

TOWN OF WESTOVER HILLS, TEXAS

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2015



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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, 2015, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of September 30, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 38-39 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 February 2, 2016 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

February 2, 2016



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")'s 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 \$197,621 for the fiscal year ended September 30, 2015:

Net Position at Year-End

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Cash & cash equivalents	\$1,069,945	1,009,131	\$1,019,316	\$ 980,553	\$2,089,261	\$1,989,684
Other Assets	76,996	73,975	162,638	139,313	239,634	213,288
Capital Assets	1,303,779	1,301,268	2,763,851	2,822,150	4,067,630	4,123,418
Net Pension Asset	72,630	-	-	-	72,630	-
Total Assets	<u>2,523,350</u>	<u>2,384,374</u>	<u>3,945,805</u>	<u>3,942,016</u>	<u>6,469,155</u>	<u>6,326,390</u>
Deferred outflows of resources	29,317	-	-	-	29,317	-
Other Liabilities	95,802	65,656	84,682	150,859	180,484	216,515
Long-Term Debt	16,207	11,665	-	-	16,207	11,665
Total Liabilities	<u>112,009</u>	<u>77,321</u>	<u>84,682</u>	<u>150,859</u>	<u>196,691</u>	<u>228,180</u>
Deferred inflows of resources	5,950	-	-	-	5,950	-
Net Position						
Net investment in capital assets	1,303,779	1,301,268	2,763,851	2,822,150	4,067,630	4,123,418
Unrestricted	<u>1,130,929</u>	<u>1,005,785</u>	<u>1,097,272</u>	<u>969,007</u>	<u>2,228,201</u>	<u>1,974,792</u>
Total Net Position	<u>\$2,434,708</u>	<u>\$2,307,053</u>	<u>\$3,861,123</u>	<u>\$3,791,157</u>	<u>\$6,295,831</u>	<u>\$6,098,210</u>

TOWN OF WESTOVER HILLS

Management’s Discussion and Analysis (Continued)

Statement of Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue:						
Program revenues:						
Charges for services	\$ 278,439	\$ 205,947	1,075,428	\$1,077,190	\$1,353,867	\$1,283,137
Grants & donations	7,374	2,637	-	-	7,374	2,637
General revenues:						
Taxes	1,822,647	1,799,511	-	-	1,822,647	1,799,511
Franchise Fees	100,618	96,513	-	-	100,618	96,513
Interest & others	8,418	3,956	625	341	9,043	4,297
Total revenues	<u>2,217,496</u>	<u>2,108,564</u>	<u>1,076,053</u>	<u>1,077,531</u>	<u>3,293,549</u>	<u>3,186,095</u>
Expenses:						
General Government	411,232	398,531	-	-	411,244	398,531
Public Safety	1,153,627	1,149,287	-	-	1,153,822	1,149,287
Public Works	480,488	434,462	-	-	480,563	434,462
Sanitation	49,235	50,038	-	-	49,235	50,038
Building Inspections	86,214	87,086	-	-	86,232	87,086
Water & Sewer	-	-	1,006,087	929,555	1,006,087	929,555
Total expenses	<u>2,180,796</u>	<u>2,119,404</u>	<u>1,006,087</u>	<u>929,555</u>	<u>3,186,883</u>	<u>3,048,959</u>
Change in Net Position	36,700	(10,840)	69,966	147,976	106,666	137,136
Beginning Net Position	2,307,053	2,317,893	3,791,157	3,643,181	6,098,210	5,961,074
Correction	90,955	-	-	-	90,955	-
Ending Net Position	<u>\$2,434,708</u>	<u>\$2,307,053</u>	<u>\$3,861,123</u>	<u>\$3,791,157</u>	<u>\$6,295,831</u>	<u>\$6,098,210</u>

Revenues in both the General Fund and the Water and Sewer Fund reflect a normal operating year with minimal fluctuations in line item revenues, except for General Fund, Charges for Services, which reflects the increase of \$72,000 in the Water and Sewer Fund transfer to the General Fund.

Expenditures in Governmental fund expenditures remained in line with budgeted expenditures. However, the FY14 to FY15 Public Works budget increase was a result of adding one Public Works Maintenance employee at a cost of approximately \$38,000 in base salary, plus benefit costs. Expenditures in the Water and Sewer Fund reflect the additional \$72,000 budgeted for the transfer to the General Fund. The overall revenues and expenditures in the Water and Sewer Fund were indicative of an abnormal weather year.

