

TOWN OF WESTOVER HILLS, TEXAS

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2016



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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, 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 37-38 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 17, 2017 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 17, 2017



Town of Westover Hills

5824 Merrymount Road, Fort Worth, TX 76107

Town Management's Fiscal Year 2015-2016 (FY 2016) Discussion and Analysis

This discussion and analysis is intended to be a transparent overview and analysis of the Town of Westover Hills, Texas (the "Town")'s financial activities, as related to the Town's operations, based on facts, decisions or conditions for the fiscal year ending September 30, 2016. This analysis focuses on FY 2016 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 an individual fund as well as 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, building inspection, public works, and general government administration. Business-type (or proprietary) activities include the Town's water and sewer systems. The combined fund statements are designed to be more corporate-like in that the activities are consolidated on the Statement of Activities on page 5.

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 on property taxes, franchise fees and other miscellaneous 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.
- The 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. Statements for the Town's business-type (Water and Sewer) fund include net position, revenues, expenses and changes in net position, and cash flows.
- The notes to the financial statements provide additional statutorily-required disclosures pursuant to 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

As related to a corporate-like financial structure, the Town's combined net position decreased \$160,516 for the fiscal year ended September 30, 2016.

Net Position at Year-End

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Cash & cash equivalents	\$228,184	\$1,069,945	\$966,101	\$1,019,316	\$1,194,285	\$2,089,261
Other Assets	99,135	76,996	138,475	162,638	237,610	239,634
Capital Assets	2,038,520	1,303,779	2,810,140	2,763,851	4,848,660	4,067,630
Net Pension Asset	-	72,630	-	-	-	72,630
Total Assets	<u>2,365,839</u>	<u>2,523,350</u>	<u>3,914,716</u>	<u>3,945,805</u>	<u>6,280,555</u>	<u>6,469,155</u>
Deferred outflows of resources	161,198	29,317	-	-	161,198	29,317
Other Liabilities	199,234	95,802	90,205	84,682	289,439	180,484
Long-Term Debt	16,235	16,207	-	-	16,235	16,207
Total Liabilities	<u>215,469</u>	<u>112,009</u>	<u>90,205</u>	<u>84,682</u>	<u>305,674</u>	<u>196,691</u>
Deferred inflows of resources	764	5,950	-	-	764	5,950
Net Position						
Net investment in capital assets	2,038,520	1,303,779	2,810,140	2,763,851	4,848,660	4,067,630
Unrestricted	<u>272,284</u>	<u>1,130,929</u>	<u>1,014,371</u>	<u>1,097,272</u>	<u>1,286,655</u>	<u>2,228,201</u>
Total Net Position	<u>\$2,310,804</u>	<u>\$2,434,708</u>	<u>\$3,824,511</u>	<u>\$3,861,123</u>	<u>\$6,135,315</u>	<u>\$6,295,831</u>



TOWN OF WESTOVER HILLS

Management’s Discussion and Analysis (Continued)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenues:						
Charges for services	\$ 393,219	\$ 278,439	\$1,085,017	\$1,075,428	\$1,478,236	\$1,353,867
Grants & donations	2,063	7,374	-	-	2,063	7,374
General revenues:						
Taxes	1,824,688	1,822,647	-	-	1,824,688	1,822,647
Franchise Fees	96,732	100,618	-	-	96,732	100,618
Interest & others	43,874	8,418	3,592	625	47,466	9,043
Total revenues	<u>2,360,576</u>	<u>2,217,496</u>	<u>1,088,609</u>	<u>1,076,053</u>	<u>3,449,185</u>	<u>3,293,549</u>
Expenses:						
General Government	419,438	411,232	-	-	419,438	411,232
Public Safety	1,311,678	1,153,627	-	-	1,311,678	1,153,627
Public Works	610,692	480,488	-	-	610,692	480,488
Sanitation	46,785	49,235	-	-	46,785	49,235
Building Inspections	95,887	86,214	-	-	95,887	86,214
Water & Sewer	-	-	1,125,221	1,006,087	1,125,221	1,006,087
Total expenses	<u>2,484,480</u>	<u>2,180,796</u>	<u>1,125,221</u>	<u>1,006,087</u>	<u>3,609,701</u>	<u>3,186,883</u>
Change in Net Position	(123,904)	36,700	(36,612)	69,966	(160,516)	106,666
Beginning Net Position	<u>2,434,708</u>	<u>2,398,008</u>	<u>3,861,123</u>	<u>3,791,157</u>	<u>6,295,831</u>	<u>6,189,165</u>
Ending Net Position	<u>\$2,310,804</u>	<u>\$2,434,708</u>	<u>\$3,824,511</u>	<u>\$3,861,123</u>	<u>\$6,135,315</u>	<u>\$6,295,831</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. Expenditures in Governmental fund remained in line with budgeted expenditures.

