

Town of Westlake, Texas  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2011

**INVESTING  
IN OUR FUTURE**



**UNDER CONSTRUCTION**

The Town of Westlake  
3 Village Circle, Suite #202  
Westlake, Texas 76262  
[www.westlake-tx.org](http://www.westlake-tx.org)

*A Premier Knowledge  
Based Community*

# TOWN OF WESTLAKE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING  
SEPTEMBER 30, 2011

Prepared by  
Town of Westlake  
Finance Department

3 Village Circle, Suite 202  
Westlake, TX 76262

**TOWN OF WESTLAKE, TEXAS**

**TABLE OF CONTENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | <b><u>Page<br/>Number</u></b> |
|--|-------------------------------|
| <b>INTRODUCTORY SECTION</b>  |                               |
| Letter of Transmittal .....  | i – vii                       |
| Certificate of Achievement .....   | viii                          |
| Organizational Chart .....   | ix                            |
| Principal Town Officials .....   | x                             |
| <b>FINANCIAL SECTION</b>   |                               |
| Independent Auditor’s Report.....  | 1 – 2                         |
| Management’s Discussion and Analysis .....   | 3 – 18                        |
| Basic Financial Statements   |                               |
| Government-wide Financial Statements   |                               |
| Statement of Net Assets .....  | 19                            |
| Statement of Activities .....  | 20 - 21                       |
| Fund Financial Statements  |                               |
| Balance Sheet – Governmental Funds.....  | 22 - 23                       |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Governmental Funds.....  | 24 - 26                       |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances of Governmental<br>Funds to the Statement of Activities ..... | 27                            |
| Statement of Net Assets – Proprietary Funds.....   | 28                            |
| Statement of Revenues, Expenses and Changes in<br>Fund Net Assets – Proprietary Funds.....   | 29                            |

**(continued)**

**TOWN OF WESTLAKE, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | <b><u>Page<br/>Number</u></b> |
|--|-------------------------------|
| <b>FINANCIAL SECTION (Continued)</b>   |                               |
| Fund Financial Statements (Continued)  |                               |
| Statement of Cash Flows – Proprietary Funds.....   | 30                            |
| Discretely Presented Component Units Financial Statements:<br>Discretely Presented Component Units - Combining<br>Statement of Net Assets..... | 31 - 32                       |
| Discretely Presented Component Units - Combining<br>Statement of Activities.....   | 33 - 34                       |
| Notes to Financial Statements.....   | 35 - 71                       |
| Required Supplementary Information   |                               |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>General Fund .....                                  | 72                            |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>Visitors Association Fund .....                     | 73                            |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>Westlake Academy .....                              | 74                            |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>FM 1938 Fund .....                                  | 75                            |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>Property Tax Reduction Fund .....                   | 76                            |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>Vehicle/Equipment Replacement Fund .....            | 77                            |

**(continued)**

**TOWN OF WESTLAKE, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | <u>Page<br/>Number</u> |
|--|------------------------|
| <b>FINANCIAL SECTION (Continued)</b>   |                        |
| Required Supplementary Information (Continued)   |                        |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>Economic Development Fund .....             | 78                     |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>Lone Star Public Facility Corporation ..... | 79                     |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>4B Economic Development Corporation .....   | 80                     |
| Schedule of Funding Progress .....   | 81                     |
| Notes to Required Supplementary Information .....  | 82                     |
| Individual Fund Schedule:  |                        |
| Schedule of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual –<br>Debt Service Fund .....                     | 83                     |
| <b>STATISTICAL SECTION (Unaudited)</b>   |                        |
| Net Assets by Component.....   | 84                     |
| Changes in Net Assets.....   | 85 - 86                |
| Fund Balances – Governmental Funds .....   | 87                     |
| Changes in Fund Balance – Governmental Funds .....   | 88 – 89                |
| Assessed Value and Estimated Actual Value of<br>Taxable Property .....   | 90                     |
| Principal Property Tax Payers .....  | 91                     |
| <b>(continued)</b>   |                        |

**TOWN OF WESTLAKE, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | <b><u>Page<br/>Number</u></b> |
|--|-------------------------------|
| <b>STATISTICAL SECTION (Unaudited) (Continued)</b>   |                               |
| Property Tax Levies and Collections.....   | 92                            |
| Direct and Overlapping Property Tax Rates.....   | 93                            |
| Taxable Sales by Industry Type .....   | 94                            |
| Ratios of General Bonded Debt Outstanding .....  | 95                            |
| Ratios of Outstanding Debt by Type .....   | 96                            |
| Direct and Overlapping Governmental Activities Debt.....   | 97                            |
| Demographic and Economic Statistics .....  | 98                            |
| Principal Employers .....  | 99                            |
| Full-time Equivalent Town Government Employees by<br>Function/Program .....  | 100                           |
| Operating Indicators by Function/Program .....   | 101                           |
| Capital Asset Statistics by Function/Program .....   | 102                           |
| <b>COMPLIANCE SECTION</b>  |                               |
| Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of<br>Financial Statements Performed in Accordance With<br><i>Government Auditing Standards</i> ..... | 103 - 104                     |

# **INTRODUCTORY SECTION**



## Town of Westlake

February 20, 2012

Honorable Mayor, Council Members and the Citizens of the Town of Westlake,

The Town of Westlake (the "Town") Fiscal and Budgetary Policies require that the Town's Finance Department prepare a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Accordingly, the Comprehensive Annual Financial Report (CAFR) for the Town of Westlake, Texas for the fiscal year ended September 30, 2011, is hereby issued.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making representations, the Town established a comprehensive internal control framework that was designed both to protect the Town's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

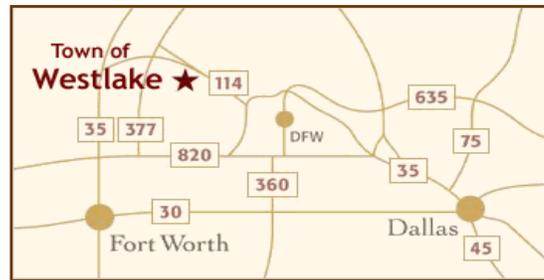
The Town's financial statements have been audited by Pattillo, Brown and Hill LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2011, were free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town's financial statements for the fiscal year ended September 30, 2011, were fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a listing of Town Officials, and an organizational chart of the Town. The Financial Section includes the independent auditor's report on the basic financial

statements, Management’s Discussion and Analysis (MD&A), basic financial statements, the notes to the basic financial statements, and combining and individual fund statements and schedules. The MD&A is a narrative introduction, containing overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to compliment, and should be read in conjunction with the MD&A. The Town of Westlake’s MD&A can be found immediately following the independent auditor’s report. The Statistical Section includes financial and demographic information relevant to readers of the Town’s financial statements. The statistical data is generally presented on a multi-year basis.