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, 2015 and September 30, 2014.

Summary of Governmental Fund Revenues

	2015	Percent of Total	2014	Percent of Total	\$ Change	Percent Change
Revenues						
Ad Valorem Taxes	\$ 1,822,647	82.1%	\$ 1,804,918	85.4%	\$ 17,729	1.0%
Franchise Tax	100,618	4.5%	96,513	4.6%	4,105	4.3%
Charges for Services	204,752	9.2%	132,183	6.3%	72,569	54.9%
Fines	15,670	0.7%	16,719	0.7%	(1,049)	(6.27%)
Building Permits	58,017	2.6%	57,045	2.7%	972	1.7%
Interest	1,151	0.1%	731	0.0%	420	57.5%
Donations	4,800	0.2%	586	0.0%	4,214	719.1%
Grants	2,574	0.1%	2,051	0.1%	523	25.5%
Miscellaneous	10,006	0.5%	3,225	0.2%	6,781	210.3%
Total Revenues	\$ 2,220,235	100.0%	\$ 2,113,971	100.0%	\$ 106,264	5.03%

Total Governmental Fund revenues increased by \$106,264, or 5.03%. The ad valorem tax increase was due to an increase in the tax base by approximately \$9 million. Charges for services increase was due to the increase in the administrative fee charged to the Water and Sewer Fund.

Summary of Governmental Fund Expenditures

	2015	Percent of Total	2014	Percent of Total	\$ Change	Percent Change
Expenditures						
General	\$ 385,096	17.7%	\$ 369,991	17.4%	\$ 15,105	4.1%
Public Safety						
Police	888,330	40.9%	904,766	42.8%	(16,436)	(1.8%)
Fire	165,743	7.6%	164,744	7.7%	999	0.6%
Municipal Court	38,335	1.8%	43,433	2.0%	(5,098)	(11.7%)
Public Works	405,073	18.6%	350,383	16.5%	54,690	15.6%
Building Inspections	86,546	4.0%	91,929	4.3%	(5,383)	(5.9%)
Sanitation	49,235	2.3%	50,038	2.3%	(803)	(1.6%)
Capital Outlay	154,560	7.1%	147,426	6.9%	7,134	4.8%
Total Expenditures	\$ 2,172,918	100.0%	\$ 2,122,710	100.0%	\$ 50,208	2.4%

Governmental fund expenditures increased by \$50,208, or 2.4%, due primarily to an increase in personnel costs for the Public Works department.

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, 2015 and September 30, 2014.

Summary of Business-Type Fund Operating Revenues

	2015	Percent of Total	2014	Percent of Total	\$ Change	Percent Change
Revenues						
Water	\$ 883,647	82.2%	\$ 857,644	79.6%	\$ 26,003	3%
Sewer	186,456	17.3%	213,876	19.9%	(27,420)	(12.82%)
Other	5,325	0.5%	5,670	0.5%	(345)	(6.08%)
Total Operating Revenues	<u>\$ 1,075,428</u>	<u>100.0%</u>	<u>\$ 1,077,190</u>	<u>100.0%</u>	<u>\$ (1,762)</u>	<u>(0.2%)</u>

Summary of Business-Type Fund Operating Expenditures

	2015	Percent of Total	2014	Percent of Total	\$ Change	Percent Change
Expenditures						
Water Cost	\$ 615,073	61.1%	\$ 592,323	63.7%	\$ 22,750	3.8%
Sewer Cost	65,924	6.6%	50,591	5.5%	15,333	30.3%
Repairs and Maintenance	14,842	1.5%	46,782	5.0%	(31,940)	(68.3%)
Materials and Supplies	16,324	1.6%	12,868	1.4%	3,456	27%
Depreciation	148,988	14.8%	148,253	15.9%	735	0.5%
Other	144,936	14.4%	78,738	8.5%	66,198	84.1%
Total Operating Expenditures	<u>\$ 1,006,087</u>	<u>100%</u>	<u>\$ 929,555</u>	<u>100.0%</u>	<u>\$ 76,532</u>	<u>8.2%</u>

Total expenditures were fairly comparable to prior year. Variance in the Repairs and Maintenance expense from prior year was related to a citywide TV and de-rooting project that was conducted in 2014. No such projects were needed in 2015. The overall increase in operating expenditures relates to a budgetary increase in the amount of money reimbursed to the General Fund, which is included in other expenditures. This amount was increased from \$48,000 in 2014 to \$120,000 in 2015. The increase is intended to more accurately reflect General Fund administrative and personnel support for Water and Sewer Fund operations.

