of those assets is capitalized.	140,327
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>7,974</u>
Change in net position of governmental activities	<u><u>\$ (10,840)</u></u>

See notes to basic financial statements.



## TOWN OF WESTOVER HILLS, TEXAS

### WATER AND SEWER FUND STATEMENTS OF NET POSITION September 30, 2014 and 2013

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 980,553	\$ 674,453
Receivables (net of allowance for doubtful accounts of \$7,000 in 2014 and \$4,238 in 2013)	<u>139,313</u>	<u>151,460</u>
<b>Total current assets</b>	<u>1,119,866</u>	<u>825,913</u>
Capital assets:		
Water and sewer system	4,268,406	4,180,682
Equipment	223,858	221,556
Less accumulated depreciation	<u>(1,670,114)</u>	<u>(1,521,861)</u>
<b>Total capital assets, net</b>	<u>2,822,150</u>	<u>2,880,377</u>
<b>Total assets</b>	<u><u>\$3,942,016</u></u>	<u><u>\$3,706,290</u></u>
 <b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 146,970	\$ 58,993
Customer prepayments	<u>3,889</u>	<u>4,116</u>
<b>Total liabilities</b>	<u>150,859</u>	<u>63,109</u>
Net position:		
Net investment in capital assets	2,822,150	2,880,377
Unrestricted	<u>969,007</u>	<u>762,804</u>
<b>Total net position</b>	<u>3,791,157</u>	<u>3,643,181</u>
<b>Total liabilities and net position</b>	<u><u>\$3,942,016</u></u>	<u><u>\$3,706,290</u></u>

See notes to basic financial statements.



## TOWN OF WESTOVER HILLS, TEXAS

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

Years Ended September 30, 2014 and 2013

<b>Operating revenues:</b>	<u>2014</u>	<u>2013</u>
Water sales	\$ 857,644	\$ 997,784
Sewer services	213,876	199,025
Other revenue	<u>5,670</u>	<u>4,320</u>
<b>Total operating revenues</b>	<u>1,077,190</u>	<u>1,201,129</u>
<b>Operating expenses:</b>		
Water purchases	592,323	552,759
Sewer services	50,591	58,371
Repairs and maintenance	46,782	16,035
Materials and supplies	12,868	16,731
Depreciation	148,253	149,527
Other operating expenses	<u>78,738</u>	<u>58,551</u>
<b>Total operating expenses</b>	<u>929,555</u>	<u>851,974</u>
<b>Operating income</b>	<u>147,635</u>	<u>349,155</u>
<b>Non-operating revenues:</b>		
Interest income	<u>341</u>	<u>429</u>
<b>Total non-operating revenue</b>	<u>341</u>	<u>429</u>
<b>Change in net position</b>	<u>147,976</u>	<u>349,584</u>
Net position, beginning of year, as previously stated	3,643,181	3,347,422
Correction of an error (See Note 14)	-	(53,825)
Net position, beginning of year, as restated	<u>3,643,181</u>	<u>3,293,597</u>
<b>Net position, end of year</b>	<u><u>\$3,791,157</u></u>	<u><u>\$3,643,181</u></u>

See notes to basic financial statements.



## TOWN OF WESTOVER HILLS, TEXAS

### WATER AND SEWER FUND

#### STATEMENTS OF CASH FLOWS

Years Ended September 30, 2014 and 2013

<b>Cash flow from operating activities:</b>	2014	2013
Receipts from customers and users	\$ 1,089,110	\$ 1,303,344
Payments to suppliers	(645,325)	(873,721)
Payments to the General Fund for services provided	(48,000)	(48,000)
<b>Net cash provided by operating activities</b>	<b>395,785</b>	<b>381,623</b>
<b>Cash flow from noncapital financing activities:</b>		
Repayment from the General Fund	-	758
<b>Net cash provided for noncapital financing activities</b>	<b>-</b>	<b>758</b>
<b>Cash flow from capital financing activities:</b>		
Purchase of capital assets	(90,026)	(185,052)
<b>Net cash used by capital financing activities</b>	<b>(90,026)</b>	<b>(185,052)</b>
<b>Cash flow from investing activities:</b>		
Interest on investments	341	429
<b>Net cash provided by investing activities</b>	<b>341</b>	<b>429</b>
Net increase in cash and cash equivalents	306,100	197,758
Cash and cash equivalents, beginning of year	674,453	476,695
Cash and cash equivalents, end of the year	<b>\$ 980,553</b>	<b>\$ 674,453</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 147,635	\$ 349,155
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	148,253	149,527
Decrease in accounts receivable	12,147	98,099
Increase (decrease) in accounts payable	87,977	(219,274)
Increase (decrease) in customer prepayments	(227)	4,116
<b>Net cash provided by operating activities</b>	<b>\$ 395,785</b>	<b>\$ 381,623</b>

See notes to basic financial statements.