The overall revenues and expenditures in the Water and Sewer Fund were indicative of a normal 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, 2016.

Summary of Governmental Fund Revenues

	2016	Percent of Total	2015	Percent of Total	\$ Change	Percent Change
Revenues						
Ad Valorem Taxes	\$ 1,814,598	77%	\$ 1,822,647	82%	\$ (8,049)	0%
Franchise Tax	96,732	4%	100,618	5%	(3,886)	(4%)
Charges for Services	304,955	13%	204,752	9%	100,203	49%
Fines	35,470	2%	15,670	1%	19,800	126%
Building Permits	52,794	2%	58,017	3%	(5,223)	(9%)
Interest	4,250	0%	1,151	0%	3,099	269%
Donations	-	0%	4,800	0%	(4,800)	0%
Grants	2,063	0%	2,574	0%	(511)	(20%)
Miscellaneous	39,624	2%	10,006	0%	29,618	296%
Total Revenues	<u>\$ 2,350,486</u>	<u>100.0%</u>	<u>\$ 2,220,235</u>	<u>100.0%</u>	<u>\$ 130,251</u>	<u>6%</u>

Total Governmental Fund revenues increased by \$130,251. The Town's total taxable value remained approximately the same as the previous year's value. Franchise tax revenues typically change based on services and/or changes in franchise utility company charges and fees to its customers. Charges for Services reflects an increase in the administrative fee charged to the Water and Sewer Fund.

Summary of Governmental Fund Expenditures

	2016	Percent of Total	2015	Percent of Total	\$ Change	Percent Change
Expenditures						
General	\$ 404,254	13%	\$ 385,096	17%	\$ 19,158	5%
Public Safety						
Police	1,008,353	32%	888,330	43%	120,023	14%
Fire	166,865	5%	165,743	8%	1,122	0%
Municipal Court	47,230	1%	38,335	2%	8,895	23%
Public Works	474,952	15%	405,074	17%	69,879	17%
Building Inspections	95,924	3%	86,546	4%	9,378	11%
Sanitation	46,785	1%	49,235	2%	(2,450)	(5%)
Capital Outlay	941,801	30%	154,559	7%	787,241	509%
Total Expenditures	<u>\$ 3,186,164</u>	<u>100.0%</u>	<u>\$ 2,172,918</u>	<u>100.0%</u>	<u>\$ 1,013,246</u>	<u>47%</u>

Governmental fund expenditures increased by \$1,013,246. The decision by the Town Council to increase Police Department overtime hours (expense) for the purpose of increasing the police patrol presence throughout the Town resulted in a projected mid-year adjusted budget increase of \$40,000. In addition, the Police Department expenditures reflect the routine replacement of a police patrol unit and its related equipment.



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, 2016.

Summary of Business-Type Fund Operating Revenues

	2016	Percent of Total	2015	Percent of Total	\$ Change	Percent Change
Revenues						
Water	\$ 887,069	82%	\$ 883,647	80%	\$ 3,422	0%
Sewer	197,555	18%	186,456	20%	11,099	6%
Other	393	0%	5,325	0%	(4,932)	(92%)
Total Operating Revenues	<u>\$ 1,085,017</u>	<u>100.0%</u>	<u>\$ 1,075,428</u>	<u>100.0%</u>	<u>\$ 9,589</u>	<u>(0%)</u>

Water rates were increased to \$4.65 per 1,000 gallons and Sewer rates were increased to \$2.65 per 1,000 gallons in response to adjustments in wholesale customer charges by the City of Fort Worth.