TOWN OF WESTOVER HILLS

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital assets:

As of September 30, 2015, the Town had a net \$4,067,630 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 \$55,788 or a 1.4% decrease over the prior year.

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land and Building	\$ 207,927	\$ 207,927	\$ -	\$ -	\$ 207,927	\$ 207,927
Equipment	705,232	666,964	267,790	223,858	973,022	890,822
Improvements other than building	1,359,606	1,359,606	-	-	1,359,606	1,359,606
Water & Sewer Distribution	-	-	4,268,406	4,268,406	4,268,406	4,268,406
Construction in Progress	90,947	-	46,757	-	137,704	-
Subtotal	2,363,712	2,234,497	4,582,953	4,492,264	6,946,665	6,726,761
Accumulated depreciation	(1,059,933)	(933,229)	(1,819,102)	(1,670,114)	(2,879,035)	(2,603,343)
Net Capital Assets	\$1,303,779	\$1,301,268	\$2,763,851	\$2,822,150	\$4,067,630	\$4,123,418

The increase in governmental capital assets is primarily related to the purchase of new vehicles for the police and public works department. In addition, the city also purchased street security cameras that are to be installed at the Town's entry points for better surveillance. Total amount for these items approximated \$90,000.

The increase in business-type capital assets is the result of approximately \$90,000 of expenditures for improvements to the water distribution and sewer systems and the purchase of a new vehicle.

Debt Outstanding:

At September 30, 2015 and September 30, 2014, the Town had no certificates of obligations outstanding.

Other obligations of the Town include \$64,827 in accrued compensated absences.

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, 2015 the Town Council and management considered the following factors:

- Increase in water rates from \$4.25 to \$4.50 per 1,000 gallons.
- Continue the replacement program for police and public works vehicles and snow removal equipment.
- 9% increase in health care costs.
- Salary adjustments including a 3% cost of living increase.
- Funded the codification of the Town's ordinances.
- Funded the installation of security cameras at Town entry points.
- 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, 2015 with Comparative Total for September 30, 2014

	Governmental Activities	Business-type Activities	2015	2014
ASSETS				
Cash and cash equivalents	\$ 1,069,945	\$ 1,019,316	\$ 2,089,261	\$ 1,989,684
Receivables, net				
Taxes	68,645	-	68,645	65,316
Accounts receivable	8,351	162,638	170,989	147,972
Total current assets	<u>1,146,941</u>	<u>1,181,954</u>	<u>2,328,895</u>	<u>2,202,972</u>
Capital assets not being depreciated				
Land	2,000	-	2,000	2,000
Construction in progress	90,947	46,757	137,704	-
Capital assets, net of accumulated depreciation				
Building and improvements	110,980	-	110,980	130,147
Machinery and equipment	311,195	58,941	370,136	354,363
Infrastructure	788,657	2,658,153	3,446,810	3,636,908
Net pension asset	72,630	-	72,630	-
Total long-term assets	<u>1,376,409</u>	<u>2,763,851</u>	<u>4,140,260</u>	<u>4,123,418</u>
Total assets	<u>2,523,350</u>	<u>3,945,805</u>	<u>6,469,155</u>	<u>6,326,390</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred contributions to pension plan	10,686	-	10,686	-
Investment experience related to pension plan	18,631	-	18,631	-
Total deferred outflows of resources	<u>29,317</u>	<u>-</u>	<u>29,317</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 2,552,667</u>	<u>\$ 3,945,805</u>	<u>\$ 6,498,472</u>	<u>\$ 6,326,390</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 30,391	\$ 84,682	\$ 115,073	\$ 166,949
Accrued payroll	13,362	-	13,362	14,574
Unearned revenue	3,429	-	3,429	-
Noncurrent liabilities:				
Compensated absences				
Current portion	48,620	-	48,620	34,992
Long-term portion	16,207	-	16,207	11,665
Total liabilities	<u>112,009</u>	<u>84,682</u>	<u>196,691</u>	<u>228,180</u>
DEFERRED INFLOWS OF RESOURCES				
Change in pension assumptions	5,950	-	5,950	-
Total deferred inflows of resources	<u>5,950</u>	<u>-</u>	<u>5,950</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	1,303,779	2,763,851	4,067,630	4,123,418
Unrestricted	1,130,929	1,097,272	2,228,201	1,974,792
Total net position	<u>2,434,708</u>	<u>3,861,123</u>	<u>6,295,831</u>	<u>6,098,210</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,552,667</u>	<u>\$ 3,945,805</u>	<u>\$ 6,498,472</u>	<u>\$ 6,326,390</u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS
TOWN OF WESTOVER HILLS, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2015 with Comparative
Total for Year Ended September 30, 2014