## Profile of the Town

Minutes from downtown Fort Worth, Texas and DFW International Airport, the Town of Westlake is home to several upscale residential communities and Fortune 500 companies, all of which share a unique character and charm, along with a commitment to excellence. The Town is located in northeast Tarrant County and may be conveniently accessed by several major thoroughfares, including SH 114 and US 377. The Town occupies approximately 7 square miles and serves a population of approximately 992 with an average appraised home value of \$1.2 million.



The Town, incorporated in 1956, is considered a Type A general-law municipality and has the power by state statute to extend its corporate town limits by annexation, which is done periodically when deemed appropriate by the Council. The Town operates under the Council-Manager form of government. The Council is comprised of a mayor and five (5) council members and is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the Town Manager. The Town Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the Town and appointing and supervising heads of various departments. The Mayor and Town Council members serve two (2) year terms. All elected officials are elected at-large.

The financial reporting entity (the government) includes all funds of the primary government (i.e. the Town of Westlake), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The following entities are considered blended component units:

**Lone Star Public Facilities Corporation** is a Texas nonprofit corporation that acts on behalf of the Town to further the public purposes under the Public Facilities Corporation Act, as it’s duly constituted authority and instrumentality. The board of directors, appointed by the Town’s governing body, is comprised of seven members, of whom five must be members of the Town’s governing body.

**4B Economic Development Corporation** is a Texas nonprofit industrial corporation under the Development Corporation Act of 1979 formed to promote economic development within the Town and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the Town by developing, implementing, financing, and providing one or more projects defined and permitted under Section 4B of the Act. The board of directors is composed of seven persons appointed by the members of the

Town's governing board. Four of the members of the board of directors are members of the Town's governing board.

**Westlake Academy (Academy)** is an open-enrollment charter school, as provided by Subchapter D, Chapter 12, of the Texas Education Code. The Town of Westlake ("Charter Holder") applied for and became the first municipality in Texas to ever receive this special charter designation. The Academy had 520 students in FY 10-11 and serves Kindergarten thru 12<sup>th</sup> grade. The Academy graduated their first class in FY 09-10. The Board consists of six (6) trustees and is appointed by the Town's governing body. Currently, all members of the board of trustees are members of the Town's governing body. The Academy's year-end is August 31.

Discretely presented component units are legally separate entities and not part of the primary government's operations. These component units are as follows: Texas Student Housing Authority-Ballpark Austin Project, Texas Student Housing Corporation-The Ridge at North Texas Project, Texas Student Housing Authority-Town Lake Austin Project, Texas Student Housing Authority-College Station Project, and Texas Student Housing Authority.

### **Services Provided**

The Town provides to its citizens those services that have proven to be necessary and meaningful and which the Town can provide for the least amount of cost. Major services provided under the general government and enterprise functions are: Fire and emergency medical services, police, water and sewer utility services, park and recreational facilities, street improvements, education and administrative services. The Town utilizes a combination of direct service delivery along with out-sourced services in its service delivery mix. The decision as to which service to deliver directly versus out-sourcing is based on analysis of both cost-effectiveness, citizen responsiveness, and customer service quality.

## **Economic Conditions and Outlook**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the Town operates.

### **Local Economy**

Because the Town's primary revenue source, sales tax, experienced declines in FY 08-09 and FY 09-10, the Town Council took the courageous step of implementing an ad valorem (property) tax in FY 10-11. Not only did this stabilize the Town's financial position (stopping the use of fund balance to balance the annual budget), but it also positioned the Town so it could begin reinvesting in its infrastructure. In FY 10-11 the Town's ad valorem tax allowed issuance of \$2.1 million of certificates of obligation the majority of which was invested in street and drainage projects. As the local sales tax base improves, this will only improve the Town's financial position, and thus, its financial stability for the long-term.

While the nation's economy is still suffering, certainly Westlake, like all communities, has challenges ahead. However, with the steps the Town Council courageously took in FY 10-11, we are in a much better position today than we were twelve months ago at this time in terms of the Town's financial sustainability. It has not only improved our financial position, but most important, it now also gives us the ability to reinvest in our Town's infrastructure and services in a prudent, responsible way that

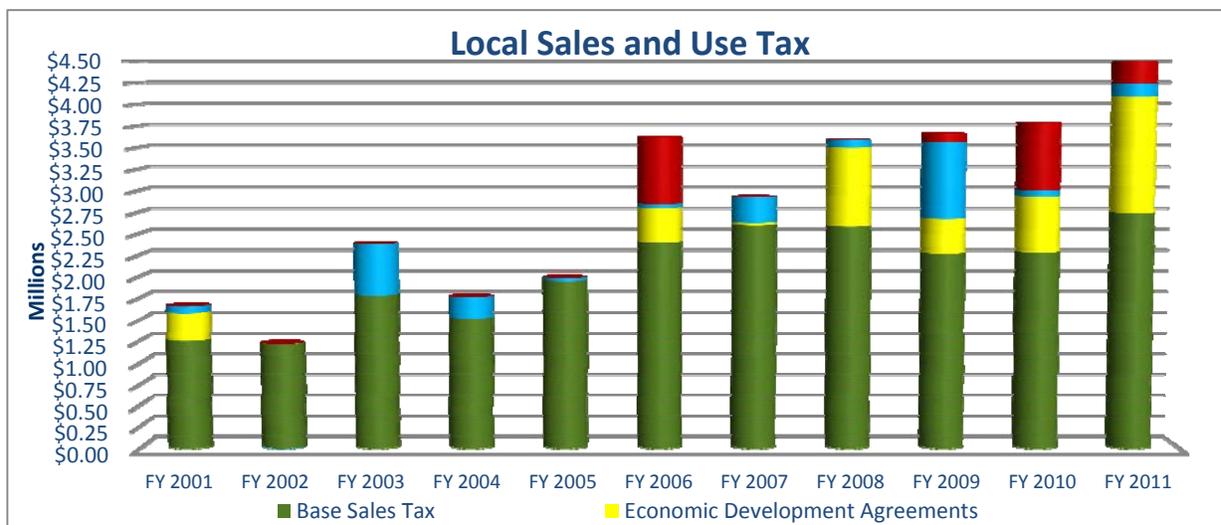
can ensure Westlake's vision to be a unique, one-of-a-kind community with an extraordinary quality of life for the long-term.