Summary of Business-Type Fund Operating Expenditures

	2016	Percent of Total	2015	Percent of Total	\$ Change	Percent Change
Expenditures						
Water Cost	\$ 582,780	52%	\$ 615,073	64%	\$ (32,293)	5%
Sewer Cost	65,234	6%	65,924	6%	(690)	1%
Repairs and Maintenance	29,999	3%	14,842	5%	15,157	102%
Materials and Supplies	24,115	2%	16,324	0%	7,791	48%
Depreciation	161,232	14%	148,988	16%	12,244	8%
Other	261,861	23%	144,936	9%	116,925	81%
Total Operating Expenditures	<u>\$ 1,125,221</u>	<u>100%</u>	<u>\$ 1,006,087</u>	<u>100.0%</u>	<u>\$ 119,134</u>	<u>12%</u>

Total expenditures were comparable to the prior year. Repairs and Maintenance expense reflects normal routine water and sewer line maintenance.



TOWN OF WESTOVER HILLS

Management's Discussion and Analysis (Continued)

Capital Assets

Capital assets:

As of September 30, 2016, the Town had a net \$4,848,660 invested in capital assets, including police vehicles and equipment, public works vehicles and equipment, buildings, roadways, bridges, and utility lines, meters and stations. This amount represents a net increase (additions, deductions and depreciation) of \$781,030 or a 19% increase over the prior year.

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land and Building	\$ 207,927	\$ 207,927	\$ -	\$ -	\$ 207,927	\$ 207,927
Equipment	1,010,602	705,232	522,068	267,790	1,532,670	973,022
Improvements other than building	2,091,984	1,359,606	-	-	2,091,984	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	3,310,513	2,363,712	4,790,474	4,582,953	8,100,987	6,946,665
Accumulated depreciation	(1,271,993)	(1,059,933)	(1,980,334)	(1,819,102)	(3,252,327)	(2,879,035)
Net Capital Assets	<u>\$2,038,520</u>	<u>\$1,303,779</u>	<u>\$2,810,140</u>	<u>\$2,763,851</u>	<u>\$4,848,660</u>	<u>\$4,067,630</u>

The increase in governmental capital assets is related to the purchase of a new police patrol vehicle and the completion of the security cameras system installed at the Town's entry points for improved citizen safety and surveillance.

Capitalized street and storm drainage improvements on Deepdale Drive and Valley Ridge Road increased assets by approximately \$300,000, while utility improvements consisting of new water meter replacements of \$40,000 and sanitary sewer line replacement and upgrades in the Indian Creek area of approximately \$280,000 were also included.

Debt Outstanding:

The Town has no short or long-term debt outstanding as of September 30, 2016 and September 30, 2015.



TOWN OF WESTOVER HILLS

Management's Discussion and Analysis (Continued)

Budgets Planning and Process

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. The Town has no short or long-term debt outstanding.

When considering the Town's FY 2016 budget, the Town Council and management considered the following factors:

- Increase in water rates from \$4.50 to \$4.65 per 1,000 gallons.
- Increase in sewer rates from \$2.50 to \$2.65 per 1,000 gallons.
- Continue the replacement program for police patrol vehicles.
- Increase in health care costs with some adjustments to out-of-pocket expense and co-payments.
- Salary adjustments including a 2% cost of living increase.
- Completed the funding and the installation of security cameras at Town entry points.
- Anticipate customary inflation of the cost for goods and services.
- Fund street reconstruction of Deepdale Drive (\$275,000).
- Fund Valley Ridge Road curbs and gutter installation and storm drain improvements on Westover Terrace (\$80,000).
- Fund street overlay of all streets within Old Westover area (\$221,000).
- Fund and complete installation of new water meters throughout the Town (\$40,000).
- Fund replacement and improvements to the Indian Creek sanitary sewer line (\$280,000).

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, demonstrating the Town's transparency and accountability. If you have questions about the report or need additional financial information, please contact the Town's Administrator, 5824 Merrymount Road, Fort Worth, Texas 76107.



TOWN OF WESTOVER HILLS, TEXAS

STATEMENT OF NET POSITION
September 30, 2016 with Comparative
Total for September 30, 2015

