

CITY OF WILLOW PARK, TEXAS

TENTATIVE DRAFT

**Annual Financial Report
For the Fiscal Year Ended September 30, 2022**

City of Willow Park, Texas
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For the Fiscal Year Ended September 30, 2022

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**City of Willow Park, Texas
Principal Officials**

2022 City Council

Doyle Moss, Mayor

Lea Young, Mayor Pro Tem

Eric Contreras

Chawn Gilliland

Greg Runnebaum

Nathan Crummel

City Manager

Bryan Grimes

CFO / HR Director

Candy Scott

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willow Park, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the City of Willow Park, Texas (the City) as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As described in Note A to the financial statements, in fiscal year 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of our audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of changes in the net pension liability/(asset) and related ratios, the schedule of employer pension contributions and related ratios, the schedule of changes in the total OPEB liability and related ratios, and the schedule of OPEB contributions and related ratios on pages 6-14 and 57-61 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the GASB 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, on our consideration of the City of Willow Park, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Willow Park, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willow Park, Texas' internal control over financial reporting and compliance.

Snow Garrett Williams
March 10, 2023

City of Willow Park, Texas Management's Discussion and Analysis

The management's discussion and analysis (MD&A) of the City of Willow Park (the City) provides an overview of the City's financial activities for the fiscal year ended September 30, 2022. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of fiscal year 2022 by \$17,743,837 (*net position*). Of this amount, \$3,829,854 is restricted for specific purposes and \$15,343,889 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB Statement No. 34, net position also includes (\$1,429,906) that is the net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a fund balance at year-end of \$12,255,746, of which \$6,044,633 represents restricted fund balance and \$6,211,113 represents unassigned fund balance.
- The general fund unassigned fund balance of \$6,211,113 equals 128% of total general fund expenditures.
- The City's total noncurrent liabilities increased by \$808,310 during the current fiscal year as a result of the issuance of two new certificates of obligations, offset by scheduled annual debt service payments and a decrease in due to other governments related to an interlocal agreement between the City and the City of Hudson Oaks for the construction of the Fort Worth water line.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. Both are prepared using the economic resource focus and the accrual basis of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

City of Willow Park, Texas Management's Discussion and Analysis

The Statement of Net Position and the Statement of Activities divide the primary government (the City) activities into two types:

Governmental activities – Most of the City's basic services are reported here, including administration, development services, fire and rescue, legislative, municipal court, police, and public works, parks, and roads. General property taxes, sales taxes, and franchise fees provide the majority of the financing for these activities.

Business-type activities – Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities includes its water, wastewater, and solid waste operations.

The government-wide financial statements can be found beginning on page 16 of this report.

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

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

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

The City maintains thirteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Roads Capital Projects Fund, which are considered to be major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (original versus final) has been provided in this report for the general fund to demonstrate compliance with this budget. The City does not adopt a budget for the Debt Service Fund or the Roads Capital Projects fund and therefore no budgetary comparison schedules for those funds are included in this report.

City of Willow Park, Texas Management's Discussion and Analysis

The governmental fund financial statements can be found beginning on page 18 of this report.

Proprietary funds. When the City charges customers for services it provides, the activities are generally reported in proprietary funds. The City maintains one type of proprietary fund: an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, wastewater, and solid waste operations. These services are primarily provided to outside or non-governmental customers.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Fund and Wastewater Fund, which are considered to be the major proprietary funds of the City. Information is also presented for the Solid Waste Fund, which is a non-major proprietary fund.

The proprietary fund financial statements can be found beginning on page 21 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information concerning pension and OPEB benefits. The required supplementary information can be found beginning on page 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. This other supplemental information can be found beginning on page 63 of this report.

City of Willow Park, Texas Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,743,837 as of September 30, 2022.

City of Willow Park's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 12,976,918	\$ 2,318,418	\$ 32,814,140	\$ 38,783,291	\$ 45,791,058	\$ 41,101,709
Capital assets and right-to-use assets, net of depreciation/amortization	14,961,775	15,297,759	22,770,786	19,073,470	37,732,561	34,371,229
Total assets	27,938,693	17,616,177	55,584,926	57,856,761	83,523,619	75,472,938
Deferred outflows of resources	140,525	139,148	51,975	49,368	192,500	188,516
Long-term liabilities	21,040,268	14,143,283	38,244,387	44,333,062	59,284,655	58,476,345
Other liabilities	2,496,163	482,592	3,965,334	1,237,345	6,461,497	1,719,937
Total liabilities	23,536,431	14,625,875	42,209,721	45,570,407	65,746,152	60,196,282
Deferred inflows of resources	165,075	52,928	61,055	18,779	226,130	71,707
Net position:						
Net investment in capital assets	(2,400,065)	1,665,424	970,159	2,000,040	(1,429,906)	3,665,464
Restricted	937,155	439,456	2,892,699	2,252,227	3,829,854	2,691,683
Unrestricted	5,840,622	971,642	9,503,267	8,064,676	15,343,889	9,036,318
Total Net Position	\$ 4,377,712	\$ 3,076,522	\$ 13,366,125	\$ 12,316,943	\$ 17,743,837	\$ 15,393,465

The City's net investment in capital assets (e.g., land, construction in progress, buildings and improvements, furniture and equipment, vehicles, infrastructure, water and wastewater systems, and right-of-use assets) less any related debt used to acquire those assets that is still outstanding is (\$1,429,906). The City uses those assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$3,829,854 (or 22%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for the purposes established by state and local laws, for future construction, and for debt service requirements on the City's outstanding debt. The remaining portion of the City's net position is \$15,343,889 and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the City as a whole and for its separate governmental and business-type activities, except for net investment in capital assets of the governmental activities and the City as a whole. At the end of the prior fiscal year, all categories of net position were reported as positive balances.

City of Willow Park, Texas Management's Discussion and Analysis

The City's total net position increased by \$2,192,126 during the current fiscal year. The City's governmental activities increased net position by \$1,142,944. The total cost of all governmental activities this year was \$6,633,326. The amount that taxpayers paid for these activities through property taxes was \$3,834,214, or 58%. The City's business-type activities increased net position by \$1,049,182. The total cost of all business-type activities for fiscal year 2022 was \$3,859,352.

City of Willow Park's Changes in Net Position

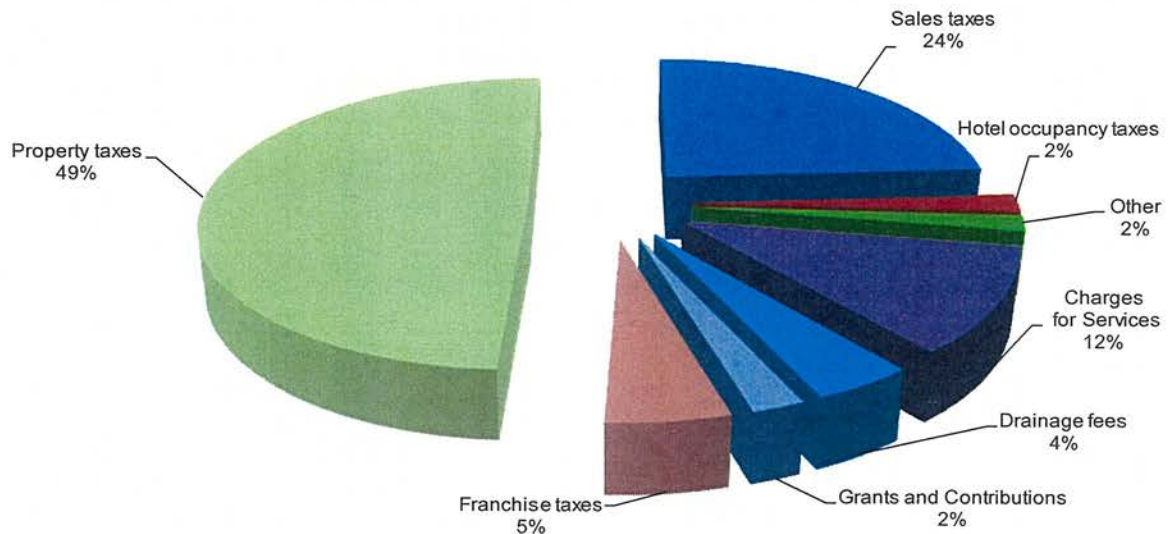
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 897,933	\$ 915,949	\$ 4,362,328	\$ 3,833,852	\$ 5,260,261	\$ 4,749,801
Operating grants and contributions	172,239	305,653	-	-	172,239	305,653
Capital grants and contributions	-	-	488,997	-	488,997	-
General revenues:						
Property taxes	3,834,214	3,221,649	-	-	3,834,214	3,221,649
Sales and use taxes	1,866,827	1,530,690	-	-	1,866,827	1,530,690
Franchise taxes	397,514	308,679	-	-	397,514	308,679
Hotel occupancy taxes	142,932	-	-	-	142,932	-
Drainage fees	330,894	55,835	-	-	330,894	55,835
Investment earnings	75,373	4,221	22,098	2,577	97,471	6,798
Other	20,551	18,568	-	-	20,551	18,568
Gain on sale of capital assets	37,793	35,000	35,111	-	72,904	35,000
Total revenues	7,776,270	6,396,244	4,908,534	3,836,429	12,684,804	10,232,673
Expenses:						
Administration	536,874	607,623	-	-	536,874	607,623
Development services	865,865	580,985	-	-	865,865	580,985
Fire and rescue	1,445,665	1,385,158	-	-	1,445,665	1,385,158
Legislative	189,575	224,779	-	-	189,575	224,779
Municipal court	157,886	185,270	-	-	157,886	185,270
Police	1,576,253	1,600,273	-	-	1,576,253	1,600,273
Public works, parks, and roads	1,414,337	1,015,177	-	-	1,414,337	1,015,177
Interest and fiscal charges	446,871	472,258	-	-	446,871	472,258
Water	-	-	2,637,569	1,875,431	2,637,569	1,875,431
Wastewater	-	-	925,494	1,006,953	925,494	1,006,953
Solid waste	-	-	296,289	303,650	296,289	303,650
Total expenses	6,633,326	6,071,523	3,859,352	3,186,034	10,492,678	9,257,557
Change in net position	1,142,944	324,721	1,049,182	650,395	2,192,126	975,116
Net position, beginning of year	3,076,522	3,094,742	12,316,943	11,683,726	15,393,465	14,778,468
Prior period adjustment	158,246	(342,941)	-	(17,178)	158,246	(360,119)
Net position, beginning of year, restated	3,234,768	2,751,801	12,316,943	11,666,548	15,551,711	14,418,349
Net position, end of year	\$ 4,377,712	\$ 3,076,522	\$ 13,366,125	\$ 12,316,943	\$ 17,743,837	\$ 15,393,465

Governmental activities. Governmental activities increased the City's net position by \$1,142,944. Key elements of this increase are as follows:

- Increase in general revenues due to an overall increase in taxes, including an approximate 19% increase in property taxes, 22% increase in sales and use taxes, and 29% increase in franchise taxes;
- Increase in general revenues due to a full year of drainage fee revenue; and
- Increase in expenses related to issuing new bonds.