Even with this improvement in our financial position, the Town staff is acutely aware that the Town of Westlake does not create wealth, but instead only spends public dollars collected on behalf of our citizens. We are stewards. We exist as a municipal corporation for one reason and one reason only; to prioritize and deliver the best service possible with the resources provided to achieve an exceptional quality of life. Below, please find the milestones and strategic priorities that were achieved during FY 10-11:

- ◆ The three year process of constructing the \$300 million Deloitte University culminated with its opening and commencement of full operation in October 2011. This was the largest private construction project underway in Texas at that time.
- ◆ For the third consecutive year, the Town continued its "Westlake Windows" initiative for transparent government with citizen outreach meetings held in every Westlake neighborhood. The initiative was expanded to Westlake Academy parents residing in the Academy's secondary boundaries.
- ◆ The Town's Leadership Team was realigned to create a full-time Director of Communications & Community Affairs position. This was accomplished by adjusting existing positions (i.e. no new positions were created) to bring even more focus to the function of outreach and communication.
- ◆ Work began on revamping the Town's Five (5) Year Strategic Plan and tying it to a Balanced Scorecard, outcome measures, and program budgeting as well as reviewing and updating the Town's vision, mission, and value statements. In conjunction, the Town conducted its third annual Direction Finders citizens' survey for comparison to prior years' surveys, establishing multi-year performance measures, as well as to help guide the adopted budget preparation process.
- ◆ Implementation of the Town Council's approved Five (5) Year Capital Improvement Plan (CIP) began. This CIP covers mostly street improvement projects, allowing us to re-invest in the Town's street infrastructure on a planned basis. Perhaps most significantly, for the first time the Town's CIP was adequately funded via a combination of cash-on-hand and debt issuance of \$2.2 million in Certificates of Obligation.
- ◆ Construction progressed on the State's \$15 Million Phase 1 FM 1938 (Precinct Line Rd) Improvement Project. This will be a major north/south arterial roadway with a positive impact on mobility for the region, our residents, and employees of Westlake businesses. It will also impact future business attraction and economic development in Westlake. Estimated completion date is September 2012.
- ◆ Phase 1 of the Stagecoach Hills Water Distribution System Improvements Project was completed.
- ◆ The Town entered into a Development Agreement with Hillwood Properties for approximately \$4.6 million in street improvements to sections of Dove and Ottinger Roads. Improvements to portions of Ottinger Road are currently underway.

- ◆ The Town continued to receive recognition for the transparency and high quality of its financial reporting, receiving the Certificate of Achievement for Excellence in Financial Reporting, as well as the Distinguished Budget Presentation Award from the Governmental Finance Officers Association (GFOA) for both its FY 09-10 Comprehensive Annual Financial Report (CAFR), also known as the annual audit, and the FY 10-11 budget.
- ◆ According to Town Council/Board of Trustee direction, we began a two fiscal year phased approach of placing Westlake Academy’s operating budget on a full cost basis. The first phase, completed in FY 10-11, moved all direct operating costs for maintenance of the campus from the municipal budget to the Academy’s operating budget. The second phase, which will be carried out in FY 11-12, will move all indirect costs associated with the Academy from the municipal budget to the Academy budget.
- ◆ Westlake’s second gas well pad site was successfully drilled in Solana under the standards and requirements of the Town’s Oil and Gas Drilling/Production Ordinance adopted in 2009.
- ◆ New retail growth began occurring along the Town’s western boundary at the northwest corner of SH170 and SH377 with construction commencing on a new Quik Trip convenience store and a Centennial Liquors store.
- ◆ Westlake received national recognition from Forbes Magazine as the wealthiest community in the United States, and the Dallas Morning News ran a front page story on Westlake’s growth and attraction as a high-end residential community.
- ◆ The Town’s open enrollment charter school, Westlake Academy, finished its eighth year of operation. It was a “banner year” with the Academy having its largest enrollment ever and the second graduating class had an 86% success rate in obtaining the prestigious International Baccalaureate diploma. The 32 member class collectively garnered approximately \$4.2 million in scholarships and grants.

Sales tax collections increased by 22% for FY 10-11. Approximately 29% (\$1.3M) of the total revenues received were due to collections based on an economic development agreement, 3% from audit collections, approximately 8% was received from presumed one-time payments and the remaining 60% was from “base” sales tax receipts. The “base” sales tax revenues increased by approximately 18% when compared with FY 09-10.



## **Long-Term Financial Outlook**

The Town of Westlake has developed a comprehensive capital improvements document as well as a multi-year strategic plan. Such strategic planning assists both the Council and staff in establishing priorities and allocating resources appropriately.

In addition to these tools, the Town's Finance Department also prepares annual financial forecasts. Financial forecasts are used by the Town to identify important warning "sign posts" that should not be ignored. The FY 09-10 and original FY 10-11 forecasts indicated we were heading into severe financial distress. Subsequently, our Strategic Plan established financial sustainability as a priority for the Town and Westlake Academy. However, as the Town's financial condition worsened, the need to make hard decisions regarding key services and potential revenue sources including an ad valorem tax became more apparent. The FY 10-11 budget established an additional revenue source with the imposition of a property tax and in so doing, helped to secure our long-term financial stability.

Beginning in FY 09-10, as the nation's economic recession reduced Westlake's primary revenue source of sales tax, we began using a thematic approach to bring focus to the major issue or issues for that particular budget. That year's budget theme was "Critical Challenges, Critical Choices", intending to signal the need for meaningful community-wide dialogue as to how Westlake would come to grips with its vision, as well as an associated financial future. We fostered this dialogue using primarily meetings in every Westlake neighborhood, our electronic newsletter, email blasts, focus group meetings, and placing extensive financial information about the Town's financial sustainability challenges on our website.

In FY 10-11 the budget theme was "Securing the Vision". The focus of that budget's theme was to progress from the FY 09-10 discussions, and seek viable solutions to Westlake's challenge of becoming financially sustainable. Ultimately, this resulted in the Town Council adopting a \$.16010 per \$100 of assessed valuation municipal property tax rate. This is the lowest property tax rate of any city in our area, but it stabilized the General Fund's downward fund balance trend and has allowed us to begin dealing with our road infrastructure.

Having "Secured the Vision"... the theme for the adopted FY 11-12 budget is "Investing in Our Future". Selection of this budget theme is intended to reflect that with the hard choices having been made in FY 10-11, we can now use the resources available to reinvest in our community to maintain Westlake in a manner that is fiscally conservative, responsible, and consistent with its vision, mission, and values. To achieve this focus of "Investing in Our Future", the adopted FY 11-12 budget reflects three areas of major emphasis – investment in infrastructure, service delivery sustainability, and service delivery quality.

Users of this document, as well as others interested in the programs and services offered by the Town of Westlake, are encouraged to read the Town's Fiscal Year 2011-2012 Budget. The budget details the Town's long-term goals and financial policies, and describes program accomplishments and initiatives.