	Program Revenue			Net (Expense) Revenue and Changes in Net Position		2015	2014
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Functions/Programs:							
Governmental activities:							
General government	\$ 411,232	\$ 120,000	\$ -	\$ (291,232)	\$ -	\$ (291,232)	\$ (350,531)
Public safety	1,153,627	48,262	7,374	(1,097,991)	-	(1,097,991)	(1,096,227)
Public works	480,488	-	-	(480,488)	-	(480,488)	(434,462)
Sanitation	49,235	52,160	-	2,925	-	2,925	441
Building inspection	86,214	58,017	-	(28,197)	-	(28,197)	(30,041)
Total governmental activities	2,180,796	278,439	7,374	(1,894,983)	-	(1,894,983)	(1,910,820)
Business-type activities:							
Water and sewer services	1,006,087	1,075,428	-	-	69,341	69,341	147,635
Total business-type activities	1,006,087	1,075,428	-	-	69,341	69,341	147,635
Total	\$ 3,186,883	\$ 1,353,867	\$ 7,374	(1,894,983)	69,341	(1,825,642)	(1,763,185)
General revenues:							
Property taxes, penalties, and interest				1,822,647	-	1,822,647	1,799,511
Franchise taxes				100,618	-	100,618	96,513
Interest				1,151	625	1,776	1,072
Miscellaneous				7,267	-	7,267	3,225
Total general revenues				1,931,683	625	1,932,308	1,900,321
Change in net position				36,700	69,966	106,666	137,136
Net position, beginning of year as previously stated				2,307,053	3,791,157	6,098,210	5,961,074
Change in accounting principle (see Note 13)				90,955	-	90,955	-
Net position, beginning of year, as restated				2,398,008	3,791,157	6,189,165	5,961,074
Net position - ending				\$ 2,434,708	\$ 3,861,123	\$ 6,295,831	\$ 6,098,210

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

GENERAL FUND BALANCE SHEETS

September 30, 2015 and 2014

ASSETS	2015	2014
Cash and cash equivalents	\$ 1,069,945	\$ 1,009,131
Receivables:		
Ad valorem taxes	3,429	-
Franchise taxes	65,216	65,316
Other	8,351	8,659
Total assets	\$ 1,146,941	\$ 1,083,106
LIABILITIES		
Accounts payable and accrued liabilities	\$ 30,391	\$ 16,090
Accrued payroll and related expenditures	13,362	14,574
Unearned revenue	3,429	-
Total liabilities	47,182	30,664
FUND BALANCE		
Committed	121,421	-
Unassigned	978,338	1,052,442
Total fund balance	1,099,759	1,052,442
Total liabilities and fund balances	\$ 1,146,941	\$ 1,083,106

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, 2015

Total governmental fund balances	\$ 1,099,759
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.	1,303,779
The actuarial value of the Town's pension plan assets exceeds the actuarial accrued liability creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.	95,997
Compensated absences are not due and payable in the current period and therefore are not reported in the General Fund.	<u>(64,827)</u>
Net position of governmental activities	<u><u>\$ 2,434,708</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, 2015 and 2014

Revenues	<u>2015</u>	<u>2014</u>
Taxes		
Ad valorem taxes, interest, and penalties	\$ 1,822,647	\$ 1,804,918
Franchise tax	100,618	96,513
Charges for services		
Sanitation	52,160	50,479
Alarm	32,592	33,704
Administrative services provided to Water and Sewer Fund	120,000	48,000
Fines/forfeitures	15,670	16,719
Building permits	58,017	57,045
Interest	1,151	731
Donations	4,800	586
Grants	2,574	2,051
Miscellaneous	10,006	3,225
Total revenues	<u>2,220,235</u>	<u>2,113,971</u>
Expenditures		
Current:		
General government	385,096	369,991
Public safety		
Police	888,330	904,766
Fire protection	165,743	164,744
Municipal court	38,335	43,433
Public works	405,074	350,383
Building inspection and permits	86,546	91,929
Sanitation	49,235	50,038
Capital outlay	154,559	147,426
Total expenditures	<u>2,172,918</u>	<u>2,122,710</u>
Net change in fund balance	47,317	(8,739)
Fund balance, beginning of year	<u>1,052,442</u>	<u>1,061,181</u>
Fund balance, end of year	<u><u>\$ 1,099,759</u></u>	<u><u>\$ 1,052,442</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, 2015