## TOWN OF WESTOVER HILLS, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

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#### 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, sanitation, 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

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### 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.

Propriety 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

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### 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, 2014 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 and time off in lieu of pay (comp time). All vacation pay and comp time 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

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### 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 20, 2015 which is the date the financial statements were available to be issued.



## TOWN OF WESTOVER HILLS, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

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#### 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 \$3,993 in 2014, which is primarily attributable to having unplanned capital expenditures. The excess expenditures were funded by available fund balance. There were no expenditures in excess of appropriations in 2013.

#### 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, 2014, 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 \$415,542, 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, 2014, the fair value of the Town's cash equivalents is \$1,571,857.

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 Rule 2a7 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



## TOWN OF WESTOVER HILLS, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

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#### NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

TexPool is the same as the value of TexPool shares. The Town's investment in Texpool is rated AAAM by Standard & Poor's Corporation.

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, follows:

	2014	2013
Cash on hand	\$ 2,285	\$ 1,242
Deposits with financial institutions	415,542	292,555
TexPool	1,571,857	1,420,786
Total	<u>\$ 1,989,684</u>	<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 2014 levy is based is \$505,834,928. 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, 2014 is \$0.350500 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, 2014 are approximately 100% 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 \$96,513 and \$89,871 for the years ended September 30, 2014 and 2013, respectively.

#### NOTE 6. INTERFUND TRANSACTIONS

There were no due from/to other funds outstanding at September 30, 2014 or 2013.

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, 2014 and 2013.



**TOWN OF WESTOVER HILLS, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 7. CAPITAL ASSETS**

A summary of changes in governmental activities capital assets follows:

<b>Governmental activities:</b>	Balance September 30, 2013	Additions	Retirements/ Reclassifications	Balance September 30, 2014
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	192,691	13,236	-	205,927
Equipment	640,587	26,377	-	666,964
Improvements other than building	1,258,892	100,714	-	1,359,606
Total capital assets being depreciated	2,092,170	140,327	-	2,232,497
Total capital assets	2,094,170	140,327	-	2,234,497
Less accumulated depreciation for:				
Buildings	(57,532)	(18,248)	-	(75,780)
Equipment	(262,530)	(76,319)	-	(338,849)
Improvements other than buildings	(468,172)	(50,428)	-	(518,600)
Total accumulated depreciation	(788,234)	(144,995)	-	(933,229)
Total capital assets being depreciated, net	1,303,936	(4,668)	-	1,299,268
Capital assets, net of depreciation	<u>\$ 1,305,936</u>	<u>\$ (4,668)</u>	<u>\$ -</u>	<u>\$ 1,301,268</u>



**TOWN OF WESTOVER HILLS, TEXAS**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 7. CAPITAL ASSETS (Continued)**

	Balance September 30, 2012	Additions	Retirements/ Reclassifications	Balance September 30, 2013
<b>Governmental activities:</b>				
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	1,790,881	352,884	(49,595)	2,094,170
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>

Depreciation is charged to functions as follows:

	2014	2013
Governmental activities:		
General government	\$ 25,978	\$ 25,182
Public safety	47,966	54,095
Public works	71,051	68,010
Total governmental activities depreciation expense	<u>\$ 144,995</u>	<u>\$ 147,287</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, 2013	Additions	Retirements/ Reclassifications	Balance September 30, 2014
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Equipment	\$ 221,556	\$ 2,302	\$ -	\$ 223,858
Water and sewer system	4,180,682	87,724	-	4,268,406
Total capital assets being depreciated	4,402,238	90,026	-	4,492,264
Total capital assets	4,402,238	90,026	-	4,492,264
Less accumulated depreciation for:				
Equipment	(186,582)	(11,028)	-	(197,610)
Water and sewer system	(1,335,279)	(137,225)	-	(1,472,504)
Total accumulated depreciation	(1,521,861)	(148,253)	-	(1,670,114)
Capital assets, net of depreciation	<u>\$ 2,880,377</u>	<u>\$ (58,227)</u>	<u>\$ -</u>	<u>\$ 2,822,150</u>