City of Willow Park, Texas Management's Discussion and Analysis

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$1,049,182.

Operating revenue increased by \$528,476 from the prior year primarily due to an increase in water, wastewater, and solid waste sales and an increase in impact fees. Operating expenses increased by \$673,318 from the prior year primarily due to an increase in contractual service expenses. Additionally, the City recognized \$488,997 in grant revenue during fiscal year 2022.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$12,255,746, which is an increase of \$10,510,549 in comparison with the prior year. \$6,211,113 or 51% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to pay debt service (\$300,080), to fund road capital projects (\$5,103,162), for court security and technology (\$106,207), for police seizure funds (\$4,706), to fund tourism (212,864), for police and first responder contributions (\$112,228), for truancy funds (\$18,304), to fund other capital projects (\$59,669), and other City related expenditures (\$138,353).

City of Willow Park, Texas Management's Discussion and Analysis

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$6,349,466, of which \$6,211,113 represented unassigned fund balance, or 98% of the total general fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 128%, or approximately 466 days of total fund expenditures.

The fund balance of the City's general fund increased by \$4,976,187 during the current fiscal year. Key elements of the increase are as follows:

- Total revenues in the general fund increased by \$706,041, or 15%. The increase is primarily due to an increase in property taxes of \$360,516, sales and use taxes of \$336,137, and increase of drainage fees of \$275,059, offset by a decrease in grant revenue of \$303,290.
- Total expenditures in the general fund increased by \$398,098, or 6%. The increase is primarily due to increases in the development services department and public works, parks, and roads department expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the City's revenues exceeded the budget by approximately \$474,000. This was primarily due to sales tax revenue that was approximately \$435,000 over budget. Sales tax budget projections were conservative; however, with the growth of commercial properties within the City, sales tax revenue continued to grow. In comparison to prior year, sales tax revenue increased approximately 22%.

The City's expenses were below budgeted amounts by approximately \$568,000. This was primarily a result of budgeting more money to be spent on drainage improvements and on repairs and maintenance, vehicle leases, and salaries in both the police department and fire and rescue department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$37,732,561 (net of accumulated depreciation/amortization). Investments in capital assets related to governmental activities (\$14,961,775) include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, infrastructure, and right-of-use assets. The City's investments in capital assets related to business-type activities (\$22,770,786) include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, water system, wastewater system, and right-of-use assets.

Major capital asset events during the current fiscal year include the following:

Public Works, Parks, and Roads Department

- Ongoing street projects.
- Ongoing drainage projects.
- Construction of a playground and restrooms at Cross Timbers Park.

Water Department

- Ongoing Fort Worth water line project.
- Water system improvements.
- Purchase of a portable air compressor.
- Purchase of a 16' dump trailer.

City of Willow Park, Texas Management's Discussion and Analysis

Wastewater Department

- System improvements to the Bankhead Lift Station.
- Ongoing wastewater treatment project.
- Ongoing water and sewer extension project at Bankhead South.

City of Willow Park's Capital Assets (net of depreciation / amortization)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 126,027	\$ 126,027	\$ 394,576	\$ 394,576	\$ 520,603	\$ 520,603
Construction in progress	502,321	-	10,774,452	6,772,788	11,276,773	6,772,788
Buildings and improvements	6,034,689	6,173,371	43,617	45,593	6,078,306	6,218,964
Furniture and equipment	413,415	523,691	299,710	310,407	713,125	834,098
Vehicles *	1,225,635	1,446,499	117,722	128,812	1,343,357	1,575,311
Infrastructure	6,518,478	7,040,335	-	-	6,518,478	7,040,335
Water system	-	-	7,052,889	7,225,336	7,052,889	7,225,336
Wastewater system	-	-	3,994,252	4,126,351	3,994,252	4,126,351
Right-of-use assets - vehicles *	141,210	267,231	93,568	117,317	234,778	384,548
Total	\$ 14,961,775	\$ 15,577,154	\$ 22,770,786	\$ 19,121,180	\$ 37,732,561	\$ 34,698,334

* Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

Additional information on the City's capital assets can be found in Note G on pages 35 through 37 of this report.

Long-term obligations. At the end of the current fiscal year, the City had total long-term obligations outstanding of:

City of Willow Park's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 6,850,000	\$ 105,000	\$ 6,955,000
Certificates of obligation	9,388,543	37,136,454	46,524,997
Tax notes	2,715,000	-	2,715,000
Notes from direct borrowings	1,783,201	344,885	2,128,086
Unamortized debt premium	1,632,317	170,276	1,802,593
Lease liability	151,539	75,608	227,147
Net pension asset	(49,941)	(18,471)	(68,412)
Compensated absences	261,814	37,871	299,685
Total OPEB liability	88,391	32,693	121,084
Total	\$ 22,820,864	\$ 37,884,316	\$ 60,705,180

The City's total long-term obligations increased by a net amount of \$7,596,092 during the current fiscal year primarily as a result of the issuance of two new certificates of obligation, offset by principal payments made on outstanding debt. The City's lease liability and net pension liability (asset) decreased in the current fiscal year, while the City's unamortized debt premium, compensated absences, and total OPEB liability all increased. Additional information on the City's long-term debt can be found in Note H on pages 37 through 44 of this report.

City of Willow Park, Texas Management's Discussion and Analysis

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2021-2022 was \$0.566650 per \$100 assessed valuation, of which \$0.301620 was for maintenance and operations and \$0.265030 was for debt service.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective, and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources, and establishes its priorities. In considering the City budget for fiscal year 2023, the City Council and administration considered the following factors:

For fiscal year 2022 – 2023, the City's growth with commercial, retail, and medical development will ensure the increase of ad valorem tax revenues and sales tax revenues. Currently, medical office and surgical centers are being constructed which will significantly increase ad valorem taxes. This, along with residential and other commercial projects that are underway will continue to improve the tax base for Willow Park.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City of Willow Park's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Finance Department at 120 El Chico, Suite A, Willow Park, Texas 76087.

TENTATIVE DRAFT

BASIC FINANCIAL STATEMENTS

City of Willow Park, Texas
Statement of Net Position
September 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 11,432,489	\$ 16,864,090	\$ 28,296,579
Investments	565,007	1,573,068	2,138,075
Receivables (net of allowances for uncollectibles of \$923,786)			
Property taxes	27,434	-	27,434
Accounts	39,035	-	39,035
Court fines and fees	66,886	480,598	547,484
Due from other governments	365,514	9,109,027	9,474,541
Restricted assets			
Cash and investments	430,612	4,661,967	5,092,579
Certificates of deposit	-	106,919	106,919
Net pension asset	49,941	18,471	68,412
Capital assets and right-to-use assets			
Nondepreciable	628,348	11,169,028	11,797,376
Depreciable/amortizable, net of accumulated depreciation and amortization	14,333,427	11,601,758	25,935,185
Total assets	27,938,693	55,584,926	83,523,619
Deferred outflows of resources			
Deferred outflows related to pensions	120,233	44,470	164,703
Deferred outflows related to OPEB	20,292	7,505	27,797
Total deferred outflows of resources	140,525	51,975	192,500
Liabilities			
Accounts payable	397,673	1,245,451	1,643,124
Payroll liabilities	58,862	10,704	69,566
Due to other governments	62,164	2,410	64,574
Court bonds payable	7,466	-	7,466
Unearned revenue	52,529	961,429	1,013,958
Long-term obligations, due within one year	1,880,478	1,448,918	3,329,396
Current liabilities payable from restricted assets			
Interest payable	86,932	72,423	159,355
Customer deposits	-	223,999	223,999
Noncurrent liabilities			
Total OPEB liability	88,391	32,693	121,084
Long-term obligations, due in more than one year	20,901,936	36,421,176	57,323,112
Due to other governments	-	1,790,518	1,790,518
Total liabilities	23,536,431	42,209,721	65,746,152
Deferred inflows of resources			
Deferred inflows related to pensions	164,280	60,761	225,041
Deferred inflows related to OPEB	795	294	1,089
Total deferred inflows of resources	165,075	61,055	226,130
Net position			
Net investment in capital assets	(2,400,065)	970,159	(1,429,906)
Restricted for:			
Debt service	300,080	-	300,080
Police	8,298	-	8,298
First responder	111,684	-	111,684
Tourism	212,864	-	212,864
Capital projects	-	2,892,699	2,892,699
Court security and technology	106,207	-	106,207
Public access channel capital projects	138,353	-	138,353
TIRZ	1,426	-	1,426
Construction projects	12,011	-	12,011
TexSTAR parks and recreation	46,232	-	46,232
Unrestricted net position	5,840,622	9,503,267	15,343,889
Total net position	\$ 4,377,712	\$ 13,366,125	\$ 17,743,837