## Other Information

### Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Westlake for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010. This was the fourth year the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report (CAFR) continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the government also received their fourth GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

### Acknowledgements

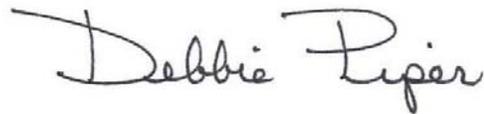
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to Town employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

The staff would also like to thank the Mayor and Town Council for their conservative leadership and their support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully Submitted,



Tom Brymer  
Town Manager



Debbie Piper, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Westlake  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danson*

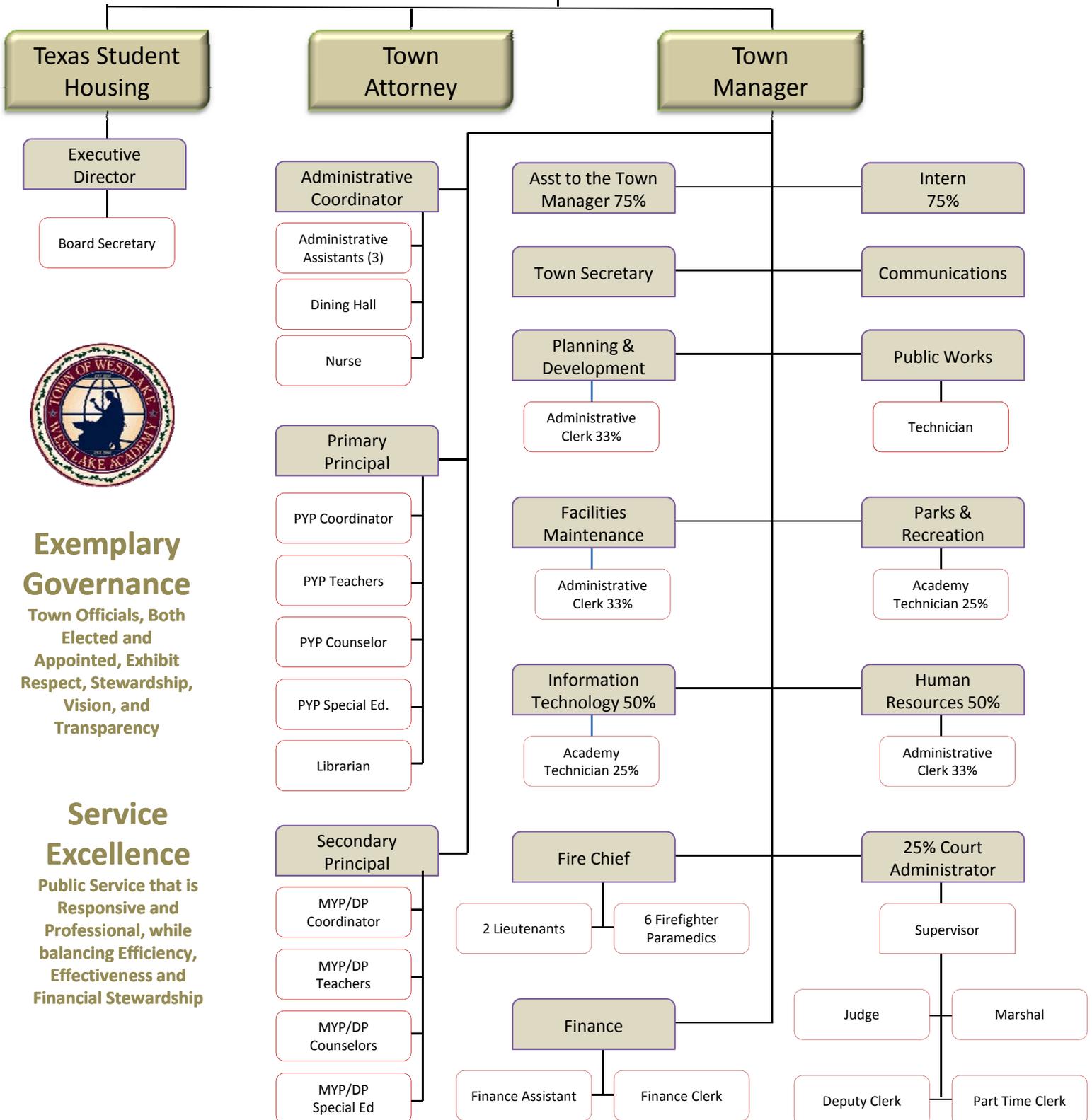
President

*Jeffrey R. Enev*

Executive Director

# CITIZENS OF WESTLAKE

## MAYOR AND TOWN COUNCIL



### Exemplary Governance

Town Officials, Both Elected and Appointed, Exhibit Respect, Stewardship, Vision, and Transparency

### Service Excellence

Public Service that is Responsive and Professional, while balancing Efficiency, Effectiveness and Financial Stewardship

# TOWN OF WESTLAKE

ELECTED AND APPOINTED OFFICIALS

September 30, 2011



## ELECTED OFFICIALS

Mayor

LAURA WHEAT

Mayor Pro-Tem

CAROL LANGDON

Council Member

TIM BRITTAN

Council Member

CLIF COX

Council Member

DAVID LEVITAN

Council Member

RICK RENNHACK

## APPOINTED OFFICIALS

TOM BRYMER

Town Manager

AMANDA DEGAN

Assistant to the Town Manager  
and Court Administrator

GINGER AWTRY

Director of Communications and  
Community Affairs

DEBBIE PIPER, CPA

Finance Director

KELLY EDWARDS, TRMC

Town Secretary

EDDIE EDWARDS

Director of Planning and  
Development

TODD WOOD, SPHR, IPMA-CP

Director of Human Resources  
and Administrative Services

JARROD GREENWOOD

Director of Public Works

RICHARD WHITTEN

Fire Chief

TROY MEYER

Facilities/ Parks and Recreation Director

# **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor  
and Town Council  
Town of Westlake, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Westlake, Texas (the "Town"), as of and for the year ended September 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Westlake, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Westlake, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have issued a report dated February 20, 2012, on our consideration of the Town of Westlake, Texas' internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 18 and 72 through 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Westlake, Texas' financial statements as a whole. The introductory section, individual fund budgetary analysis schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund budgetary analysis schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Pattillo, Brown + Hill, L.L.P.*

February 20, 2012

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Westlake is pleased to present this overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$28,577,322 (Net assets). This number must be viewed within the context that the vast majority of the Town's net assets of \$19,533,952 (68%) are capital assets and that most capital assets in a government entity do not directly generate revenue nor can they be sold to generate liquid capital. Those net assets restricted for specific purposes totaled \$7,137,362 (25%). The remaining \$1,906,008 (7%) are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- As of the close of the current fiscal year, the Town of Westlake's governmental funds reported combined ending fund balances of \$10,966,580, which is an increase of \$3,129,631 in comparison with the prior year. Within this total, \$7,441,669 is non-spendable, restricted, committed or assigned by management or council.
- At the end of the current fiscal year, fund balance for the general fund was \$4,015,394, an increase of \$222,409 in comparison with the prior year. Of this total fund balance, \$3,524,911 is unassigned. This represents 87% of the total general fund expenditures and is equivalent to 317 operating days.
- The Town's capital assets (net of accumulated depreciation) increased by \$376,833. The major portion of this increase is attributed to the completion of the dining hall improvements at Westlake Academy, Mahota Boone and Aspen Lane reconstruction, Stagecoach Hills water line, purchase of traffic devices and heart monitors. Also, the contribution of the Fire station and land were recorded as capital assets during the current year as well as construction in progress expenses for several road and water projects that were not completed by year-end. This amount was offset by \$1,303,080 of depreciation which gave the Town a net increase.
- The Town's bonds payable increased by \$1,540,000 in total, due to the issuance of Certificates of Obligation bonds in the amount of \$2,095,000 for various street projects, and offset by the scheduled repayment of principal on outstanding bonded debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial

statements. This report also contains supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting.