	Governmental Activities	Business-type Activities	2016	2015
ASSETS				
Cash and cash equivalents	\$ 228,184	\$ 966,101	\$ 1,194,285	\$ 2,089,261
Receivables, net				
Taxes	72,623	-	72,623	68,645
Accounts receivable	8,612	138,475	147,087	170,989
Prepaid expenses	17,900	-	17,900	-
Total current assets	327,319	1,104,576	1,431,895	2,328,895
Capital assets not being depreciated				
Land	2,000	-	2,000	2,000
Construction in progress	-	-	-	137,704
Capital assets, net of accumulated depreciation				
Building and improvements	97,506	-	97,506	110,980
Machinery and equipment	516,039	292,032	808,071	370,136
Infrastructure	1,422,975	2,518,108	3,941,083	3,446,810
Net pension asset	-	-	-	72,630
Total long-term assets	2,038,520	2,810,140	4,848,660	4,140,260
Total assets	2,365,839	3,914,716	6,280,555	6,469,155
DEFERRED OUTFLOWS OF RESOURCES				
Deferred contributions to pension plan	10,563	-	10,563	10,686
Change in pension assumptions	35,237	-	35,237	-
Investment experience related to pension plan	115,398	-	115,398	18,631
Total deferred outflows of resources	161,198	-	161,198	29,317
Total assets and deferred outflows of resources	\$ 2,527,037	\$ 3,914,716	\$ 6,441,753	\$ 6,498,472
LIABILITIES				
Accounts payable and accrued liabilities	\$ 23,212	\$ 82,899	\$ 106,111	\$ 115,073
Accrued payroll	29,936	-	29,936	13,362
Unearned revenue	-	7,306	7,306	3,429
Noncurrent liabilities:				
Net pension liability	97,382	-	97,382	-
Compensated absences				
Current portion	48,704	-	48,704	48,620
Long-term portion	16,235	-	16,235	16,207
Total liabilities	215,469	90,205	305,674	196,691
DEFERRED INFLOWS OF RESOURCES				
Change in expected and actual economic experience	764	-	764	5,950
Total deferred inflows of resources	764	-	764	5,950
NET POSITION				
Net investment in capital assets	2,038,520	2,810,140	4,848,660	4,067,630
Unrestricted	272,284	1,014,371	1,286,655	2,228,201
Total net position	2,310,804	3,824,511	6,135,315	6,295,831
Total liabilities, deferred inflows of resources, and net position	\$ 2,527,037	\$ 3,914,716	\$ 6,441,753	\$ 6,498,472

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2016 with Comparative
Total for Year Ended September 30, 2015

	Program Revenue			Net (Expense) Revenue and Changes in Net Position		2016	2015
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Functions/Programs:							
Governmental activities:							
General government	\$ 419,438	\$ 213,996	\$ -	\$ (205,442)	\$ -	\$ (205,442)	\$ (291,232)
Public safety	1,311,678	67,697	2,063	(1,241,918)	-	(1,241,918)	(1,097,991)
Public works	610,692	-	-	(610,692)	-	(610,692)	(480,488)
Sanitation	46,785	58,732	-	11,947	-	11,947	2,925
Building inspection	95,887	52,794	-	(43,093)	-	(43,093)	(28,197)
Total governmental activities	2,484,480	393,219	2,063	(2,089,198)	-	(2,089,198)	(1,894,983)
Business-type activities:							
Water and sewer services	1,125,221	1,085,017	-	-	(40,204)	(40,204)	69,341
Total business-type activities	1,125,221	1,085,017	-	-	(40,204)	(40,204)	69,341
Total	\$ 3,609,701	\$ 1,478,236	\$ 2,063	(2,089,198)	(40,204)	(2,129,402)	(1,825,642)
General revenues:							
Property taxes, penalties, and interest				1,824,688	-	1,824,688	1,822,647
Franchise taxes				96,732	-	96,732	100,618
Interest				4,250	3,592	7,842	1,776
Miscellaneous				39,624	-	39,624	7,267
Total general revenues				1,965,294	3,592	1,968,886	1,932,308
Change in net position				(123,904)	(36,612)	(160,516)	106,666
Net position, beginning of year				2,434,708	3,861,123	6,295,831	6,189,165
Net position - ending				\$ 2,310,804	\$ 3,824,511	\$ 6,135,315	\$ 6,295,831

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

GENERAL FUND

BALANCE SHEETS

September 30, 2016 and 2015

ASSETS	2016	2015
Cash and cash equivalents	\$ 228,184	\$ 1,069,945
Receivables:		
Ad valorem taxes	10,090	3,429
Franchise taxes	62,533	65,216
Other	8,612	8,351
Prepaid expenses	17,900	-
Total assets	\$ 327,319	\$ 1,146,941
LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,212	\$ 30,391
Accrued payroll and related expenditures	29,936	13,362
Unearned revenue	10,090	3,429
Total liabilities	63,238	47,182
FUND BALANCE		
Committed	-	121,421
Unassigned	264,081	978,338
Total fund balance	264,081	1,099,759
Total liabilities and fund balances	\$ 327,319	\$ 1,146,941