City of Willow Park, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2022

Functions/Programs	Net Revenue (Expense) and Changes in Net Position						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
Administration	\$ 536,874	-	-	\$ -	\$ (536,874)	-	\$ (536,874)
Development services	865,865	725,298	-	-	(140,567)	-	(140,567)
Fire and rescue	1,445,665	-	135	-	(1,445,530)	-	(1,445,530)
Legislative	189,575	-	-	-	(189,575)	-	(189,575)
Municipal court	157,886	-	-	-	10,724	-	10,724
Police	1,576,253	3,783	127,099	-	(1,445,371)	-	(1,445,371)
Public works, parks, and roads	1,414,337	242	45,005	-	(1,369,090)	-	(1,369,090)
Interest and fiscal charges	446,871	-	-	-	(446,871)	-	(446,871)
Total governmental activities	6,633,326	897,933	172,239	-	(5,563,154)	-	(5,563,154)
Business-type activities							
Water	2,637,569	3,162,885	-	-	-	525,316	525,316
Wastewater	925,494	880,617	-	488,997	-	444,120	444,120
Solid waste	296,289	318,826	-	-	-	22,537	22,537
Total business-type activities	3,859,352	4,362,328	-	488,997	-	991,973	991,973
Total primary government	\$ 10,492,678	\$ 5,260,261	\$ 172,239	\$ 488,997	(5,563,154)	991,973	(4,571,181)
	General revenues						
	Taxes:						
	Property taxes, levied for general purposes				1,896,967	-	1,896,967
	Property taxes, levied for debt service				1,673,407	-	1,673,407
	Property taxes, levied for TIRZ				263,840	-	263,840
	Sales and use				1,866,827	-	1,866,827
	Franchise				397,514	-	397,514
	Hotel				142,932	-	142,932
	Drainage fees				330,894	-	330,894
	Investment earnings				75,373	22,098	97,471
	Other revenue				20,551	-	20,551
	Gain on sale of capital assets				37,793	35,111	72,904
	Total general revenues				6,706,098	57,209	6,763,307
	Change in net position				1,142,944	1,049,182	2,192,126
	Net position, beginning of year				3,076,522	12,316,943	15,393,465
	Prior period adjustment (Note N)				158,246	-	158,246
	Net position, beginning of year as restated				3,234,768	12,316,943	15,551,711
	Net position, end of year				\$ 4,377,712	\$ 13,366,125	\$ 17,743,837

The accompanying notes are an integral part of these financial statements.

City of Willow Park, Texas
Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Debt Service Fund	Roads Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,989,909	\$ 300,080	\$ 5,105,366	\$ 467,746	\$ 11,863,101
Investments	518,775	-	-	46,232	565,007
Receivables (net of allowances for uncollectibles)					
Property taxes	16,353	11,081	-	-	27,434
Accounts	39,035	-	-	-	39,035
Court fines and fees	66,886	-	-	-	66,886
Due from other governments	365,514	-	-	-	365,514
Total assets	\$ 6,996,472	\$ 311,161	\$ 5,105,366	\$ 513,978	\$ 12,926,977
Liabilities					
Accounts payable	\$ 384,529	\$ -	\$ 2,204	\$ 10,940	\$ 397,673
Payroll liabilities	58,862	-	-	-	58,862
Due to other governments	62,164	-	-	-	62,164
Court bonds escrow	7,466	-	-	-	7,466
Unearned revenue - franchise taxes	52,529	-	-	-	52,529
Total liabilities	565,550	-	2,204	10,940	578,694
Deferred inflows of resources					
Unavailable revenue - court fines	66,886	-	-	-	66,886
Unavailable revenue - property taxes	14,570	11,081	-	-	25,651
Total deferred inflows of resources	81,456	11,081	-	-	92,537
Fund balances					
Restricted	138,353	300,080	5,103,162	503,038	6,044,633
Unassigned	6,211,113	-	-	-	6,211,113
Total fund balances	6,349,466	300,080	5,103,162	503,038	12,255,746
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,996,472	\$ 311,161	\$ 5,105,366	\$ 513,978	
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 governmental funds.					14,961,775
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.					140,525
Some assets and liabilities, including general obligation bonds, certificates of obligation, tax notes, notes from direct borrowings, premiums on debt, lease liabilities, net pension asset, compensated absences, and total OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds.					(22,907,796)
Certain receivables, including property taxes and court fines and fees, net of any allowance, are not available to pay for current period expenditures and, therefore, are deferred in the funds.					92,537
Deferred inflows of resources related to pension and OPEB are not financial resources and, therefore, are not reported in the funds.					(165,075)
Net position of governmental activities - statement of net position					\$ 4,377,712

City of Willow Park, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
September 30, 2022

	General Fund	Debt Service Fund	Roads Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 1,903,522	\$ 1,678,443	\$ -	\$ -	\$ 3,581,965
Sales and use	1,866,827	-	-	-	1,866,827
Franchise	397,514	-	-	-	397,514
Hotel occupancy tax	-	-	-	142,932	142,932
TIRZ	-	-	-	263,840	263,840
Licenses and permits	725,298	-	-	-	725,298
Drainage fees	330,894	-	-	-	330,894
Court fines and fees	168,865	-	-	36,538	205,403
Investment earnings	36,684	3,110	31,737	3,842	75,373
Intergovernmental	843	-	-	-	843
Contributions	175	-	-	171,221	171,396
Other revenue	1,561	-	-	1,592	3,153
Total revenues	5,432,183	1,681,553	31,737	619,965	7,765,438
Expenditures					
Current:					
Administration	500,280	-	-	-	500,280
Development services	603,714	-	-	264,467	868,181
Fire and rescue	1,199,198	-	-	17,101	1,216,299
Legislative	191,736	-	-	8,372	200,108
Municipal Court	160,202	-	-	-	160,202
Police	1,446,442	-	-	-	1,446,442
Public works, parks, and roads	329,851	-	-	-	329,851
Capital outlay	233,508	-	351,601	88,490	673,599
Debt service:					
Principal	72,926	1,173,339	-	-	1,246,265
Interest and fiscal charges	5,276	519,279	-	-	524,555
Certificate of obligation issuance costs	124,248	-	137,536	-	261,784
Total expenditures	4,867,381	1,692,618	489,137	378,430	7,427,566
Excess (deficiency) of revenues over (under) expenditures	564,802	(11,065)	(457,400)	241,535	337,872
Other financing sources (uses)					
Proceeds from sale of capital assets	37,137	-	-	-	37,137
Proceeds from certificate of obligation issuance	3,980,000	123,755	4,940,032	-	9,043,787
Premium on issuance of long-term debt	394,248	-	697,505	-	1,091,753
Transfers in (out)	-	-	(77,490)	77,490	-
Total other financing sources (uses)	4,411,385	123,755	5,560,047	77,490	10,172,677
Net change in fund balances	4,976,187	112,690	5,102,647	319,025	10,510,549
Fund balances, beginning of year	1,373,279	187,390	515	184,013	1,745,197
Fund balances, end of year	\$ 6,349,466	\$ 300,080	\$ 5,103,162	\$ 503,038	\$ 12,255,746

City of Willow Park, Texas
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 10,510,549

Governmental funds report capital outlays as expenditures. However in the statement of activities, assets are capitalized and the costs are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 673,599	
Depreciation expense	<u>(1,250,199)</u>	(576,600)

All proceeds from the sale of capital assets are reported as revenue in the funds. However, in the statement of activities, only the gain or loss on disposal is reported. 656

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Amortization of premium on debt	77,270	
Net pension liability (asset)	164,868	
Compensated absences	(8,110)	
Total OPEB liability	<u>(7,776)</u>	226,252

The change in taxes receivable, net of allowance, is reported as revenue in the statement of activities; however, this change does not provide current financial resources and is, therefore, not reported as revenue in the funds. (11,591)

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (25,042)

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense in governmental activities is recorded as the TMRS plan's pension expense for the measurement period. This is the effect of the difference between the two statements. (106,011)

OPEB expense in the funds is recorded as contributions when made to the TMRS plan. OPEB expense in governmental activities is recorded as the TMRS plan's OPEB expense for the measurement period. This is the effect of the difference between the two statements. (3,165)

The issuance of long-term debt (e.g. bonds payable, notes payable, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term obligation principal repayments	1,173,354	
Payments on lease liability	90,082	
Proceeds from certificates of obligations issuance	(9,043,787)	
Premium on issuance of debt	<u>(1,091,753)</u>	<u>(8,872,104)</u>

Change in net position of governmental activities \$ 1,142,944

City of Willow Park, Texas
Statement of Net Position
Proprietary Funds
September 30, 2022

	Water	Wastewater	Solid Waste	Totals
Assets				
Current assets				
Cash and cash equivalents	\$ 2,440,319	\$ 14,176,318	\$ 247,453	\$ 16,864,090
Investments	1,519,726	53,342	-	1,573,068
Receivables (net of allowances for uncollectibles):				
Accounts	364,286	78,834	37,478	480,598
Due from other governments	9,109,027	-	-	9,109,027
Restricted assets				
Cash and cash equivalents	4,462,750	199,217	-	4,661,967
Certificates of deposit	106,919	-	-	106,919
Total current assets	18,003,027	14,507,711	284,931	32,795,669
Noncurrent assets				
Net pension asset	17,103	1,368	-	18,471
Capital assets and right-to-use assets				
Nondepreciable	9,606,005	1,563,023	-	11,169,028
Depreciable / amortizable	13,697,172	5,665,099	-	19,362,271
Less: accumulated depreciation / amortization	(5,236,534)	(2,523,979)	-	(7,760,513)
Capital assets, net	18,066,643	4,704,143	-	22,770,786
Total noncurrent assets	18,083,746	4,705,511	-	22,789,257
Total assets	36,086,773	19,213,222	284,931	55,584,926
Deferred outflows of resources				
Deferred outflows related to pensions	41,176	3,294	-	44,470
Deferred outflows related to OPEB	6,949	556	-	7,505
Total deferred outflows of resources	48,125	3,850	-	51,975
Liabilities				
Current liabilities				
Accounts payable	970,986	249,039	25,426	1,245,451
Payroll liabilities	9,066	1,638	-	10,704
Due to other governments	-	-	2,410	2,410
Unearned revenue	961,429	-	-	961,429
Current portion of long-term obligations	829,196	619,722	-	1,448,918
Current liabilities payable from restricted assets:				
Interest payable	41,265	31,158	-	72,423
Customer deposits	223,999	-	-	223,999
Total current liabilities	3,035,941	901,557	27,836	3,965,334
Noncurrent liabilities				
Total OPEB liability	30,271	2,422	-	32,693
Long-term obligations	20,573,707	15,847,469	-	36,421,176
Due to other governments	1,790,518	-	-	1,790,518
Total noncurrent liabilities	22,394,496	15,849,891	-	38,244,387
Total liabilities	25,430,437	16,751,448	27,836	42,209,721
Deferred inflows of resources				
Deferred inflows related to pensions	56,260	4,501	-	60,761
Deferred inflows related to OPEB	272	22	-	294
Total deferred inflows of resources	56,532	4,523	-	61,055
Net Position				
Net investment in capital assets	(369,161)	1,339,320	-	970,159
Restricted for capital projects	1,983,894	908,805	-	2,892,699
Unrestricted	9,033,196	212,976	257,095	9,503,267
Total net position	\$ 10,647,929	\$ 2,461,101	\$ 257,095	\$ 13,366,125