The *statement of net assets* presents information on all of the Town's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in the Town's net assets serve as a useful indicator of whether the financial position of the Town is improving or weakening.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All of the revenues and expenses 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 only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by sales taxes, property taxes, and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, culture and recreation, economic development, public works, visitor services and education. The business-type activities of the Town include water/sewer and cemetery.

The government-wide financial statements include not only the Town (known as the *primary government*), but also discretely presented component units including all of the Texas Student Housing entities. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. See pages 31-34 of the "Financial Section" for detail on these entities. In addition, the Town has the following blended component units: Lone Star Public Facility Corporation, 4B Economic Development Corporation, and Westlake Academy, an open enrollment charter school owned and operated by the Town of Westlake.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Below are the three types of funds. The Town had only Governmental and Proprietary funds for the year ended September 30, 2011.

**Governmental funds** - *Governmental funds* are used to account for essentially the same functions reported as *government 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 on *balances of spendable resources* available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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, the reader 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 this comparison between *governmental funds* and *governmental activities*.

The Town maintains eleven 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, Visitors Association, Westlake Academy, Debt Service, Capital Projects, FM 1938, Property Tax Reduction, Vehicle/Equipment Replacement, Economic Development, Lone Star Public Facility Corporation and Westlake 4B Economic Development Corporation funds, all of which are presented as major funds.

The Town adopts an annual appropriated budget for all funds, except the Capital Projects fund which is a project-length based budget. A budgetary comparison statement has been provided for all appropriate funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

***Proprietary funds*** - There are two types of proprietary funds, Enterprise Funds and Internal Service Funds. An Enterprise Fund is the only proprietary fund currently maintained by the Town. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities and its cemetery activities. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The Town's intent is that costs of providing the services to the general public on a continuing basis is financed through user based charges in a manner similar to a private enterprise. The Town has no Internal Service Funds (fund to report activities that provide supplies and services for the Town's other programs and activities, i.e. self-insurance and fleet management.)

The basic proprietary fund financial statements can be found on pages 28 - 30 on this report.

***Fiduciary funds*** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. The Town of Westlake does not currently have any fiduciary funds.

**Notes to the 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 on pages 35 - 71 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents schedules that further support the information in the financial statements.

The schedules are presented immediately following the notes to the financial statements and can be found on pages 72 - 83.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Town, assets exceeded liabilities by \$28,577,322 at the close of the most recent fiscal year.

The Town's *combined* net assets changed from a year ago, *increasing* \$2,482,692 from \$26,094,630 to \$28,577,322. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

The largest portion of the Town's net assets, \$19,533,952 (68%), reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 portion of the Town's net assets, \$7,137,362 (25%), represents resources that are subject to external or internal restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,906,008 (7%), may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 1**  
**Condensed Statement of Net Assets**  
**At September 30, 2011**

|   | Governmental Activities |               | Business-Type Activities |              | Total         |               |
|---|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
|   | 2011                    | 2010          | 2011                     | 2010         | 2011          | 2010          |
| <u>Assets:</u>                                  |                         |               |                          |              |               |               |
| Current and other assets                        | \$ 12,449,931           | \$ 9,253,595  | \$ 3,401,345             | \$ 2,166,994 | \$ 15,851,276 | \$ 11,420,589 |
| Capital assets                                  | 33,665,877              | 33,051,736    | 12,455,411               | 12,692,719   | 46,121,288    | 45,744,455    |
| Total Assets                                    | 46,115,808              | 42,305,331    | 15,856,756               | 14,859,713   | 61,972,564    | 57,165,044    |
| <u>Liabilities:</u>                             |                         |               |                          |              |               |               |
| Long-term liabilities outstanding               | 20,731,060              | 19,241,788    | 5,507,172                | 5,589,204    | 26,238,232    | 24,830,992    |
| Other liabilities                               | 2,140,365               | 1,999,144     | 5,016,645                | 4,240,278    | 7,157,010     | 6,239,422     |
| Total Liabilities                               | 22,871,425              | 21,240,932    | 10,523,817               | 9,829,482    | 33,395,242    | 31,070,414    |
| <u>Net Assets:</u>                              |                         |               |                          |              |               |               |
| Invested in capital assets, net of related debt | 12,658,921              | 13,633,485    | 6,875,031                | 7,033,831    | 19,533,952    | 20,667,316    |
| Restricted                                      | 7,137,362               | 1,564,868     | -                        | -            | 7,137,362     | 1,564,868     |
| Unrestricted                                    | 3,448,100               | 5,866,046     | (1,542,092)              | (2,003,600)  | 1,906,008     | 3,862,446     |
| Total Net Assets                                | \$ 23,244,383           | \$ 21,064,399 | \$ 5,332,939             | \$ 5,030,231 | \$ 28,577,322 | \$ 26,094,630 |