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, 2016

Total governmental fund balances	\$ 264,081
Amounts reported for governmental activities in the statement of net position are different because:	
Unearned property taxes are not reported as revenues in the General Fund because they are not available for current period expenditures.	10,090
Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund.	2,038,520
The Town's pension plan actuarial accrued liability exceeds the actuarial value of plan assets creating a net pension liability. This liability is offset by deferred inflows and outflows and is not a currently available financial resource and is therefore not reported in the funds.	63,052
Compensated absences are not due and payable in the current period and therefore are not reported in the General Fund.	<u>(64,939)</u>
Net position of governmental activities	<u><u>\$ 2,310,804</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, 2016 and 2015

Revenues	<u>2016</u>	<u>2015</u>
Taxes		
Ad valorem taxes, interest, and penalties	\$ 1,814,598	\$ 1,822,647
Franchise tax	96,732	100,618
Charges for services		
Sanitation	58,732	52,160
Alarm	32,227	32,592
Administrative services provided to Water and Sewer Fund	213,996	120,000
Fines/forfeitures	35,470	15,670
Building permits	52,794	58,017
Interest	4,250	1,151
Donations	-	4,800
Grants	2,063	2,574
Miscellaneous	39,624	10,006
Total revenues	<u>2,350,486</u>	<u>2,220,235</u>
Expenditures		
Current		
General government	404,254	385,096
Public safety		
Police	1,008,353	888,330
Fire protection	166,865	165,743
Municipal court	47,230	38,335
Public works	474,952	405,074
Building inspection and permits	95,924	86,546
Sanitation	46,785	49,235
Capital outlay	941,801	154,559
Total expenditures	<u>3,186,164</u>	<u>2,172,918</u>
Net change in fund balance	(835,678)	47,317
Fund balance, beginning of year	<u>1,099,759</u>	<u>1,052,442</u>
Fund balance, end of year	<u><u>\$ 264,081</u></u>	<u><u>\$ 1,099,759</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, 2016

Net change in fund balances - total governmental fund	\$ (835,678)
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.	10,090
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.	(212,060)
Capital outlays are reported as expenditures in the General Fund. However, in the statement of activities, the cost of those assets is capitalized.	946,801
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	(112)
Change in pension expense	<u>(32,945)</u>
Change in net position of governmental activities	<u><u>\$ (123,904)</u></u>

See notes to basic financial statements.



TOWN OF WESTOVER HILLS, TEXAS

WATER AND SEWER FUND STATEMENTS OF NET POSITION September 30, 2016 and 2015

ASSETS	2016	2015
Current assets:		
Cash and cash equivalents	\$ 966,101	\$ 1,019,316
Receivables (net of allowance for doubtful accounts of \$6,487 in 2016 and \$7,000 in 2015)	138,475	162,638
Total current assets	<u>1,104,576</u>	<u>1,181,954</u>
Capital assets:		
Water and sewer system	4,268,406	4,268,406
Equipment	522,068	267,790
Construction in progress	-	46,757
Less accumulated depreciation	<u>(1,980,334)</u>	<u>(1,819,102)</u>
Total capital assets, net	<u>2,810,140</u>	<u>2,763,851</u>
Total assets	<u><u>\$3,914,716</u></u>	<u><u>\$3,945,805</u></u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 82,899	\$ 81,214
Customer prepayments	7,306	3,468
Total liabilities	<u>90,205</u>	<u>84,682</u>
Net position:		
Net investment in capital assets	2,810,140	2,763,851
Unrestricted	<u>1,014,371</u>	<u>1,097,272</u>
Total net position	<u>3,824,511</u>	<u>3,861,123</u>
Total liabilities and net position	<u><u>\$3,914,716</u></u>	<u><u>\$3,945,805</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues		
Water sales	\$ 887,069	\$ 883,647
Sewer services	197,555	186,456
Other revenue	393	5,325
Total operating revenues	<u>1,085,017</u>	<u>1,075,428</u>
Operating expenses		
Water purchases	582,780	615,073
Sewer services	65,234	65,924
Repairs and maintenance	29,999	14,842
Materials and supplies	24,115	16,324
Depreciation	161,232	148,988
Other operating expenses	261,861	144,936
Total operating expenses	<u>1,125,221</u>	<u>1,006,087</u>
Operating income (loss)	<u>(40,204)</u>	<u>69,341</u>
Non-operating revenues		
Interest income	3,592	625
Total non-operating revenues	<u>3,592</u>	<u>625</u>
Change in net position	<u>(36,612)</u>	<u>69,966</u>
Net position, beginning of year	<u>3,861,123</u>	<u>3,791,157</u>
Net position, end of year	<u><u>\$3,824,511</u></u>	<u><u>\$3,861,123</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities		
Receipts from customers and users	\$ 1,113,018	\$ 1,051,682
Payments to suppliers	(748,308)	(802,855)
Payments to the General Fund for services provided	(213,996)	(120,000)
Net cash provided by operating activities	<u>150,714</u>	<u>128,827</u>
Cash flow from capital financing activities		
Purchase of capital assets	(207,521)	(90,689)
Net cash used by capital financing activities	<u>(207,521)</u>	<u>(90,689)</u>
Cash flow from investing activities		
Interest on investments	3,592	625
Net cash provided by investing activities	<u>3,592</u>	<u>625</u>
Net increase (decrease) in cash and cash equivalents	(53,215)	38,763
Cash and cash equivalents, beginning of year	<u>1,019,316</u>	<u>980,553</u>
Cash and cash equivalents, end of the year	<u>\$ 966,101</u>	<u>\$ 1,019,316</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (40,204)	\$ 69,341
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	161,232	148,988
(Increase) decrease in accounts receivable	24,163	(23,325)
Increase (decrease) in accounts payable	1,685	(65,756)
Increase (decrease) in customer prepayments	3,838	(421)
Net cash provided by operating activities	<u>\$ 150,714</u>	<u>\$ 128,827</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, 2016 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 had no committed funds as of September 30, 2016. In 2015, the General Fund had committed funds of \$121,421 relating to unspent funds for a security camera system.