	Balance September 30, 2012 as restated	Additions	Retirements/ Reclassifications	Balance September 30, 2013
<b>Business-type activities:</b>				
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:				
Equipment	221,635	-	(79)	221,556
Water and sewer system	3,861,143	185,052	134,487	4,180,682
Total capital assets being depreciated	4,082,778	185,052	134,408	4,402,238
Total capital assets	4,217,265	185,052	(79)	4,402,238
Less accumulated depreciation for:				
Equipment	(172,296)	(14,365)	79	(186,582)
Water and sewer system	(1,200,117)	(135,162)	-	(1,335,279)
Total accumulated depreciation	(1,372,413)	(149,527)	79	(1,521,861)
Total capital assets being depreciated, net	2,710,365	35,525	134,487	2,880,377
Capital assets, net of depreciation	<u>\$ 2,844,852</u>	<u>\$ 35,525</u>	<u>\$ -</u>	<u>\$ 2,880,377</u>



**TOWN OF WESTOVER HILLS, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**NOTE 8. LONG-TERM LIABILITIES**

During the year ended September 30, 2014, the following changes in long-term liabilities occurred:

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014	Due Next Year
<b>Governmental activities:</b>					
Compensated absences	\$ 54,631	\$ 51,840	\$ 59,814	\$ 46,657	\$ 34,992

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
<b>Governmental activities:</b>					
Compensated absences	\$ 41,940	\$ 53,641	\$ 40,950	\$ 54,631	\$ 40,973

There are no long-term liabilities for the proprietary fund.

**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](http://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:

	Plan Year 2014	Plan Year 2013
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



# TOWN OF WESTOVER HILLS, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

#### Contributions

Under the state law governing TMRS, the contribution rate for each town is determined annually by the actuary, using the Entry Age Normal (EAN) 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that 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.

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
2012	\$ 10,756	\$ 10,756	100%	\$ -
2013	\$ 3,910	\$ 3,910	100%	\$ -
2014	\$ 6,611	\$ 6,611	100%	\$ -

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

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.6 years; closed period	25.5 years; closed period	30.0 years; closed period
Amortization Period for new gains/losses	24 years	25 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%





# TOWN OF WESTOVER HILLS, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

#### Funded Status and Funding Progress

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (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)
12/31/2013	\$ 1,706,374	\$ 1,733,166	98.5%	\$ 26,792	\$ 1,016,450	2.6%

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

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

### NOTE 10. OTHER 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.



## TOWN OF WESTOVER HILLS, TEXAS

### NOTES TO BASIC FINANCIAL STATEMENTS

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#### **NOTE 10. OTHER EMPLOYMENT BENEFITS (Continued)**

##### 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 2014, 2013, and 2012 are \$2,981, \$3,302, and \$3,348, respectively, which equal the required contributions each year.

#### **NOTE 11. RELATED PARTY TRANSACTIONS**

The Town Mayor is a managing partner in the law firm that provides legal advice and other services for the Town. Payments to the law firm totaled \$28,376 in 2014 and \$26,000 in 2013.

#### **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, 2014, 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 Town 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 \$51,000 and \$58,000 for the years ended 2014 and 2013, 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 with the City of Fort Worth 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 \$592,000 and \$553,000 for the years ended 2014 and 2013, respectively.



# TOWN OF WESTOVER HILLS, TEXAS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Effective October 1, 2011, the Town entered into a five year contract with the City of Fort Worth 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 \$165,000 and \$160,000 for the years ended 2014 and 2013, respectively, and are included as expenditures of the General Fund.

### NOTE 14. PRIOR PERIOD ADJUSTMENTS

At September 30, 2014, the Town recorded the following prior period adjustments to account for corrections of errors relating to fixed asset disposals in the Water and Sewer Fund.