**Table 2**  
**Changes in Net Assets**  
**At September 30, 2011**

|   | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                     | <u>Total</u>         |                      |
|---|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
|   | <u>2011</u>                    | <u>2010</u>          | <u>2011</u>                     | <u>2010</u>         | <u>2011</u>          | <u>2010</u>          |
| Revenues:                                   |                                |                      |                                 |                     |                      |                      |
| Program revenues:                           |                                |                      |                                 |                     |                      |                      |
| Fees, fines & charge<br>for services        | \$ 1,253,967                   | \$ 2,497,350         | \$ 3,092,168                    | \$ 2,107,060        | \$ 4,346,135         | \$ 4,604,410         |
| Operating grants<br>& contributions         | 728,242                        | 853,151              | -                               | 46,810              | 728,242              | 899,961              |
| Capital grants<br>& contributions           | 425,900                        | 83,250               | -                               | -                   | 425,900              | 83,250               |
| General revenues:                           |                                |                      |                                 |                     |                      |                      |
| Taxes                                       |                                |                      |                                 |                     |                      |                      |
| Sales taxes                                 | 4,609,626                      | 3,790,533            | -                               | -                   | 4,609,626            | 3,790,533            |
| Property taxes                              | 1,260,112                      | -                    | -                               | -                   | 1,260,112            | -                    |
| Hotel occupancy taxes                       | 527,261                        | 457,693              | -                               | -                   | 527,261              | 457,693              |
| Mixed beverage taxes                        | 19,721                         | 17,902               | -                               | -                   | 19,721               | 17,902               |
| Franchise taxes                             | 586,836                        | 603,233              | -                               | -                   | 586,836              | 603,233              |
| Unrestricted grants                         | 3,744,757                      | 3,484,141            |                                 |                     | 3,744,757            | 3,484,141            |
| Interest on investments                     | 46,248                         | 38,383               | 9,929                           | 8,334               | 56,177               | 46,717               |
| Miscellaneous                               | 691,345                        | 676,638              | 145,666                         | 60,070              | 837,011              | 736,708              |
| Extraordinary items                         | 56,704                         | -                    | -                               | -                   | 56,704               | -                    |
| Gain on sale of capital assets              | 7,000                          | -                    | -                               | -                   | 7,000                | -                    |
| Total revenues                              | <u>\$ 13,957,719</u>           | <u>\$ 12,502,274</u> | <u>\$ 3,247,763</u>             | <u>\$ 2,222,274</u> | <u>\$ 17,205,482</u> | <u>\$ 14,724,548</u> |
| Expenses:                                   |                                |                      |                                 |                     |                      |                      |
| General government                          | 2,478,826                      | 2,272,127            | -                               | -                   | 2,478,826            | 2,272,127            |
| Public safety                               | 1,801,585                      | 1,698,164            | -                               | -                   | 1,801,585            | 1,698,164            |
| Culture and recreation                      | 122,400                        | 105,997              | -                               | -                   | 122,400              | 105,997              |
| Economic development                        | 680,823                        | 309,653              | -                               | -                   | 680,823              | 309,653              |
| Public works                                | 470,054                        | 594,705              | -                               | -                   | 470,054              | 594,705              |
| Visitor services                            | 356,365                        | 420,270              | -                               | -                   | 356,365              | 420,270              |
| Education                                   | 4,884,985                      | 4,138,875            | -                               | -                   | 4,884,985            | 4,138,875            |
| Interest on long-term debt                  | 1,127,913                      | 1,026,026            | -                               | -                   | 1,127,913            | 1,026,026            |
| Water and sewer                             | -                              | -                    | 2,794,235                       | 2,567,675           | 2,794,235            | 2,567,675            |
| Cemetery                                    | -                              | -                    | 5,604                           | 27,822              | 5,604                | 27,822               |
| Total expenses                              | <u>11,922,951</u>              | <u>10,565,817</u>    | <u>2,799,839</u>                | <u>2,595,497</u>    | <u>14,722,790</u>    | <u>13,161,314</u>    |
| Inc (Dec) in net assets<br>before transfers | 2,034,768                      | 1,936,457            | 447,924                         | (373,223)           | 2,482,692            | 1,563,234            |
| Transfers                                   | <u>145,216</u>                 | <u>-</u>             | <u>(145,216)</u>                | <u>-</u>            | <u>-</u>             | <u>-</u>             |
| Change in net assets                        | 2,179,984                      | 1,936,457            | 302,708                         | (373,223)           | 2,482,692            | 1,563,234            |
| Net assets, beginning                       | <u>21,064,399</u>              | <u>19,127,942</u>    | <u>5,030,231</u>                | <u>5,403,454</u>    | <u>26,094,630</u>    | <u>24,531,396</u>    |
| Net assets, ending                          | <u>\$ 23,244,383</u>           | <u>\$ 21,064,399</u> | <u>\$ 5,332,939</u>             | <u>\$ 5,030,231</u> | <u>\$ 28,577,322</u> | <u>\$ 26,094,630</u> |

**Governmental activities:** Governmental activities increased the Town's net assets by \$2,179,984 (10%), increasing net assets from \$21,064,399 to \$23,244,383. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, other legal requirements, and/or Council or management's decision, decreased by \$2,417,946 or 41% of total governmental net assets. The majority of this decrease was due to the transfer of funds from the Property Tax Reduction fund (PTR) and the General fund (GF) to the Capital Projects fund (CPF) for street and capital improvements which in-turn increased the restricted amount by \$5,572,494. These transfers along with bond proceeds to be used for capital projects represent the majority of this increase.

Total revenues (including transfers) for governmental activities increased by \$1,600,661 when compared to the prior year. General revenue had an increase of \$2,626,303, while program revenues had a decrease of \$1,025,642.

*Program revenues –*

- Charges for services decreased by \$1,243,383
  - Primarily due to a one time building permit and inspection/plan review fees related to Deloitte construction
- Operating Grants and Contributions decreased by \$124,909
- Capital Grants and Contributions increased by \$342,650

*General revenues –*

- Sales tax increased by \$819,093. The following components make up this increase:
  - Increase in "base" sales taxes of \$418,287
  - Increase of \$694,848 in economic development receipts
  - Increase in audit collections of \$74,892
  - Decrease in presumed one-time payments of \$368,934
- Property tax increased by \$1,260,112 – represents the Town's first year to levy an ad valorem tax
- Hotel occupancy taxes increased by \$69,568 – the average daily occupancy rate has increased by approximately 4.85%
- Franchise tax decreased by \$16,397
- Unrestricted grants increased \$260,616 – due to the receiving increased state revenues for the additional students at Westlake Academy
- Interest income increased by \$7,865
- Miscellaneous increased by \$14,707
- Transfers increased by \$145,216 – represents the impact fees transferred from the Utility Fund
- Extraordinary items increased by \$56,704 - net effect of insurance claims and payments at Westlake Academy
- Gain on sale of capital assets increased by \$7,000 - trade in of heart monitors

*Expenses –*

- Total expenses for governmental activities increased by \$1,357,134 or approximately 13%
- General government increased by \$206,699
  - General government increased by \$206,699 with the \$117,962 being attributed to GASB 34 conversion entries related to depreciation, compensated absences, reclass of non-capitalized capital outlay and \$88,737 being due to the variances in the Town's

general governmental fund statements. Some of the larger variances were seen in legislative and attorney expenditures due to the legislative session and ongoing litigation.