Net change in fund balances - total governmental fund	\$ 47,317
Amounts reported for governmental funds in the statement of activities are different because:	
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.	(149,309)
Capital outlays are reported as expenditures in the General Fund. However, in the statement of activities, the cost of those assets is capitalized.	154,559
General Fund capital assets sold have the full proceeds reported as revenue instead of applying the basis of the asset sold.	(2,739)
Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the General Fund. These consist of:	
Change in compensated absences	(18,170)
Change in pension expense	5,042
Change in net position of governmental activities	<u>\$ 36,700</u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

WATER AND SEWER FUND STATEMENTS OF NET POSITION September 30, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	\$ 1,019,316	\$ 980,553
Receivables (net of allowance for doubtful accounts of \$7,000 in 2015 and 2014)	162,638	139,313
Total current assets	1,181,954	1,119,866
Capital assets:		
Water and sewer system	4,268,406	4,268,406
Equipment	267,790	223,858
Construction in progress	46,757	-
Less accumulated depreciation	(1,819,102)	(1,670,114)
Total capital assets, net	2,763,851	2,822,150
Total assets	\$ 3,945,805	\$ 3,942,016
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 81,214	\$ 146,970
Customer prepayments	3,468	3,889
Total liabilities	84,682	150,859
Net position:		
Net investment in capital assets	2,763,851	2,822,150
Unrestricted	1,097,272	969,007
Total net position	3,861,123	3,791,157
Total liabilities and net position	\$ 3,945,805	\$ 3,942,016

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues		
Water sales	\$ 883,647	\$ 857,644
Sewer services	186,456	213,876
Other revenue	5,325	5,670
Total operating revenues	<u>1,075,428</u>	<u>1,077,190</u>
Operating expenses		
Water purchases	615,073	592,323
Sewer services	65,924	50,591
Repairs and maintenance	14,842	46,782
Materials and supplies	16,324	12,868
Depreciation	148,988	148,253
Other operating expenses	144,936	78,738
Total operating expenses	<u>1,006,087</u>	<u>929,555</u>
Operating income	<u>69,341</u>	<u>147,635</u>
Non-operating revenues		
Interest income	625	341
Total non-operating revenues	<u>625</u>	<u>341</u>
Change in net position	<u>69,966</u>	<u>147,976</u>
Net position, beginning of year	<u>3,791,157</u>	<u>3,643,181</u>
Net position, end of year	<u><u>\$3,861,123</u></u>	<u><u>\$3,791,157</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities		
Receipts from customers and users	\$ 1,051,682	\$ 1,089,110
Payments to suppliers	(802,855)	(645,325)
Payments to the General Fund for services provided	(120,000)	(48,000)
Net cash provided by operating activities	<u>128,827</u>	<u>395,785</u>
Cash flow from capital financing activities		
Purchase of capital assets	(90,689)	(90,026)
Net cash used by capital financing activities	<u>(90,689)</u>	<u>(90,026)</u>
Cash flow from investing activities		
Interest on investments	625	341
Net cash provided by investing activities	<u>625</u>	<u>341</u>
Net increase in cash and cash equivalents	38,763	306,100
Cash and cash equivalents, beginning of year	980,553	674,453
Cash and cash equivalents, end of the year	<u>\$ 1,019,316</u>	<u>\$ 980,553</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 69,341	\$ 147,635
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	148,988	148,253
(Increase) decrease in accounts receivable	(23,325)	12,147
Increase (decrease) in accounts payable	(65,756)	87,977
Decrease in customer prepayments	(421)	(227)
Net cash provided by operating activities	<u>\$ 128,827</u>	<u>\$ 395,785</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, 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

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. Deposits with the Texas Local Government Investment Pool (TexPool) are considered to be cash equivalents, because the Town, at its option, can withdraw funds within a twenty-four hour period.