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 17, 2017, 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.

In 2016, expenditures in excess of appropriations totaled \$108,763 and were funded by available fund balance. The General Fund incurred no expenditures in excess of appropriations in 2015.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash

State statutes and the Town's adopted Investment Policy 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, 2016, 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 \$512,345, 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, 2016, the fair value of the Town's cash equivalents is \$680,478.

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.

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

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 1,462	\$ 2,256
Deposits with financial institutions	512,345	413,371
TexPool	<u>680,478</u>	<u>1,673,634</u>
Total	<u>\$ 1,194,285</u>	<u>\$ 2,089,261</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 2016 levy is based is \$524,942,392. 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, 2016 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, 2016 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 \$96,732 and \$100,618 for the years ended September 30, 2016 and 2015, respectively.

NOTE 6. INTERFUND TRANSACTIONS

There were no due from/to other funds outstanding at September 30, 2016 or 2015.

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 \$213,996 and \$120,000 for the years ended September 30, 2016 and 2015, respectively.

NOTE 7. CAPITAL ASSETS

A summary of changes in governmental activities capital assets follows:

	Balance September 30, 2015	Additions	Retirements/ Reclassifications	Balance September 30, 2016
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	92,947	-	(90,947)	2,000
Capital assets being depreciated:				
Buildings	205,927	-	-	205,927
Equipment	705,232	214,423	90,947	1,010,602
Improvements other than building	1,359,606	732,378	-	2,091,984
Total capital assets being depreciated	2,270,765	946,801	90,947	3,308,513
Total capital assets	2,363,712	946,801	-	3,310,513
Less accumulated depreciation for:				
Buildings	(94,947)	(13,474)	-	(108,421)
Equipment	(394,037)	(100,526)	-	(494,563)
Improvements other than buildings	(570,949)	(98,060)	-	(669,009)
Total accumulated depreciation	(1,059,933)	(212,060)	-	(1,271,993)
Total capital assets being depreciated, net	1,210,832	734,741	90,947	2,036,520
Capital assets, net of depreciation	\$ 1,303,779	\$ 734,741	\$ -	\$ 2,038,520



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (Continued)

	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

Depreciation is charged to functions as follows:

	2016	2015
Governmental activities:		
General government	\$ 17,187	\$ 24,851
Public safety	70,245	49,522
Public works	124,628	74,936
Total governmental activities depreciation expense	\$ 212,060	\$ 149,309