City of Willow Park, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Water	Wastewater	Solid Waste	Totals
Operating revenues				
Charges for services	\$ 2,649,565	\$ 653,980	\$ 318,826	\$ 3,622,371
Impact fees	413,835	226,637	-	640,472
Tap fees	1,000	-	-	1,000
Other fees	98,485	-	-	98,485
Total operating revenues	3,162,885	880,617	318,826	4,362,328
Operating expenses				
Personnel	752,087	106,275	-	858,362
Contractual services	547,979	162,622	296,289	1,006,890
Supplies	310,410	68,858	-	379,268
Franchise fees	129,897	37,220	-	167,117
Utilities	115,298	80,274	-	195,572
Depreciation / amortization	400,060	191,042	-	591,102
Total operating expenses	2,255,731	646,291	296,289	3,198,311
Operating income	907,154	234,326	22,537	1,164,017
Nonoperating revenues (expenses)				
Gain on sale of assets	35,111	-	-	35,111
Investment earnings	19,058	3,040	-	22,098
Interest and fiscal charges	(381,838)	(279,203)	-	(661,041)
Total nonoperating revenues (expenses)	(327,669)	(276,163)	-	(603,832)
Income before contributions	579,485	(41,837)	22,537	560,185
Capital contributions	-	488,997	-	488,997
Total contributions	-	488,997	-	488,997
Change in net position	579,485	447,160	22,537	1,049,182
Net position, beginning of year	10,068,444	2,013,941	234,558	12,316,943
Net position, end of year	\$ 10,647,929	\$ 2,461,101	\$ 257,095	\$ 13,366,125

City of Willow Park, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2022

	Water	Wastewater	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 3,262,399	\$ 921,284	\$ 326,138	\$ 4,509,821
Cash paid to suppliers	(1,022,104)	(344,808)	(349,637)	(1,716,549)
Cash paid to employees	(785,139)	(107,508)	-	(892,647)
Net cash provided by (used for) operating activities	<u>1,455,156</u>	<u>468,968</u>	<u>(23,499)</u>	<u>1,900,625</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(740,708)	(200,000)	-	(940,708)
Proceeds from debt	62,960	-	-	62,960
Principal payments on lease liability	(35,842)	-	-	(35,842)
Payments from other governments	623,670	488,997	-	1,112,667
Payments to other governments	(2,953,740)	-	-	(2,953,740)
Capital asset purchases	(3,053,884)	(875,360)	-	(3,929,244)
Interest paid on long-term debt	(421,042)	(284,001)	-	(705,043)
Net cash used for capital and related financing activities	<u>(6,518,586)</u>	<u>(870,364)</u>	<u>-</u>	<u>(7,388,950)</u>
Cash flows from investing activities:				
Interest income	9,151	2,695	-	11,846
Net cash provided by investing activities	<u>9,151</u>	<u>2,695</u>	<u>-</u>	<u>11,846</u>
Net decrease in cash and cash equivalents	<u>(5,054,278)</u>	<u>(398,701)</u>	<u>(23,499)</u>	<u>(5,476,478)</u>
Cash and cash equivalents at beginning of year	11,957,347	14,774,236	270,952	27,002,535
Cash and cash equivalents at end of year	<u>\$ 6,903,069</u>	<u>\$ 14,375,535</u>	<u>\$ 247,453</u>	<u>\$ 21,526,057</u>
Cash and cash equivalents	<u>\$ 2,440,319</u>	<u>\$ 14,176,318</u>	<u>\$ 247,453</u>	<u>\$ 16,864,090</u>
Restricted cash and cash equivalents	<u>4,462,750</u>	<u>199,217</u>	<u>-</u>	<u>4,661,967</u>
Total cash and cash equivalents - end of year	<u>\$ 6,903,069</u>	<u>\$ 14,375,535</u>	<u>\$ 247,453</u>	<u>\$ 21,526,057</u>
Reconciliation of operating income to net cash provided by (used for) operating activities				
Operating income	\$ 907,154	\$ 234,326	\$ 22,537	\$ 1,164,017
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation / amortization expense	400,060	191,042	-	591,102
(Increase) decrease in assets:				
Accounts receivable	87,393	40,667	7,312	135,372
Deferred outflows	(1,537)	2,601	-	1,064
(Increase) decrease in liabilities:				
Accounts payable	81,480	4,166	(53,348)	32,298
Payroll liabilities	(30,056)	(562)	-	(30,618)
Customer deposits	12,121	-	-	12,121
Net pension asset	(55,356)	(3,889)	-	(59,245)
OPEB liability	3,438	654	-	4,092
Compensated absences payable	11,817	-	-	11,817
Deferred inflows	38,642	(37)	-	38,605
Net cash provided by (used for) operating activities:	<u>\$ 1,455,156</u>	<u>\$ 468,968</u>	<u>\$ (23,499)</u>	<u>\$ 1,900,625</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies

The accounting policies of the City of Willow Park, Texas (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following are the most significant accounting policies.

Financial Reporting Entity

The City was formed as an incorporated city in the state of Texas in 1963. The City is governed by an elected mayor and five-member City Council, and provides the following services to the citizens of the City: administration, development services, fire and rescue, legislative, municipal court, police, public works, parks, and roads, water, wastewater, and solid waste.

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Government-wide Financial Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the City. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not categorized as program revenues are reported as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds to aid financial management activities and to demonstrate legal compliance. Separate financial statements are provided for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements, while all nonmajor funds are aggregated and presented in a single column. Detailed statements for nonmajor funds are presented within the Supplementary Information section.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources while the modified accrual basis of accounting is used. The City reports the following major governmental funds:

General Fund is the main operating fund of the City. This fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on long-term obligations paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Road Capital Projects Fund accounts for the proceeds of certificates of obligation used for the acquisition or construction of major capital improvements as established in bond documents.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, personnel and contractual services, supplies, franchise fees, utilities, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

Water Fund accounts for the provision of regional water services to residential, commercial, industrial, and irrigation customers. All costs are financed through charges and rates based on the amount of service used, which is billed to customers and collected on a monthly basis. Rates are reviewed regularly and adjusted as necessary to ensure the integrity of the system.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Wastewater Fund accounts for the provision of regional wastewater services to residential, commercial, industrial, and irrigation customers. All costs are financed through charges and rates based on the amount of service used, which is billed to customers and collected on a monthly basis. Rates are reviewed regularly and adjusted as necessary to ensure the integrity of the system.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary funds are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of and changes in financial position. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Revenues from taxes are considered available if received within 60 days after the fiscal year-end. Revenue from contributions and other grants are recognized when applicable eligibility requirements, including time requirements, are met and are considered available if received within 60 days after the fiscal year-end. Program revenues such as fines, licenses and permits, and other charges for services are considered to be measurable and available when cash is received. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GAAP.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the City Manager submits to the City Council proposed operating budgets, which include proposed expenditures and the means of financing them.
2. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
3. Annual budgets are adopted on a basis consistent with GAAP.
4. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
5. The City Council may authorize additional appropriations during the year.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

The City adopts a budget annually for the General Fund and the budgetary comparison schedules are presented with required supplementary information. The City does not adopt a budget for the Debt Service Fund or the Roads Capital Projects Fund.

Cash Equivalents

For purposes of the accompanying Statement of Cash Flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems), are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds' financial statements. The City defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. Right-of-use assets are reported at present value of the future lease payments (lease liability), plus any ancillary cost to place the asset in service, plus any additional payments made at the beginning of the lease term, less any lease incentives received from the lessor prior to the commencement of the lease term.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's lives are not capitalized. Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On certificates of obligation and bonds payable, premiums and discounts are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued and any applicable premium or discount are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, and the debt repayment are reported as expenditures.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the pension plan and the other post-employment benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note K related to the pension plan and Note L related to the OPEB plan.

In addition to liabilities, the statement of net position and balance sheet include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to unavailable revenue from property taxes and court fines reported in the Governmental Funds Balance Sheet and deferred inflows of resources related to the pension plan and the other post-employment benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note K related to the pension plan and Note L related to the OPEB plan.

Fund Balance

The City adopted a fund balance policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Non-spendable fund balance includes amounts that are not in spendable form, or legally or contractually required to be maintained intact. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City CFO or the City Manager. Unassigned fund balance is the amounts in the general fund in excess of what can be classified in one of the other four categories of fund balance. Unassigned amounts are technically available for any purpose.

Except when expenditures are specifically budgeted and when multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds but will have the option to spend budgeted funds first.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This category consists of all capital assets net of accumulated depreciation/amortization and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position – This category consists of external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position – This category represents net position, not restricted for any project or other purpose.

When both restricted and unrestricted net position is available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Pensions

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

Other Post-Employment Benefits

The total OPEB liability has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from these amounts.

Risk Management

The City 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. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains the risk of loss for property, liability insurance, and workers' compensation.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

There have been no significant reductions in coverage in the current fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Standard

During the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. The statement establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. This statement was adopted by the City as of October 1, 2021. There was no effect on beginning net position or fund balances due to the implementation of this standard.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

Note B. Deposits and Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the Investment Policy) that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations, and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of safety, liquidity, yield, and public trust.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note B. Deposits and Investments (Continued)

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value.
2. Direct obligations of the State of Texas and agencies thereof.
3. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States of America.
4. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or it's equivalent.
5. Certificates of Deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or it's successor or secured by obligations described in 1 through 4 above, or as further described in the Investment Policy.
6. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or it's agencies and instrumentalities pledged with a third party, selected by the Director of Finance, other than an agency for the pledgor.
7. Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law.

External Investment Pools

As of September 30, 2022, the City's investments consisted of external investment pools, in compliance with the City's Investment Policy. The following investment is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code:

Texas Short Term Asset Reserve Program (TexSTAR) is a public funds investment pool governed by a board of directors. The Pool maintains an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Members are appointed and serve at the will of the Board. TexSTAR is rated AAAM by Standard and Poor's.