- Public safety increased by \$103,421
  - Payroll and related - \$87,204 more in the current year because the EMS/Fire Department personnel was not completely staffed in the prior year. The department was short by two personnel.
  - Repairs and maintenance - \$27,134 due to various expenditures totaling \$13,552 related to the preparation and installation of the new Fire Station that was contributed to the Town as well as equipment and vehicle repair and maintenance totaling \$14,422
- Economic development increased by \$371,170
  - Based on a contractual obligation reimbursement. The project had just begun in FY 09/10 and construction continued through the end of FY 10/11
- Public works decrease of \$124,651
  - Payroll and benefits were decreased by \$97,512 due to a reclass of salaries for audit purposes. The Town pays ALL payroll from the General Fund and has interfund transfers in from the Utility Fund to cover the payroll expenditures. This was booked as a contra-account for the current year but in prior years, the payroll was booked to the respective fund.
  - Contracted Landscaping for the Academy of \$40,150 was transferred to the Academy budget for FY 10/11
- Visitor services decrease of \$63,905
  - Additional transportation payment was made to the Marriott in the prior year
- Education increase of \$746,110
  - Includes expense for the addition of students and staff for Westlake Academy and the transfer of direct costs of approximately \$250,000 from the Municipal budget to the Academy budget
- Interest on long-term debt increased by \$101,887

### **Business-type Activities:**

The net assets of our business-type activities ended fiscal year 2011 at \$5,332,939 compared with \$5,030,231 in 2010. This represents an increase in net assets of \$302,708, or 6% over the prior fiscal year.

Revenues of the Town's business-type activities were \$3,247,763 for the fiscal year ending September 30, 2011. Revenues increased \$1,025,489 or 46% over the prior year. Operating expenses for the business-type activities were \$2,799,839 for the year, an increase of \$204,342 or 8%. The resulting increase in net assets is due to several factors, including the following:

- Increase in Charges for Services was \$985,108. This 47% increase was primarily realized because FY 10/11 was a drier year than normal resulting in increased water billing revenues and other associated fees in addition to a utility rate increase effective 1/1/11.
- The Town's increase in expenses of \$204,342 is attributed to the additional water purchases experienced during the dry weather months.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,966,580; an increase of \$3,129,631 in comparison with the prior year. Approximately 32% of this total (\$3,524,911) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed.

The following tables present a summary of general, special revenue, capital project, and debt service fund revenues and expenditures for the fiscal year ended September 30, 2011, and the amount and percentage of increases and decreases in relation to the prior year.

**Table 3**  
**Summary of Governmental Fund Revenues**

| <u>Revenues</u>           | <u>2010-11<br/>Amount</u> | <u>Percent<br/>of Total</u> | <u>Increase<br/>(Decrease)<br/>from 2009/10</u> | <u>Percent<br/>Increase<br/>(Decrease)</u> |
|---------------------------|---------------------------|-----------------------------|---|--|
| Taxes                     | \$                        |                             | \$  |  |
| Sales                     | 4,609,626                 | 34.3%                       | 819,093   | 21.6%                                      |
| Property                  | 1,257,246                 | 9.3%                        | 1,257,246                                       | 100.0%                                     |
| Mixed beverage            | 19,721                    | 0.1%                        | 1,819   | 10.2%                                      |
| Hotel occupancy           | 527,261                   | 3.9%                        | 69,568  | 15.2%                                      |
| Franchise                 | 586,836                   | 4.4%                        | (16,397)  | -2.7%                                      |
| Subtotal - Taxes          | 7,000,690                 | 52.1%                       | 2,131,329                                       | 43.8%                                      |
| State program             | 3,945,658                 | 29.3%                       | 257,952   | 7.0%                                       |
| Federal program           | 157,445                   | 1.2%                        | (41,991)  | -21.1%                                     |
| Interest income           | 46,248                    | 0.3%                        | 7,865   | 20.5%                                      |
| Building permits and fees | 530,646                   | 3.9%                        | (1,216,308)                                     | -69.6%                                     |
| Fines and penalties       | 605,705                   | 4.5%                        | (41,465)  | -6.4%                                      |
| Contributions             | 180,063                   | 1.3%                        | (353,337)                                       | -66.2%                                     |
| Miscellaneous             | 980,816                   | 7.3%                        | 201,772   | 25.9%                                      |
| Total Revenues            | \$ 13,447,271             | 100.0%                      | \$ 3,450,239                                    | 19.9%                                      |

**Table 4**  
**Summary of Governmental Fund Expenditures**

| <u>Expenditures</u>       | <u>2010-11</u><br><u>Amount</u> | <u>Percent</u><br><u>of Total</u> | <u>Increase</u><br><u>(Decrease)</u><br><u>From 2009/10</u> | <u>Percent</u><br><u>Increase</u><br><u>(Decrease)</u> |
|---------------------------|---------------------------------|-----------------------------------|---|--|
| General government        | \$ 1,733,324                    | 13.7%                             | \$ 88,737   | 5.4%   |
| Public safety             | 1,842,751                       | 14.5%                             | 207,815   | 12.7%  |
| Culture and recreation    | 122,400                         | 1.0%                              | 16,403  | 100.0%   |
| Public works              | 326,749                         | 2.6%                              | (75,130)  | -18.7%   |
| Economic development      | 706,391                         | 5.6%                              | 372,560   | 111.6%   |
| Visitor services          | 356,365                         | 2.8%                              | (63,905)  | -15.2%   |
| Education                 | 4,884,985                       | 38.6%                             | 746,110   | 18.0%  |
| Capital outlay            | 1,023,772                       | 8.1%                              | 341,669   | 50.1%  |
| Debt service              | 1,674,823                       | 13.2%                             | 133,957   | 8.7%   |
| <b>Total Expenditures</b> | <b>\$ 12,671,560</b>            | <b>100.0%</b>                     | <b>\$ 1,768,216</b>   | <b>16.2%</b>   |

Below are summaries and explanations of the reduction in fund balances from FY 2010 to FY 2011 of the Governmental Funds that are contained in the above totals:

General Fund - Fund balance increased \$222,409 (6%)

- Property tax - \$1,226,689 - Initial year to levy an ad valorem tax
- Permits and Fees - (\$1,226,308) - One-time payment made in prior year for Deloitte permits and fees.
- Payroll and related - \$195,477 – Increase is related to payroll insurance of \$89,118, payroll taxes of \$84,740 and an additional 1% increase in salaries of \$21,617
- Service expenses - \$82,768 increase primarily due to legislative and attorney costs totaling \$68,581 and the new website development of \$10,439
- Transfers in - \$2,178,403
  - Transfer in from the Utility Fund in the amount of \$145,216 for impact fees
  - Transfer in of \$1,357,548 from Property Tax Reduction Fund to close the fund and begin recording in the General Fund and \$41,274 for General Major Maintenance (included in General Fund for audit purposes)
  - Transfer in from Vehicle and Equipment Replacement Fund to General Major Maintenance Fund in the amount of \$129,374 to close the fund and accumulate all maintenance and replacement funds into one fund for future accounting purposes
  - Various transfers totaling 5,281
- Transfers Out - \$2,691,982
  - Transfer to Capital Project fund in the amount of \$2,085,659 as authorized by Town Council for capital projects
  - Transfer out to General Major Maintenance Fund of \$500,000 to build funds for future major maintenance projects
  - Transfer out to Vehicle and Equipment Replacement Fund of \$68,982 to build funds for vehicle and equipment replacement