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, 2015	Additions	Retirements/ Reclassifications	Balance September 30, 2016
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	267,790	207,521	46,757	522,068
Water and sewer system	4,268,406	-	-	4,268,406
Total capital assets being depreciated	4,536,196	207,521	46,757	4,790,474
Total capital assets	4,582,953	207,521	-	4,790,474
Less accumulated depreciation for:				
Equipment	(208,849)	(32,505)	11,318	(230,036)
Water and sewer system	(1,610,253)	(128,727)	(11,318)	(1,750,298)
Total accumulated depreciation	(1,819,102)	(161,232)	-	(1,980,334)
Total capital assets being depreciated, net	2,717,094	46,289	46,757	2,810,140
Capital assets, net of depreciation	\$ 2,763,851	\$ 46,289	\$ -	\$ 2,810,140
	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



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. LONG-TERM LIABILITIES

During the year ended September 30, 2016, the following changes in long-term liabilities occurred:

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016	Due Next Year
Governmental activities:					
Compensated absences	\$ 64,827	\$ 61,648	\$ 61,536	\$ 64,939	\$ 48,704

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

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

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Town participates as one of 866 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.tmrs.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 2015</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, 2015 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 1.25% and 1.38% in calendar years 2016 and 2015, respectively. The Town's contributions to TMRS for the year ended September 30, 2016 were \$13,932, and were equal to the required contributions.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2015 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

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



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

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 Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the Town, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) the arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	17.5%	4.55%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real return	10.0%	4.03%
Real estate	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	100.0%	



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified 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.

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance at 12/31/2014	\$ 1,777,515	\$ 1,850,145	\$ (72,630)
Changes for year:			
Service cost	62,841	-	62,841
Interest	121,579	-	121,579
Change of benefit terms	-	-	-
Difference between expected and actual experience	4,277	-	4,277
Change of assumptions	47,263	-	47,263
Contributions – employer	-	14,039	(14,039)
Contributions – employee	-	50,924	(50,924)
Net investment income	-	2,730	(2,730)
Benefit payments, including refunds of employee contributions	(144,188)	(144,188)	
Administrative expense		(1,663)	1,663
Other changes	-	(82)	82
Net changes	91,772	(78,240)	170,012
Balance at 12/31/2015	\$ 1,869,287	\$ 1,771,905	\$ 97,382
Plan fiduciary net position as a percentage of the total pension liability			94.79%

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability/(asset)	\$ 305,888	\$ 97,382	\$ (77,980)



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

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.

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

For the year ended September 30, 2016, the Town recognized pension expense of \$46,862.

At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 764
Changes in actuarial assumptions	35,237	-
Difference between projected and actual investment earnings	115,398	-
Contributions subsequent to the measurement date	10,563	-
Total	<u>\$ 161,198</u>	<u>\$ 764</u>

\$10,563 reported as deferred inflows 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 plan year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 41,131
2017	41,172
2018	42,211
2019	25,357
Total	<u>\$ 149,871</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.



TOWN OF WESTOVER HILLS, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. EMPLOYEES' RETIREMENT SYSTEM (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 2016, 2015, and 2014 are \$2,930, \$3,090, and \$2,981, 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, 2016, 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 \$65,000 and \$66,000 for the years ended 2016 and 2015, 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 \$583,000 and \$615,000 for the years ended 2016 and 2015, 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 \$167,000 and \$166,000 for the years ended 2016 and 2015, respectively, and are included as expenditures of the General Fund.



REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF WESTOVER HILLS, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Years *

	2016	2015
Total Pension Liability		
Service cost	\$ 62,841	\$ 61,613
Interest (on the Total Pension Liability)	121,579	118,987
Changes of benefit terms	-	-
Difference between expected and actual experience	4,277	(7,947)
Change of assumptions	47,263	-
Benefit payments, including refunds of employee contributions	(144,188)	(128,304)
Net Change in Total Pension Liability	<u>91,772</u>	<u>44,349</u>
Total Pension Liability - Beginning	<u>1,777,515</u>	<u>1,733,166</u>
Total Pension Liability - Ending (a)	<u>\$ 1,869,287</u>	<u>\$ 1,777,515</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 14,039	\$ 7,509
Contributions - employee	50,924	49,401
Net investment income	2,730	104,020
Benefit payments, including refunds of employee contributions	(144,188)	(128,304)
Administrative expense	(1,663)	(1,086)
Other	(82)	(89)
Net Change in Plan Fiduciary Net Position	<u>(78,240)</u>	<u>31,451</u>
Plan Fiduciary Net Position - Beginning	<u>1,850,145</u>	<u>1,818,694</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,771,905</u>	<u>\$ 1,850,145</u>
Net Pension (Asset) Liability - Ending (a) - (b)	<u>\$ 97,382</u>	<u>\$ (72,630)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.79%	104.09%
Covered Employee Payroll	\$ 1,018,486	\$ 988,017
Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	9.56%	(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 *