The external investment pool uses amortized cost to value portfolio assets and follows the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The stated objective of the pool is to maintain a stable average of \$1.00 per unit net asset value. There are no limitations or restrictions on withdrawals.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institutions, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note B. Deposits and Investments (Continued)

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At September 30, 2022, the reported amount of the City's bank balance was \$18,029,256. Of the bank balance, \$16,310,257 was covered by collateral held in the pledging bank's trust department in the City's name, and \$1,468,999 was uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2022, the City's investment in TexSTAR was rated as to credit quality as AAAm.

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At fiscal year-end, the City was not exposed to the concentration of credit risk.

Interest Rate Risk

In accordance with its Investment Policy, the City manages its risk of market price changes by avoiding over-concentration of assets in specific maturity sectors, limitation of average maturity of operating funds investments to one year, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and insured or collateralized certificates of deposit. As of September 30, 2022, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

The City's investments at September 30, 2022 included the following:

	<u>September 30, 2022</u>	<u>Weighted Average Maturity (in days)</u>
Investments measured at amortized cost/NAV:		
TexSTAR	<u>\$ 2,138,075</u>	16

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note C. Restricted Assets

Some of the City's assets have certain constraints that have been placed on how they can be used. By definition, restricted assets are non-current cash or other assets whose use, in whole or in part, is restricted for specific purposes bound by virtue of contractual agreement, legal requirements, or enabling legislation. The following cash and cash equivalents and certificates of deposit in the governmental and enterprise funds are restricted for the following purposes:

Texas Water Development Board Escrow	\$ 2,499,368
Texas Water Development Board Interest & Sinking	100,167
Unspent bond proceeds	1,230,878
Grants	385,918
Debt service	300,080
Water impact fees	295,941
Wastewater impact fees	149,695
Customer deposits	106,919
First responder donations	111,684
Truancy prevention	18,304
Police donations	<u>544</u>
Total restricted cash and cash equivalents	<u>\$ 5,199,498</u>

Note D. Restricted Fund Balance

Details of the City's restricted fund balance in the governmental funds financial statements are as follows:

Roads capital projects	\$ 5,103,162
Debt service	300,080
Court security and technology	106,207
Police seizure funds	4,706
Tourism	212,864
Police and first responder contributions	101,288
Truancy funds	18,304
Other capital projects	59,669
Public access channel capital projects	<u>138,353</u>
Total restricted fund balance	<u>\$ 6,044,633</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note E. Property Tax

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. In the governmental fund financial statements, taxes not expected to be collected within sixty days of the fiscal year end are recorded as unearned revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

Note F. Interfund Transfers

The composition of transfers for the City's individual major funds and nonmajor funds at September 30, 2022 is as follows:

	<u>Transfers Out</u>	
Roads capital projects fund		\$ 77,490
	<u>Transfers in</u>	
TexStar parks and recreation fund		\$ 77,490

Transfers were to reimburse the TexStar parks and recreation fund for capital improvements made to Cross Timbers Park.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets

Capital asset activity for the year ended September 30, 2022 for governmental activities was as follows:

	Restated Balance 10/1/2021	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2022
Governmental activities				
Capital assets not being depreciated / amortized				
Land	\$ 126,027	\$ -	\$ -	\$ 126,027
Construction in progress	-	502,321	-	502,321
Total capital assets not being depreciated / amortized	126,027	502,321	-	628,348
Other capital assets				
Buildings and improvements	6,754,354	148,978	-	6,903,332
Furniture and equipment	1,279,002	22,299	-	1,301,301
Vehicles *	3,172,787	-	28,523	3,144,264
Infrastructure	10,690,577	-	-	10,690,577
Right-of-use assets - vehicles *	425,149	-	85,804	339,345
Total other capital assets	22,321,869	171,277	114,327	22,378,819
Less accumulated depreciation / amortization for:				
Buildings and improvements	580,983	287,660	-	868,643
Furniture and equipment	755,311	132,575	-	887,886
Vehicles *	1,726,288	220,864	28,523	1,918,629
Infrastructure	3,650,242	521,857	-	4,172,099
Right-of-use assets - vehicles *	157,918	87,243	47,026	198,135
Total accumulated depreciation / amortization	6,870,742	1,250,199	75,549	8,045,392
Other capital assets, net	15,451,127	(1,078,922)	38,778	14,333,427
Governmental activities capital assets, net	\$ 15,577,154	\$ (576,601)	\$ 38,778	\$ 14,961,775

* Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets (Continued)

Capital asset activity for the year ended September 30, 2022 for business-type activities was as follows:

	Restated Balance 10/1/2021	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2022
Business-type activities				
Capital assets not being depreciated / amortized				
Land	\$ 394,576	\$ -	\$ -	\$ 394,576
Construction in progress	6,772,788	4,001,664	-	10,774,452
Total capital assets not being depreciated / amortized	7,167,364	4,001,664	-	11,169,028
Other capital assets				
Buildings and improvements	79,050	-	-	79,050
Furniture and equipment	826,816	37,606	-	864,422
Vehicles *	444,797	15,817	65,876	394,738
Water system	12,095,255	166,773	32,153	12,229,875
Wastewater system	5,553,471	46,800	-	5,600,271
Right-of-use assets - vehicles *	193,915	-	-	193,915
Total other capital assets	19,193,304	266,996	98,029	19,362,271
Less accumulated depreciation / amortization for:				
Buildings and improvements	33,457	1,976	-	35,433
Furniture and equipment	516,409	48,303	-	564,712
Vehicles *	315,985	26,907	65,876	277,016
Water system	4,869,919	311,268	4,201	5,176,986
Wastewater system	1,427,120	178,899	-	1,606,019
Right-of-use assets - vehicles *	76,598	23,749	-	100,347
Total accumulated depreciation / amortization	7,239,488	591,102	70,077	7,760,513
Other capital assets, net	11,953,816	(324,106)	27,952	11,601,758
Business-type activities capital assets, net	\$ 19,121,180	\$ 3,677,558	\$ 27,952	\$ 22,770,786

* Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets (Continued)

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

Governmental activities:	
Administration	\$ 39,679
Fire and rescue	236,700
Police	150,194
Public works, parks, and roads	823,626
Total governmental activities	\$ 1,250,199
 Business-type activities:	
Water	\$ 400,060
Wastewater	191,042
Total business-type activities	\$ 591,102

Note H. Long-Term Liabilities

Long-term liabilities at September 30, 2022 consists of the following:

Governmental Activities

General Obligation Bonds

General Obligation Refunding Bonds, Series 2012

- To refund the Certificates of Obligation, Series 2003.
- Original balance of \$4,190,000.
- Payable in annual installments of \$275,000 to \$520,000, maturing February 15, 2023.
- Interest payable February 15 and August 15 at 2.0% to 3.0%.
- Outstanding balance of \$520,000 at September 30, 2022.

General Obligation Bonds, Series 2016

- For the construction of public safety facilities for police and fire, and to finance various infrastructure improvement projects.
- Original balance of \$6,330,000.
- Payable in annual installments of \$165,000 to \$445,000, maturing February 15, 2046.
- Interest payable February 15 and August 15 at 4.0%.
- Outstanding balance of \$6,330,000 at September 30, 2022.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

Certificates of Obligation

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015

- To finance the purchase of equipment, machinery, vehicles, materials, and supplies for the public safety and public works departments.
- Original balance of \$866,438.
- Payable in annual installments of \$29,614 to \$86,417, maturing February 15, 2031.
- Interest payable February 15 and August 15 at 2.14%.
- Outstanding balance of \$363,543 at September 30, 2022.

Combination Tax and Revenue Certificates of Obligation, Series 2022

- To finance various infrastructure projects and to finance the improvements to the City's parks facilities.
- Original balance of \$5,045,000.
- Payable in annual installments of \$45,000 to \$535,000, maturing February 15, 2036.
- Interest payable February 15 and August 15 at 3.0% to 4.0%.
- Outstanding balance of \$5,045,000 at September 30, 2022.

Combination Tax and Revenue Certificates of Obligation, Series 2022A

- To finance the improvement of the municipal drainage utility system.
- Original balance of \$3,980,000.
- Payable in annual installments of \$190,000 to \$360,000, maturing February 15, 2037.
- Interest payable February 15 and August 15 at 4.0% to 5.0%.
- Outstanding balance of \$3,980,000 at September 30, 2022.

Tax Notes

Tax Notes, Series 2018

- To finance the acquisition, construction, improvement and maintenance of the City's streets, thoroughfares, bridges, alleyways, and sidewalks.
- Original balance of \$875,000.
- Payable in annual installments of \$105,000 to \$150,000, maturing February 15, 2025.
- Interest payable February 15 and August 15 at 2.81%.
- Outstanding balance of \$405,000 at September 30, 2022.

Tax Notes, Series 2018A

- To finance the construction and improvements to the City's public safety facilities.
- Original balance of \$640,000.
- Payable in annual installments of \$15,000 to \$150,000, maturing February 15, 2025.
- Interest payable February 15 and August 15 at 2.76%.
- Outstanding balance of \$380,000 at September 30, 2022.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

Tax Notes, Series 2019

- To finance various infrastructure projects, including constructing draining improvements, and to finance the purchase of playground equipment for the City's parks.
- Original balance of \$2,365,000.
- Payable in annual installments of \$105,000 to \$810,000, maturing February 15, 2026.
- Interest payable February 15 and August 15 at 2.15%.
- Outstanding balance of \$1,930,000 at September 30, 2022.

Notes from Direct Borrowings

Police Vehicle

- To fund the purchase of one police vehicle.
- Original balance of \$30,862.
- Payable in annual installments of \$4,443 including principal and interest, maturing February 28, 2022.
- Interest payable annually on February 28 at 3.92%.
- The note from direct borrowing was fully paid off in the current fiscal year.

Brush Truck

- To fund the purchase of one brush truck for the fire department.
- Original balance of \$77,347.
- Payable in annual installments of \$9,106 including principal and interest, maturing February 28, 2024.
- Interest payable annually on February 28 at 3.626%.
- Outstanding balance of \$17,266 at September 30, 2022.

Fire Truck

- To fund the purchase of one fire truck.
- Original balance of \$406,651.
- Payable in annual installments of \$48,292 including principal and interest, maturing April 21, 2027.
- Interest payable annually on April 21 at 3.28%.
- Outstanding balance of \$219,404 at September 30, 2022.