Beginning net assets, as previously reported	\$	3,347,422
Eliminate fixed assets disposed of in prior period		<u>(53,825)</u>
Beginning net assets, as restated	\$	<u>3,293,597</u>



**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)	
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%
2014	2013	\$ 1,706,374	\$ 1,733,166	98.5%	\$ 26,792	\$ 1,016,450	2.6%



# TOWN OF WESTOVER HILLS, TEXAS

## GENERAL FUND

### SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN

#### FUND BALANCE - BUDGET AND ACTUAL

Year Ended September 30, 2014 with Comparative

Total for Year Ended September 30, 2013

	2014			2013
	Original and Final Budget	Actual	Variance	Actual
<b>Revenues:</b>				
Ad valorem taxes, interest and penalties	\$ 1,783,924	\$ 1,804,918	\$ 20,994	\$ 1,769,119
Franchise tax	100,000	96,513	(3,487)	89,871
Charges for services				
Sanitation	50,000	50,479	479	45,929
Alarm	32,100	33,704	1,604	30,854
Administrative services provided to Water and Sewer Fund	48,000	48,000	-	48,000
Fines/forfeitures	30,000	16,719	(13,281)	24,395
Building permits	70,000	57,045	(12,955)	91,298
Interest	1,200	731	(469)	1,304
Donations	-	586	586	-
Grants	-	2,051	2,051	-
Miscellaneous	4,000	3,225	(775)	12,838
<b>Total revenues</b>	<u>2,119,224</u>	<u>2,113,971</u>	<u>(5,253)</u>	<u>2,113,608</u>
<b>Expenditures:</b>				
Current:				
General government	391,714	369,991	21,723	373,500
Public safety				
Police	922,093	904,766	17,327	901,159
Fire protection	164,411	164,744	(333)	160,011
Municipal court	34,200	43,433	(9,233)	39,896
Building inspection and permits	91,949	91,929	20	78,409
Sanitation	60,000	50,038	9,962	49,686
Public works	340,050	350,383	(10,333)	356,404
Capital outlay	114,300	147,426	(33,126)	258,522
<b>Total expenditures</b>	<u>2,118,717</u>	<u>2,122,710</u>	<u>(3,993)</u>	<u>2,217,587</u>
<b>Net change in fund balances</b>	507	(8,739)	(9,246)	(103,979)
Fund balances, beginning of year	<u>1,061,181</u>	<u>1,061,181</u>	<u>-</u>	<u>1,165,160</u>
<b>Fund balances, end of year</b>	<u>\$ 1,061,688</u>	<u>\$ 1,052,442</u>	<u>\$ (9,246)</u>	<u>\$ 1,061,181</u>



## 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, 2014 with Comparative

Total for Year Ended September 30, 2013

	2014			2013
	Original and Final Budget	Actual	Variance	Actual
<b>Operating revenues:</b>				
Water sales	\$ 950,914	\$ 857,644	\$ (93,270)	\$ 997,784
Sewer services	245,492	213,876	(31,616)	199,025
Other revenue	1,000	5,670	4,670	4,320
<b>Total operating revenues</b>	<b>1,197,406</b>	<b>1,077,190</b>	<b>(120,216)</b>	<b>1,201,129</b>
<b>Operating expenses:</b>				
Water purchases	614,922	592,323	22,599	552,759
Sewer services	100,817	50,591	50,226	58,371
Repairs and maintenance	35,500	46,782	(11,282)	16,035
Materials and supplies	11,900	12,868	(968)	16,731
Depreciation	137,400	148,253	(10,853)	149,527
Other operating expenses	83,300	78,738	4,562	58,551
<b>Total operating expenses</b>	<b>983,839</b>	<b>929,555</b>	<b>54,284</b>	<b>851,974</b>
<b>Operating income</b>	<b>213,567</b>	<b>147,635</b>	<b>(65,932)</b>	<b>349,155</b>
<b>Non-operating revenues:</b>				
Interest income	500	341	(159)	429
<b>Total non-operating revenues</b>	<b>500</b>	<b>341</b>	<b>(159)</b>	<b>429</b>
<b>Change in net position</b>	<b>214,067</b>	<b>147,976</b>	<b>(66,091)</b>	<b>349,584</b>
Net position - beginning of year, as previously stated	3,643,181	3,643,181	-	3,347,422
<b>Correction of an error (See Note 14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,825)</b>
Net position - beginning of year, as restated	3,643,181	3,643,181	-	3,293,597
<b>Net position, end of year</b>	<b>\$ 3,857,248</b>	<b>\$ 3,791,157</b>	<b>\$ (66,091)</b>	<b>\$ 3,643,181</b>
Budgeted capital costs	\$ 164,500	\$ 90,026	\$ 74,474	\$ 129,387