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 13,932	\$ 12,768
Contributions in relation to the actuarially determined contribution	(13,932)	(12,768)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,018,486	\$ 988,017
Contributions as a percentage of covered employee payroll	1.37%	1.29%

* 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	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

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, 2016 with Comparative

Total for Year Ended September 30, 2015

	2016				2015
	Original Budget	Amended Budget	Actual	Variance	Actual
Revenues:					
Ad valorem taxes, interest and penalties	\$1,819,516	\$1,819,516	\$1,814,598	\$ (4,918)	\$1,822,647
Franchise tax	96,000	96,000	96,732	732	100,618
Charges for services					
Sanitation	56,000	56,000	58,732	2,732	52,160
Alarm	33,400	33,400	32,227	(1,173)	32,592
Administrative services provided to Water and Sewer Fund	214,000	214,000	213,996	(4)	120,000
Fines/forfeitures	14,000	14,000	35,470	21,470	15,670
Building permits	55,000	55,000	52,794	(2,206)	58,017
Interest	800	800	4,250	3,450	1,151
Donations	-	-	-	-	4,800
Grants	1,500	1,500	2,063	563	2,574
Miscellaneous	6,000	6,000	39,624	33,624	10,006
Total revenues	<u>2,296,216</u>	<u>2,296,216</u>	<u>2,350,486</u>	<u>54,270</u>	<u>2,220,235</u>
Expenditures:					
Current:					
General government	402,819	402,819	404,254	(1,435)	385,096
Public safety					
Police	971,441	971,441	1,008,353	(36,912)	888,330
Fire protection	166,865	166,865	166,865	-	165,743
Municipal court	40,000	40,000	47,230	(7,230)	38,335
Public works	415,464	415,464	474,952	(59,488)	405,074
Building inspection and permits	95,312	95,312	95,924	(612)	86,546
Sanitation	42,500	42,500	46,785	(4,285)	49,235
Capital outlay	629,200	943,000	941,801	1,199	154,559
Total expenditures	<u>2,763,601</u>	<u>3,077,401</u>	<u>3,186,164</u>	<u>(108,763)</u>	<u>2,172,918</u>
Net change in fund balances	(467,385)	(781,185)	(835,678)	(54,493)	47,317
Fund balances, beginning of year	<u>1,099,759</u>	<u>1,099,759</u>	<u>1,099,759</u>	-	<u>1,052,442</u>
Fund balances, end of year	<u>\$ 632,374</u>	<u>\$ 318,574</u>	<u>\$ 264,081</u>	<u>\$(54,493)</u>	<u>\$1,099,759</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, 2016 with Comparative
Total for Year Ended September 30, 2015**

	2016		2015	
	Original and Final Budget	Actual	Variance	Actual
Operating revenues:				
Water sales	\$ 911,455	\$ 887,069	\$ (24,386)	\$ 883,647
Sewer services	190,402	197,555	7,153	186,456
Other revenue	-	393	393	5,325
Total operating revenues	1,101,857	1,085,017	(16,840)	1,075,428
Operating expenses:				
Water purchases	651,710	582,780	68,930	615,073
Sewer services	80,877	65,234	15,643	65,924
Repairs and maintenance	33,000	29,999	3,001	14,842
Materials and supplies	26,350	24,115	2,235	16,324
Depreciation	152,000	161,232	(9,232)	148,988
Other operating expenses	245,600	261,861	(16,261)	144,936
Total operating expenses	1,189,537	1,125,221	64,316	1,006,087
Operating income (loss)	(87,680)	(40,204)	47,476	69,341
Non-operating revenues:				
Interest income	500	3,592	3,092	625
Total non-operating revenues	500	3,592	3,092	625
Change in net position	(87,180)	(36,612)	50,568	69,966
Net position, beginning of year	3,861,123	3,861,123	-	3,791,157
Net position, end of year	\$ 3,773,943	\$ 3,824,511	\$ 50,568	\$ 3,861,123
Budgeted capital costs	\$ 371,500	\$ 207,521	\$ 163,979	\$ 90,689