Radios & Equipment

- To fund the purchase of radios and equipment for the fire and police departments.
- Original balance of \$373,072.
- Payable in annual installments of \$47,013 including principal and interest, maturing October 30, 2028.
- Interest payable annually on October 30 at 4.38%
- Outstanding balance of \$244,892 at September 30, 2022.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

Ladder Truck

- To fund the purchase of a Chassis ladder truck.
- Original balance of \$1,499,005.
- Payable in annual installments of \$195,651 including principal and interest, maturing January 16, 2030.
- Interest payable annually on January 16 at 4.29%
- Outstanding balance of \$1,301,639 at September 30, 2022.

The annual requirements to amortize long-term debt as of September 30, 2022 are as follows:

Year Ending	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2023	\$ 520,000	\$ 239,600	\$ 286,417	\$ 347,426
2024	325,000	225,300	228,538	354,768
2025	340,000	212,000	238,532	344,192
2026	355,000	198,100	248,525	333,118
2027	380,000	183,400	254,615	321,166
2028-2032	1,845,000	677,500	1,856,916	1,402,111
2033-2037	945,000	418,500	3,770,000	759,351
2038-2042	1,115,000	239,325	2,505,000	192,675
2043-2047	1,025,000	62,775	-	-
Total	\$ 6,850,000	\$ 2,456,500	\$ 9,388,543	\$ 4,054,807

Year Ending	Tax Notes		Notes Payable from Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 415,000	\$ 58,216	\$ 224,212	\$ 75,850
2024	720,000	44,439	233,390	66,672
2025	770,000	26,613	233,842	57,113
2026	810,000	8,708	243,466	47,491
2027	-	-	253,489	37,467
2028-2032	-	-	594,802	52,814
Total	\$ 2,715,000	\$ 137,976	\$ 1,783,201	\$ 337,407

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

Business-type activities

General Obligation Bonds

General Obligation Refunding Bonds, Series 2012

- To refund the Certificates of Obligation, Series 2003.
- Original balance of \$945,000.
- Payable in annual installments of \$10,000 to \$105,000, maturing February 15, 2023.
- Interest payable February 15 and August 15 at 2.0% to 3.0%.
- Outstanding balance of \$105,000 at September 30, 2022.

Certificates of Obligation

Combination Tax and Water and Sewer System Surplus Revenue Certificates of Obligation, Series 2014 (Texas Water Development Board Drinking Water State Revolving Fund (TWDB DWSRF))

- To finance the improvement of the municipal water system.
- Original balance of \$685,000.
- Payable in annual installments of \$30,000 to \$40,000, maturing February 15, 2035.
- Interest payable February 15 and August 15 at 0.43% to 2.59%.
- Outstanding balance of \$475,000 at September 30, 2022.

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015

- To finance the purchase of equipment, machinery, vehicles, materials, and supplies for the public safety and public works departments.
- Original balance of \$513,562.
- Payable in annual installments of \$18,084 to \$43,583, maturing February 15, 2031.
- Interest payable February 15 and August 15 at 2.14%.
- Outstanding balance of \$261,457 at September 30, 2022.

Combination Tax and Water and Sewer System Surplus Revenue Certificates of Obligation, Series 2016 (TWDB DWSRF)

- To finance the improvement of the water system properties or facilities.
- Original balance of \$995,000.
- Payable in annual installments of \$45,000 to \$55,000, maturing February 15, 2037.
- Interest payable February 15 and August 15 at 0.04% to 1.62%.
- Outstanding balance of \$770,000 at September 30, 2022.

Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2017

- To finance the improvement of the sewer properties or facilities, including Force Mains and a Wastewater Treatment Plant.
- Original balance of \$2,725,000.
- Payable in annual installments of \$195,000 to \$265,000, maturing February 15, 2032.
- Interest payable February 15 and August 15 at 2.74%.
- Outstanding balance of \$2,330,000 at September 30, 2022.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2019 (TWDB DWSRF)

- To finance the improvement of the water system properties or facilities.
- Original balance of \$13,770,000.
- Payable in annual installments of \$435,000 to \$510,000, maturing February 15, 2050.
- Interest payable February 15 and August 15 at 0.04% to 0.91%.
- Outstanding balance of \$12,900,000 at September 30, 2022.

Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2021

- To finance the improvement of the water system properties or facilities.
- Original balance of \$6,270,000.
- Payable in annual installments of \$155,000 to \$335,000, maturing February 15, 2050.
- Interest payable February 15 and August 15 at 3.00%.
- Outstanding balance of \$6,270,000 at September 30, 2022.

Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2021 (TWDB DWSRF)

- To finance the improvement of the water system properties or facilities.
- Original balance of \$14,130,000.
- Payable in annual installments of \$410,000 to \$590,000, maturing February 15, 2052.
- Interest payable February 15 and August 15 at 0.60% to 2.11%.
- Outstanding balance of \$14,130,000 at September 30, 2022.

Notes from Direct Borrowings

Freightliner

- To fund the purchase of one freightliner for the public works department.
- Original balance of \$156,458.
- Payable in annual installments of \$18,419 including principal and interest, maturing February 29, 2024.
- Interest payable annually on February 28 at 3.20%.
- Outstanding balance of \$34,927 at September 30, 2022.

Water Meters

- To fund the purchase of water meters.
- Original balance of \$382,799.
- Payable in annual installments of \$82,373 including principal and interest, maturing March 4, 2026.
- Interest payable annually on March 4 at 2.49%.
- Outstanding balance of \$309,958 at September 30, 2022.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt as of September 30, 2022 are as follows:

Year Ending	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2023	\$ 105,000	\$ 1,575	\$ 1,173,583	\$ 530,000
2024	-	-	1,321,462	520,111
2025	-	-	1,336,468	504,453
2026	-	-	1,346,475	489,516
2027	-	-	1,360,386	474,269
2028-2032	-	-	7,048,080	2,109,195
2033-2037	-	-	5,920,000	1,702,655
2038-2042	-	-	5,910,000	1,301,023
2043-2047	-	-	6,410,000	795,142
2048-2052	-	-	5,310,000	215,426
Total	\$ 105,000	\$ 1,575	\$ 37,136,454	\$ 8,641,790

Year Ending	Notes Payable from Direct Borrowings	
	Principal	Interest
2023	\$ 91,807	\$ 8,984
2024	94,287	6,504
2025	78,420	3,954
2026	80,371	2,001
Total	\$ 344,885	\$ 21,443

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

The following is a summary of the changes by type of long-term liabilities for the year ended September 30, 2022:

	Restated Balance 10/1/2021	Additions	Retirements	Balance 9/30/2022	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 7,330,000	\$ -	\$ 480,000	\$ 6,850,000	\$ 520,000
Certificates of obligation	447,228	9,025,000	83,685	9,388,543	286,417
Tax notes	3,105,000	-	390,000	2,715,000	415,000
Notes from direct borrowings *	2,002,870	-	219,669	1,783,201	224,212
Unamortized debt premium	617,834	1,091,753	77,270	1,632,317	103,195
Lease liability *	241,621	-	90,082	151,539	69,840
Net pension liability (asset)	114,927	111,504	276,372	(49,941)	-
Compensated absences	253,704	115,978	107,868	261,814	261,814
Total OPEB liability	80,615	10,766	2,990	88,391	-
Total governmental activities	14,193,799	10,355,001	1,727,936	22,820,864	1,880,478
<u>Business-type activities</u>					
General obligation bonds	205,000	-	100,000	105,000	105,000
Certificates of obligation	37,887,769	-	751,315	37,136,454	1,173,583
Notes from direct borrowings *	434,278	-	89,393	344,885	91,807
Unamortized debt premium	176,357	-	6,081	170,276	6,081
Lease liability *	116,456	-	40,848	75,608	34,576
Net pension liability (asset)	40,774	42,507	101,752	(18,471)	-
Compensated absences	26,054	33,264	21,447	37,871	37,871
Total OPEB liability	28,601	4,870	778	32,693	-
Total business-type activities	38,915,289	80,641	1,111,614	37,884,316	1,448,918
Total	\$ 53,109,088	\$ 10,435,642	\$ 2,839,550	\$ 60,705,180	\$ 3,329,396

* Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

The details of due to other governments included in noncurrent liabilities is described in Note M.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note I. Leases

The City recognized leases in the current year due to the implementation of GASB Statement No. 87, *Leases*.

Governmental Activities

The City leases ten vehicles for use by the police department, fire and rescue department, and public works, parks, and roads department. Each vehicle's original lease term is 60 months with monthly payments ranging from \$327 to \$903. Interest rates range from 3.69% to 6.43%.

Business-type Activities

The City leases eight vehicles for use by the water department and sewer department. Each vehicle's original lease term is 60 months with monthly payments ranging from \$419 to \$741. Interest rates range from 3.80% to 6.00%.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the leases. The City did not have any commitments under leases not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2022.

The annual requirements to amortize lease activity as of September 30, 2022 are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 69,840	\$ 5,579	\$ 34,576	\$ 2,630
2024	46,325	2,292	24,059	839
2025	28,928	827	13,761	251
2026	6,446	60	3,212	36
	<u>\$ 151,539</u>	<u>\$ 8,758</u>	<u>\$ 75,608</u>	<u>\$ 3,756</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note J. Compensated Absences and Sick Leave

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

Compensated absences of the governmental activities and business-type activities are paid by the general fund and water and wastewater funds, respectively.

TENTATIVE DRAFT

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

All eligible employees of the City 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 City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	29
Active employees	45
Total	92

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 6.99% and 7.09% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$214,303 and were equal to the required contributions.

Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equities	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (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 member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. 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 Net Pension Liability (Asset)

Changes in the NPL / NPA	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2020	\$ 2,947,869	\$ 2,792,168	\$ 155,701
Changes for the year:			
Service cost	371,939	-	371,939
Interest	207,637	-	207,637
Difference between expected and actual experience	(45,798)	-	(45,798)
Contributions - employer	-	198,600	(198,600)
Contributions - employee	-	196,052	(196,052)
Net investment income	-	364,911	(364,911)
Benefit payments, including refunds of employee contributions	(115,472)	(115,472)	-
Administrative expense	-	(1,684)	1,684
Other changes	-	12	(12)
Net changes	<u>418,306</u>	<u>642,419</u>	<u>(224,113)</u>
Balance at 12/31/2021	<u>\$ 3,366,175</u>	<u>\$ 3,434,587</u>	<u>\$ (68,412)</u>

Sensitivity of the Net Pension Liability (Asset) to changes in the discount rate:

The following presents the Net Pension Liability (Asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability (Asset) 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%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 504,157	\$ (68,412)	\$ (530,904)

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tnrs.com.