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 that 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, 2015 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.

Pensions

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



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Balance

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.

The General Fund has committed funds of \$121,421 at September 30, 2015, consisting of unspent funds for a security camera system (see Note 12).



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents 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 February 2, 2016, which is the date the financial statements were available to be issued.

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, Town management 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 by the Town Council.
- 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 no expenditures in excess of appropriations in 2015. In 2014, expenditures in excess of appropriations totaled \$3,993 and were funded by available fund balance.

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, 2015, 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 \$413,371, all of which is covered by federal depository insurance or by collateral held by the pledging financial institution in the Town's name.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CASH AND CASH EQUIVALENTS (Continued)

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, 2015, the fair value of the Town's cash equivalents is \$1,673,634.

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 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:

	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 2,256	\$ 2,285
Deposits with financial institutions	413,371	415,542
TexPool	<u>1,673,634</u>	<u>1,571,857</u>
Total	<u>\$ 2,089,261</u>	<u>\$ 1,989,684</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 2015 levy is based is \$514,545,019. 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, 2015 is \$0.347400 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, 2015 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.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

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 \$100,618 and \$96,513 for the years ended September 30, 2015 and 2014, respectively.

NOTE 6. INTERFUND TRANSACTIONS

There were no due from/to other funds outstanding at September 30, 2015 or 2014.

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 \$120,000 and \$48,000 for the years ended September 30, 2015 and 2014, respectively.

NOTE 7. CAPITAL ASSETS

A summary of changes in governmental activities capital assets follows:

	Balance September 30, 2014	Additions	Retirements/ Reclassifications	Balance September 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in progress	-	90,947	-	90,947
Total capital assets not being depreciated	2,000	90,947	-	92,947
Capital assets being depreciated:				
Buildings	205,927	-	-	205,927
Equipment	666,964	63,652	(25,384)	705,232
Improvements other than building	1,359,606	-	-	1,359,606
Total capital assets being depreciated	2,232,497	63,652	(25,384)	2,270,765
Total capital assets	2,234,497	154,599	(25,384)	2,363,712
Less accumulated depreciation for:				
Buildings	(75,780)	(19,167)	-	(94,947)
Equipment	(338,849)	(77,793)	22,605	(394,037)
Improvements other than buildings	(518,600)	(52,349)	-	(570,949)
Total accumulated depreciation	(933,229)	(149,309)	22,605	(1,059,933)
Total capital assets being depreciated, net	1,299,268	(85,657)	(2,779)	1,210,832
Capital assets, net of depreciation	\$ 1,301,268	\$ 5,290	\$ (2,779)	\$ 1,303,779



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

	Balance September 30, 2013	Additions	Retirements/ Reclassifications	Balance September 30, 2014
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	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>

Depreciation is charged to functions as follows:

	2015	2014
Governmental activities:		
General government	\$ 24,851	\$ 25,978
Public safety	49,522	47,966
Public works	74,936	71,051
Total governmental activities depreciation expense	<u>\$ 149,309</u>	<u>\$ 144,995</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, 2014	Additions	Retirements/ Reclassifications	Balance September 30, 2015
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 46,757	\$ -	\$ 46,757
Total capital assets not being depreciated	-	46,757	-	46,757
Capital assets being depreciated:				
Equipment	223,858	43,932	-	267,790
Water and sewer system	4,268,406	-	-	4,268,406
Total capital assets being depreciated	4,492,264	43,932	-	4,536,196
Total capital assets	4,492,264	90,689	-	4,582,953
Less accumulated depreciation for:				
Equipment	(197,610)	(11,239)	-	(208,849)
Water and sewer system	(1,472,504)	(137,749)	-	(1,610,253)
Total accumulated depreciation	(1,670,114)	(148,988)	-	(1,819,102)
Total capital assets being depreciated, net	2,822,150	(105,056)	-	2,717,094
Capital assets, net of depreciation	\$ 2,822,150	\$ (58,299)	\$ -	\$ 2,763,851

	Balance September 30, 2013	Additions	Retirements/ Reclassifications	Balance September 30, 2014
Business-type activities:				
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	\$ 2,880,377	\$ (58,227)	\$ -	\$ 2,822,150



TOWN OF WESTOVER HILLS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LONG-TERM LIABILITIES

During the year ended September 30, 2015, the following changes in long-term liabilities occurred:

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015	Due Next Year
Governmental activities:					
Compensated absences	\$ 46,657	\$ 65,586	\$ 47,416	\$ 64,827	\$ 48,620

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
Governmental activities:					
Compensated absences	\$ 54,631	\$ 51,840	\$ 59,814	\$ 46,657	\$ 34,992

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

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Town participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Plan provisions for the Town are as follows:

	<u>Plan Year 2014</u>
Deposit rate	5.0%
Matching ratio (Town to employee)	1 to 1
A member is vested after	5 years
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>21</u>
	<u>51</u>

Contributions

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

Employees for the Town were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 1.38% and 0.76% in calendar years 2015 and 2014, respectively. The Town's contributions to TMRS for the year ended September 30, 2015 were \$12,768, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2014 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the Town, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well and the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	17.5%	4.80%
International equity	17.5%	6.05%
Core fixed income	30.0%	1.50%
Non-core fixed income	10.0%	3.50%
Real return	5.0%	1.75%
Real estate	10.0%	5.25%
Absolute return	5.0%	4.25%
Private equity	5.0%	8.50%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balance at 12/31/2013	\$ 1,733,166	\$ 1,818,694	\$ (85,528)
Changes for year:			
Service cost	61,613	-	61,613
Interest	118,987	-	118,987
Change of benefit terms	-	-	-
Difference between expected and actual experience	(7,947)	-	(7,947)
Change of assumptions	-	-	-
Contributions – employer	-	7,509	(7,509)
Contributions – employee	-	49,401	(49,401)
Net investment income	-	104,020	(104,020)
Benefit payments, including refunds of employee contributions	(128,304)	(128,304)	-
Administrative expense	-	(1,086)	1,086
Other changes	-	(89)	89
Net changes	44,349	31,451	12,898
Balance at 12/31/2014	\$ 1,777,515	\$ 1,850,145	\$ (72,630)

Plan fiduciary net position as a percentage of the total pension liability 104.09%

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Town's net pension liability/(asset)	\$ 120,192	\$ (72,630)	\$ (235,162)

Pension Plan Fiduciary Net Position

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



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the Town recognized pension expense of \$7,726.

At September 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (5,950)
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	18,631	-
Contributions subsequent to the measurement date	10,686	-
Total	<u>\$ 29,317</u>	<u>\$ (5,950)</u>

\$10,686 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2015	\$ 2,661
2016	2,661
2017	2,702
2018	4,657
Total	<u>\$ 12,681</u>

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



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. EMPLOYEES' RETIREMENT SYSTEM (Continued)

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 2015, 2014, and 2013 are \$3,090, \$2,981, and \$3,302, respectively, which equal the required contributions each year.

NOTE 11. 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, 2015, 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 12. 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 \$66,000 and \$51,000 for the years ended 2015 and 2014, 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 \$615,000 and \$592,000 for the years ended 2015 and 2014, respectively.

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 \$166,000 and \$165,000 for the years ended 2015 and 2014, respectively, and are included as expenditures of the General Fund.

During 2015, the Town entered into an agreement to install a security camera system at the Town's entry points. The project is estimated to cost approximately \$160,000. Expenditures totaled approximately \$40,000 in 2015. The remaining cost of the project is expected to be paid in 2016.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

During 2014, the Town adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The objective of the statement is to improve accounting and financial reporting by state and local governments for pensions. This resulted in a direct increase to net position for governmental activities of \$90,955 as follows:

Record beginning net pension asset	\$	85,528
Record beginning deferred outflows		<u>5,427</u>
Prior period adjustment		90,955
Beginning net assets, as previously reported		<u>2,307,053</u>
Beginning net assets, as restated	\$	<u><u>2,398,008</u></u>



REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF WESTOVER HILLS, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

Last 10 Years *

	2014
Total Pension Liability	
Service cost	\$ 61,613
Interest (on the Total Pension Liability)	118,987
Changes of benefit terms	-
Difference between expected and actual experience	(7,947)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(128,304)
Net Change in Total Pension Liability	44,349
Total Pension Liability - Beginning	1,733,166
Total Pension Liability - Ending (a)	\$ 1,777,515
Plan Fiduciary Net Position	
Contributions - employer	\$ 7,509
Contributions - employee	49,401
Net investment income	104,020
Benefit payments, including refunds of employee contributions	(128,304)
Administrative expense	(1,086)
Other	(89)
Net Change in Plan Fiduciary Net Position	31,451
Plan Fiduciary Net Position - Beginning	1,818,694
Plan Fiduciary Net Position - Ending (b)	\$ 1,850,145
Net Pension (Asset) Liability - Ending (a) - (b)	\$ (72,630)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.09%
Covered Employee Payroll	\$ 988,017
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	(7.35%)

* GASB 68 requires 10 years of data to be provided in this schedule. The Town will build this schedule over the next 10-year period.