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

For the year ended September 30, 2022, the City recognized pension expense of \$129,091.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,787
Changes of assumptions	2,340	-
Net difference between projected and actual earnings	-	184,254
Contributions made subsequent to measurement date	162,363	-
Total	\$ 164,703	\$ 225,041

\$162,363 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the Net Pension Liability (Asset) for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Calendar year ended December 31:		
2022	\$	(45,491)
2023		(80,074)
2024		(50,813)
2025		(43,979)
2026		(2,344)
Thereafter		-
Total	\$	(222,701)

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for both active and retired employees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded other postemployment benefit (OPEB) plan. Since only the retiree participants qualifies as an OPEB, the SDBF is administered through a non-qualifying trust per paragraph 4, item (b), of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

Benefits Provided

The death benefit for active Members 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). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

Employees covered by benefit terms.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>45</u>
Total	<u>67</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The City's contributions to the TMRS SDBF for the year ended September 30, 2022 were \$917, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits (Continued)

Actuarial assumptions:

The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021. All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68. Mortality rates for service retirees are based on 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees are based on 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2020	\$ 109,216
Changes for the year:	
Service cost	7,842
Interest	2,254
Difference between expected and actual experience	(2,040)
Changes of assumptions	4,652
Benefit payments	<u>(840)</u>
Net changes	<u>11,868</u>
Balance at 12/31/2021	<u>\$ 121,084</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to changes in the discount rate:

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 1.84%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate (0.84%)	Current Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB liability	\$ 157,406	\$ 121,084	\$ 94,906

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2022, the City recognized OPEB expense of \$15,338.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,089
Changes of assumptions	27,100	-
Contributions made subsequent to measurement date	697	-
Total	\$ 27,797	\$ 1,089

The City reported \$697 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Calendar year ended December 31:	
2022	\$ 5,242
2023	5,242
2024	5,242
2025	4,626
2026	4,468
Thereafter	1,191
Total	\$ 26,011

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2022

Note M. Interlocal Agreement

In 2019 the City entered into an interlocal agreement with the City of Hudson Oaks to design, construct, and maintain a water transmission line to bring water service from Fort Worth's existing water supply line to the cities, including necessary storage facilities, pumping stations, and other appurtenances. The agreement established that the City would issue the debt for the entire cost of the project: the Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligations, Series 2019, and the Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2021, as further detailed in Note H. Per the agreement, the cities agreed to take on a pro-rata share of the capital assets and debt liabilities associated with the project. The City's share of the project is 52% and the City of Hudson Oaks' share is 48%.

The outstanding amounts associated with the City of Hudson Oaks' share are reported in the proprietary funds in the statements of net position. Due from other governments represents the City of Hudson Oaks' 48% share of the outstanding debt balance and due to other governments represents the City of Hudson Oaks' 48% share of the debt proceeds, less the amount that has been spent on project costs, plus interest earned. Balances at September 30, 2022 are:

Due from other governments \$ 9,109,027

Due to other governments \$ 1,790,518

Note N. Prior Period Adjustments

The City restated its beginning net position in the Governmental Activities in the government-wide financial statements in the previously issued financial statements. Net position increased by \$158,247 due to capital assets and the related accumulated depreciation not being recorded correctly in prior years.

Note O. Subsequent Events

The City evaluated subsequent events through March 10, 2023, the date the financial statements were available to be issued, and nothing significant requiring disclosure was noted.

TENTATIVE DRAFT

**REQUIRED SUPPLEMENTARY
INFORMATION**

TENTATIVE DRAFT

City of Willow Park, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes				
Property	\$ 1,856,005	\$ 1,856,005	\$ 1,903,522	\$ 47,517
Sales and use	1,431,825	1,431,825	1,866,827	435,002
Franchise	457,722	457,722	397,514	(60,208)
Licenses and permits	428,700	428,700	725,298	296,598
Drainage fees	405,000	405,000	330,894	(74,106)
Court fines and fees	205,200	205,200	168,865	(36,335)
Grants	175,000	175,000	-	(175,000)
Investment earnings	15,000	15,000	36,684	21,684
Intergovernmental	-	-	843	843
Contributions	-	-	175	175
Other revenues	(16,585)	(16,585)	1,561	18,146
Total revenues	4,957,867	4,957,867	5,432,183	474,316
Expenditures				
Current:				
Administration	371,819	371,819	500,280	(128,461)
Development services	284,988	284,988	603,714	(318,726)
Fire and rescue	1,361,837	1,361,837	1,199,198	162,639
Legislative	213,071	213,071	191,736	21,335
Municipal Court	176,429	176,429	160,202	16,227
Police	1,569,889	1,614,960	1,446,442	168,518
Public works, parks, and roads	388,476	388,476	329,851	58,625
Capital outlay	424,945	424,945	233,508	191,437
Debt service				
Principal	-	-	72,926	(72,926)
Interest	-	-	5,276	(5,276)
Certificate of obligation issuance costs	-	-	124,248	(124,248)
Total expenditures	4,791,454	4,836,525	4,867,381	(30,856)
Excess (deficiency) of revenues over (under) expenditures	166,413	121,342	564,802	443,460
Other financing sources (uses)				
Proceeds from certificate of obligation issuance	-	-	3,980,000	3,980,000
Premium on long-term debt issued	-	-	394,248	394,248
Proceeds from sale of capital assets	-	-	37,137	37,137
Total other financing sources (uses)	-	-	4,411,385	4,411,385
Change in fund balance	\$ 166,413	\$ 121,342	4,976,187	\$ 4,854,845
Fund balance, beginning of year			1,373,279	
Fund balance, end of year			\$ 6,349,466	

CITY OF WILLOW PARK
Schedule of Changes in the Net Pension Liability / (Asset) and Related Ratios
Last Eight Years**

Texas Municipal Retirement System (TMRS)	2021	2020	2019	2018	2017	2016	2015	2014
Measurement Date - December 31st:								
Total Pension Liability								
Service cost	\$ 371,939	\$ 331,554	\$ 314,289	\$ 285,527	\$ 258,362	\$ 272,355	\$ 240,748	\$ 88,122
Interest	207,637	178,464	150,778	127,139	107,654	86,596	68,080	60,307
Change in benefit terms including substantively automatic status	-	-	-	-	-	-	-	122,676
Difference between expected and actual experience	(45,798)	(14,917)	7,612	15,830	(32,349)	9,269	(4,518)	(71,540)
Change in assumptions	(115,472)	(50,737)	(103,874)	(81,467)	(35,695)	(62,812)	(43,222)	(41,148)
Benefit payments, including refunds of employee contributions	418,306	444,364	374,961	347,029	297,972	305,408	304,346	158,417
Net change in total pension liability	2,947,869	2,503,505	2,128,544	1,781,515	1,483,543	1,178,135	873,789	715,372
Total pension liability, beginning	3,366,175	2,947,869	2,503,505	2,128,544	1,781,515	1,483,543	1,178,135	873,789
Total pension liability, ending (a)	\$ 6,424,119	\$ 483,403	\$ 502,225	\$ 174,846	\$ 403,779	\$ 276,874	\$ 233,062	\$ 99,498
Plan Fiduciary Net Position								
Employer contributions	\$ 198,600	\$ 184,986	\$ 166,714	\$ 155,766	\$ 136,098	\$ 134,415	\$ 136,696	\$ 30,615
Employee contributions	196,052	174,765	161,411	150,395	134,065	141,641	139,169	75,037
Net investment income	364,911	175,567	279,601	(48,854)	170,238	64,397	1,060	35,393
Benefit payments, including refunds of employee contributions	(115,472)	(50,737)	(103,874)	(81,467)	(35,695)	(62,812)	(43,186)	(41,148)
Administrative expenses	(1,684)	(1,134)	(1,578)	(945)	(882)	(726)	(645)	(369)
Other	12	(44)	(49)	(49)	(45)	(41)	(32)	(30)
Net change in plan fiduciary net position	642,419	483,403	502,225	174,846	403,779	276,874	233,062	99,498
Plan fiduciary net position, beginning	2,792,168	2,308,765	1,806,540	1,631,694	1,227,915	951,041	717,979	618,481
Plan fiduciary net position, ending (b)	\$ 3,434,587	\$ 2,792,168	\$ 2,308,765	\$ 1,806,540	\$ 1,631,694	\$ 1,227,915	\$ 951,041	\$ 717,979
Net pension liability/(asset), ending (a) - (b)	\$ (68,412)	\$ 155,701	\$ 194,740	\$ 322,004	\$ 149,821	\$ 255,628	\$ 227,094	\$ 155,810
Plan's fiduciary net position as a percentage of total pension liability	102.03%	94.72%	92.22%	84.87%	91.59%	82.77%	80.72%	82.17%
Covered payroll	\$ 2,800,744	\$ 2,496,645	\$ 2,305,864	\$ 2,127,623	\$ 1,915,208	\$ 2,023,438	\$ 1,876,446	\$ 1,500,744
Net pension liability/(asset) as a % of covered payroll	-2.44%	6.24%	8.45%	15.13%	7.82%	12.63%	12.10%	10.38%

* The amounts presented above are as of the measurement date of the collective net pension asset (liability).

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF WILLOW PARK
Schedule of Employer Pension Contributions and Related Ratios
Last Eight Fiscal Years**

Fiscal Year Ended September 30th: *	2022	2021	2020	2019	2018	2017	2016	2015
The City's actuarially determined contribution	\$ 214,303	\$ 184,986	\$ 166,714	\$ 155,766	\$ 158,377	\$ 136,067	\$ 134,745	\$ 106,037
Contributions in relation to the actuarially determined contribution	214,303	219,176	190,527	176,287	141,009	136,067	134,745	106,037
Contribution deficiency (excess)	\$ -	\$ (34,190)	\$ (23,813)	\$ (20,521)	\$ 17,368	\$ -	\$ -	\$ -
Covered payroll	\$ 3,055,374	\$ 2,532,785	\$ 2,296,296	\$ 2,019,522	\$ 1,913,221	\$ 1,954,990	\$ 1,988,189	\$ 1,749,548
Contributions as a percentage of covered payroll	7.01%	8.65%	8.29%	8.73%	7.37%	6.95%	6.78%	6.06%

Notes to Schedule of Contributions

Valuation Date:
Actuarially determined contribution rates are calculated as of December 31 and become effective in January - 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	23 Years (longest amortization ladder)
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information: There were no benefit changes during the year.