TOWN OF WESTOVER HILLS, TEXAS

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years *

	2015
Actuarially determined contribution	\$ 12,768
Contributions in relation to the actuarially determined contribution	(12,768)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 1,048,276
Contributions as a percentage of covered employee payroll	1.22%

* GASB 68 requires 10 fiscal years of data be provided in this schedule. The Town will build this schedule over the next 10-year period.

See Notes to Schedule of Contributions.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO SCHEDULE OF CONTRIBUTIONS

NOTE 1. CONTRIBUTIONS

Valuation Date:

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

Methods of Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00%, including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

There were no benefit changes during the year.



TOWN OF WESTOVER HILLS, TEXAS

GENERAL FUND

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

Year Ended September 30, 2015 with Comparative

Total for Year Ended September 30, 2014

	2015			2014
	Original and Final Budget	Actual	Variance	Actual
Revenues:				
Ad valorem taxes, interest and penalties	\$ 1,830,141	\$ 1,822,647	\$ (7,494)	\$ 1,804,918
Franchise tax	93,000	100,618	7,618	96,513
Charges for services				
Sanitation	54,000	52,160	(1,840)	50,479
Alarm	33,400	32,592	(808)	33,704
Administrative services provided to Water and Sewer Fund	120,000	120,000	-	48,000
Fines/forfeitures	22,000	15,670	(6,330)	16,719
Building permits	50,000	58,017	8,017	57,045
Interest	800	1,151	351	731
Donations	-	4,800	4,800	586
Grants	1,500	2,574	1,074	2,051
Miscellaneous	4,500	10,006	5,506	3,225
Total revenues	2,209,341	2,220,235	10,894	2,113,971
Expenditures:				
Current:				
General government	414,056	385,096	28,960	369,991
Public safety				
Police	891,055	888,330	2,725	904,766
Fire protection	165,750	165,743	7	164,744
Municipal court	42,900	38,335	4,565	43,433
Public works	420,994	405,074	15,920	350,383
Building inspection and permits	92,012	86,546	5,466	91,929
Sanitation	46,500	49,235	(2,735)	50,038
Capital outlay	536,171	154,559	381,612	147,426
Total expenditures	2,609,438	2,172,918	436,520	2,122,710
Net change in fund balances	(400,097)	47,317	447,414	(8,739)
Fund balances, beginning of year	1,052,442	1,052,442	-	1,061,181
Fund balances, end of year	\$ 652,345	\$ 1,099,759	\$ 447,414	\$ 1,052,442



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, 2015 with Comparative Total for Year Ended September 30, 2014

	2015			2014
	Original and Final Budget	Actual	Variance	Actual
Operating revenues:				
Water sales	\$ 917,393	\$ 883,647	\$ (33,746)	\$ 857,644
Sewer services	177,620	186,456	8,836	213,876
Other revenue	1,000	5,325	4,325	5,670
Total operating revenues	1,096,013	1,075,428	(20,585)	1,077,190
Operating expenses:				
Water purchases	641,929	615,073	26,856	592,323
Sewer services	72,180	65,924	6,256	50,591
Repairs and maintenance	39,000	14,842	24,158	46,782
Materials and supplies	19,400	16,324	3,076	12,868
Depreciation	151,000	148,988	2,012	148,253
Other operating expenses	159,750	144,936	14,814	78,738
Total operating expenses	1,083,259	1,006,087	77,172	929,555
Operating income	12,754	69,341	56,587	147,635
Non-operating revenues:				
Interest income	500	625	125	341
Total non-operating revenues	500	625	125	341
Change in net position	13,254	69,966	56,712	147,976
Net position, beginning of year	3,791,157	3,791,157	-	3,643,181
Net position, end of year	\$ 3,804,411	\$ 3,861,123	\$ 56,712	\$ 3,791,157
Budgeted capital costs	\$ 401,236	\$ 90,689	\$ 310,547	\$ 90,026