* The amounts presented above are as of the City's applicable fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF WILLOW PARK
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Five Years**

Texas Municipal Retirement System (TMRS)					
Measurement Date - December 31st:*	2021	2020	2019	2018	2017
Total OPEB Liability - beginning of year	\$ 109,216	\$ 82,625	\$ 59,719	\$ 57,763	\$ 46,676
Service cost	7,842	5,742	4,381	4,468	3,447
Interest	2,254	2,348	2,293	1,982	1,830
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,040)	544	(606)	1,280	-
Changes of assumptions or other inputs	4,652	18,207	17,069	(5,561)	5,810
Benefit payments	(840)	(250)	(231)	(213)	-
Net changes	11,868	26,591	22,906	1,956	11,087
Total OPEB Liability - end of year	<u>\$ 121,084</u>	<u>\$ 109,216</u>	<u>\$ 82,625</u>	<u>\$ 59,719</u>	<u>\$ 57,763</u>
Covered payroll	\$ 2,800,744	\$ 2,496,645	\$ 2,305,846	\$ 2,127,623	\$ 1,915,208
Total OPEB liability as a percentage of covered payroll	4.32%	4.37%	3.58%	2.81%	3.02%

* The amounts presented above are as of the measurement date of the collective total OPEB liability.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF WILLOW PARK
Schedule of OPEB Contributions and Related Ratios
Last Five Fiscal Years**

Texas Municipal Retirement System (TMRS)					
Fiscal Year Ended September 30th: *	2022	2021	2020	2019	2018
The City's actuarially determined contribution	\$ 917	\$ 760	\$ 230	\$ 202	\$ 191
Contributions in relation to the actuarially determined contribution	917	760	230	202	191
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,055,374	\$ 2,532,785	\$ 2,298,296	\$ 2,019,522	\$ 1,913,221
Contributions as a percentage of covered payroll	0.03%	0.03%	0.01%	0.01%	0.01%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Asset Valuation Method

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

- Inflation 2.50%
- Salary Increases 3.50% to 11.50% including inflation
- Discount Rate*** 1.84%
- Retirees' share of benefit-related costs \$0
- Administrative expenses All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates - service retirees

2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates - disabled retirees

2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The amounts presented above are as of the City's fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*** The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

TENTATIVE DRAFT

SUPPLEMENTARY INFORMATION

City of Willow Park, Texas
 Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2022

	Nonmajor Special Revenue Funds										Total Nonmajor Special Revenue Funds
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Police Contributions	First Responder Donations	Tuancy Funds				
Assets											
Cash and cash equivalents	\$ 50,150	\$ 56,057	\$ 4,706	\$ 212,864	\$ 544	\$ 111,684	\$ 18,304				\$ 454,309
Investments	-	-	-	-	-	-	-				-
Total assets	\$ 50,150	\$ 56,057	\$ 4,706	\$ 212,864	\$ 544	\$ 111,684	\$ 18,304				\$ 454,309
Liabilities and fund balances											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,940	\$ -				\$ 10,940
Total liabilities	-	-	-	-	-	10,940	-				10,940
Fund balances:											
Restricted	50,150	56,057	4,706	212,864	544	100,744	18,304				443,369
Total fund balances	50,150	56,057	4,706	212,864	544	100,744	18,304				443,369
Total liabilities and fund balances	\$ 50,150	\$ 56,057	\$ 4,706	\$ 212,864	\$ 544	\$ 111,684	\$ 18,304				\$ 454,309

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City of Willow Park, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2022

	Nonmajor Capital Projects Funds				Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Building Capital Projects	TexStar Parks & Recreation	TIRZ Reimbursement Fund			
Assets						
Cash and cash equivalents	\$ 12,011	\$ -	\$ 1,426		\$ 13,437	\$ 467,746
Investments	-	46,232	-		46,232	46,232
Total assets	<u>\$ 12,011</u>	<u>\$ 46,232</u>	<u>\$ 1,426</u>		<u>\$ 59,669</u>	<u>\$ 513,978</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	-	-	-		-	10,940
Total liabilities	-	-	-		-	10,940
Fund balances:						
Restricted	12,011	46,232	1,426		59,669	503,038
Total fund balances	<u>12,011</u>	<u>46,232</u>	<u>1,426</u>		<u>59,669</u>	<u>503,038</u>
Total liabilities and fund balances	<u>\$ 12,011</u>	<u>\$ 46,232</u>	<u>\$ 1,426</u>		<u>\$ 59,669</u>	<u>\$ 513,978</u>

City of Willow Park, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2022

	Nonmajor Special Revenue Funds							Total Nonmajor Special Revenue Funds
	Court Security	Court Technology	Seizure Fund	Tourism Fund	Police Contributions	First Responder Donations	Truancy Funds	
Revenues								
Hotel occupancy tax	-	-	-	-	-	-	-	-
TIRZ	-	-	-	142,932	-	-	-	142,932
Court fines and fees	9,554	8,680	-	-	-	-	18,304	36,538
Investment earnings	-	-	32	-	-	80	-	1,378
Contributions	-	-	-	1,266	-	126,221	-	126,221
Other	-	-	1,592	-	-	-	-	1,592
Total revenues	9,554	8,680	1,624	144,198	-	126,301	18,304	308,661
Expenditures								
Current:								
Development services	-	-	-	-	-	-	-	-
Fire and rescue	-	-	-	-	-	17,101	-	17,101
Legislative	-	8,372	-	-	-	-	-	8,372
Capital outlay	-	-	-	-	-	11,000	-	11,000
Total expenditures	-	8,372	-	-	-	28,101	-	36,473
Excess (deficiency) of revenues over (under) expenditures	9,554	308	1,624	144,198	-	98,200	18,304	272,188
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Changes in fund balances	9,554	308	1,624	144,198	-	98,200	18,304	272,188
Fund balances, beginning of year	40,596	55,749	3,082	68,666	544	2,544	-	171,181
Fund balances, end of year	\$ 50,150	\$ 56,057	\$ 4,706	\$ 212,864	\$ 544	\$ 100,744	\$ 18,304	\$ 443,369

The accompanying notes are an integral part of these financial statements.

City of Willow Park, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2022

	Nonmajor Capital Projects Funds			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Building Capital Projects	TexStar Parks & Recreation	TIRZ Reimbursement Fund		
Revenues					
Hotel occupancy tax	\$ -	\$ -	\$ -	-	\$ 142,932
TIRZ	-	-	263,840	263,840	263,840
Court fines and fees	-	-	-	-	36,538
Investment earnings	1,188	231	1,045	2,464	3,842
Contributions	-	45,000	-	45,000	171,221
Other	-	-	-	-	1,592
Total revenues	1,188	45,231	264,885	311,304	619,965
Expenditures					
Current:					
Development services	-	-	264,467	264,467	264,467
Fire and rescue	-	-	-	-	17,101
Legislative	-	-	-	-	8,372
Capital outlay	-	77,490	-	77,490	88,490
Total expenditures	-	77,490	264,467	341,957	378,430
Excess (deficiency) of revenues over (under) expenditures	1,188	(32,259)	418	(30,653)	241,535
Other financing sources (uses)					
Transfers in	-	77,490	-	77,490	77,490
Total other financing sources (uses)	-	77,490	-	77,490	77,490
Changes in fund balances	1,188	45,231	418	46,837	319,025
Fund balances, beginning of year	10,823	1,001	1,008	12,832	184,013
Fund balances, end of year	\$ 12,011	\$ 46,232	\$ 1,426	\$ 59,669	\$ 503,038

The accompanying notes are an integral part of these financial statements.

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willow Park, Texas (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Willow Park, Texas' basic financial statements, and have issued our report thereon dated March 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Snow Garrett Williams
March 10, 2023

TENTATIVE DRAFT

CITY OF WILLOW PARK, TEXAS
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

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

Version of compliance supplement used in audit: April 2022

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 200.416(a)? _____ yes X no

Identification of Major Programs:

<u>ALN</u>	<u>Name of Federal Program</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as a low-risk auditee? _____ yes X no

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.



CITY OF WILLOW PARK, TEXAS
Corrective Action Plan
For the Year Ended September 30, 2022

A corrective action plan is not needed.

TENTATIVE DRAFT

CITY OF WILLOW PARK, TEXAS
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2022

Finding 2021-001 – Audit Adjustments and Prior Period Adjustments

Internal Controls over Financial Reporting – Material Weakness – The financial statements were materially misstated prior to the City recording entries to adjust depreciation expense, accruals and accounts payable, disposal of capital assets, and other post-employment benefits (OPEB) liabilities, expenses, and deferred outflows of resources.

Current Status

The City corrected the issue in fiscal year 2022.

TENTATIVE DRAFT

TENTATIVE DRAFT

FEDERAL AWARDS SECTION

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Willow Park, Texas', compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Willow Park, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Snow Garrett Williams
March 10, 2023

CITY OF WILLOW PARK, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Drinking Water State Revolving Fund Cluster:			
<u>U.S. Environmental Protection Agency</u>			
Passed through Texas Water Development Board			
Capitalization Grants for Drinking Water			
State Revolving Funds	66.468	L1001032	\$ 786,055
Total Passed Through Texas Water Development Board			786,055
Total U.S. Environmental Protection Agency			786,055
Total Drinking Water State Revolving Fund Cluster			786,055
Other Programs:			
<u>U.S. Department of the Treasury</u>			
Passed through Texas Division of Emergency Management			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		488,997
Total Passed Through Texas Division of Emergency Management			488,997
Total U.S. Department of the Treasury			488,997
Total Expenditures of Federal Awards			\$ 1,275,052

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Willow Park, Texas for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Willow Park, it is not intended to and does not present the financial position or changes in net position or cash flows of the City of Willow Park.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Willow Park has elected not to use the 10% de minimis indirect cost rate as permitted in the Uniform Guidance, section 200.414.