- Transfer out to Economic Development Fund of \$35,758 to make annual Fidelity payment. A new fund was created during the prior-year's budget process to isolate all economic development revenues and expenditures.
- Other Sources - \$57,000
  - Receipt of note proceeds in the amount of \$50,000 for the purchase of 2 heart monitors and \$7,000 represents the trade-in value used for the heart monitors previously purchased

4B Economic Development Corporation Fund - Fund balance decreased \$29,731

- All funds received were transferred to the Debt Service Fund for the annual bond payments.
- Fund balance decreased due to the reduction of a receivable from the Utility fund for an interfund loan made to the Utility Fund for several utility projects in past years

Visitors Association Fund - Fund balance increased by \$10,339

- Hotel Tax increased by \$69,568 - the average daily occupancy rate has increased by approximately 4.85%
- Marriott transportation/marketing decreased by \$52,000 – additional transportation payments were made in the prior year

Vehicle & Equipment Repair & Maintenance Fund - Fund balance decreased \$57,256

- Fund was closed at fiscal year end and transferred to General Major Maintenance Fund.

Property Tax Reduction Fund - Fund balance decreased \$1,569,751

- Fund was closed at fiscal year end and transferred to General Fund.

Debt Service Fund - Fund balance increased \$7,505

- Property tax receipts were in excess of debt serviced

Capital Projects Fund - Fund balance increased by \$4,397,155

- Bond Proceeds \$2,095,000
- Transfers in from General Fund \$2,085,520
- Transfers in from PTR Fund \$1,196,239
- Capital projects expenditures totaled \$965,700
  - Dining hall improvements
  - Mahotea Boone and Aspen Lane reconstruction
  - Construction in progress on several street improvements (to be completed in FY 2011/12)
- Bond issuance cost of \$36,446

*Proprietary funds.* The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements with greater detail.

Total net assets of the Proprietary Funds amounted to \$5,332,939, an increase of \$302,708. Operating income totaled \$1,041,854 which was offset by a net non-operating revenues (expenses) total of \$593,930.

- Revenues were \$1,016,144 more than the prior year primarily due to charges for services
- Operating Expenses increased by \$197,561 due to the increase in the purchase of water.

## General Fund Budgetary Highlights

The General Fund budget for fiscal year 2011 was amended in total to increase the net change in fund balance from (\$2,225,313) to (\$392,544), a total increase of \$1,832,769.

- The amended budget for net revenues was increased by \$866,068 (22%)
  - Sales Tax - \$248,500 – received more taxes than anticipated
  - Property Tax - \$327,471 - original budget was based on September values but then updated
  - Contributions - \$164,000 – Received \$175,000 in contribution for tree reforestation mid-year
  - Permits and Fees - \$105,095 of which a large portion was due to gas well permits/fees that were not originally budgeted as well as additional contractor registration fees and development fees
  
- The amended budget for expenditures increased by \$84,331 (2%)
  - Payroll and related increased \$2,220
  - Expenses increased by \$82,111
    - Services - \$53,745
      - Attorney & Legislative – \$44,840 due to litigation and the legislative session
      - Engineering increased by - \$13,100
      - Building inspection - \$15,500 was added to complete Deloitte inspections
    - Capital Outlay - \$37,530
      - Department 16 - \$14,200 – Traffic counter devices
      - Department 14 - \$20,005 – Fire fighter equipment
  
- Transfers In budget was amended to increase by \$1,619,314
  - Decision by the Council was made to close the Property Tax Reduction fund and transfer to General Fund for subsequent year tax collections
  
- Amended budget for Transfers Out was increased by \$568,282 to move \$500,000 to General Major Maintenance Fund and \$66,407 to Vehicle and Equipment Replacement Fund to accumulate funds for future maintenance projects and equipment replacement.

The General Fund actual revenue collections were less than the amended budget by \$11,121 and the final expenditures were \$474,464 less than budgeted (10%).

- General government (\$278,192) – majority of this amount is due to a reclass of salaries for audit purposes. The Town pays ALL payroll from the General Fund and has interfund transfers in from the Visitors Association Fund and the Utility Fund to cover the expenditure. The budget reflected 100% of payroll in the General Fund but an entry was made to allocate the payroll to the respective funds to provide the true cost of payroll expense in each fund.
- Public Safety (\$22,015) – EMS/Fire was understaffed by one position for the fiscal year
- Cultural and recreation – (\$35,674) – same explanation as General government regarding payroll
- Public Works (\$90,550) – same explanation as General government regarding payroll
- Capital outlay (\$48,033) – budgeted for several maintenance projects and equipment replacements that were not needed during the fiscal year

## Capital Assets and Debt Administration

- Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2011, totaled \$46,121,288 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The net increase in the Town's investment in capital assets for the current fiscal year was \$376,833 or 1%. The major portion of this increase is due to the completion of the dining hall at Westlake Academy, Mahotea Boone and Aspen Lane reconstruction, Stagecoach Hills water line, purchase of traffic devices and heart monitors. Also, the contribution of the Fire station and land were recorded as capital assets during the current year. Construction in progress was recorded for several road and water projects that were not completed by year-end. This amount was offset by \$1,303,080 of depreciation which gave the Town a net increase.

**Table 5**  
**Town's Capital Assets**  
**(Net of Accumulated Depreciation)**

|                          | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                      | <u>Total</u>         |                      |
|--------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                          | <u>2011</u>                    | <u>2010</u>          | <u>2011</u>                     | <u>2010</u>          | <u>2011</u>          | <u>2010</u>          |
| Land                     | \$ 11,896,663                  | \$ 11,530,663        | \$ -                            | \$ -                 | \$ 11,896,663        | \$ 11,530,663        |
| Capital improvements     | 2,361,688                      | 2,233,430            | 9,955,542                       | 10,080,172           | 12,317,230           | 12,313,602           |
| Buildings                | 18,198,192                     | 18,486,500           | -                               | -                    | 18,198,192           | 18,486,500           |
| Machinery & equipment    | 561,394                        | 726,222              | 2,183,855                       | 2,300,241            | 2,745,249            | 3,026,463            |
| W/W treatment rights     | -                              | -                    | 280,546                         | 312,306              | 280,546              | 312,306              |
| Construction in progress | 647,940                        | 74,921               | 35,468                          | -                    | 683,408              | 74,921               |
| Total capital assets     | <u>\$ 33,665,877</u>           | <u>\$ 33,051,736</u> | <u>\$ 12,455,411</u>            | <u>\$ 12,692,719</u> | <u>\$ 46,121,288</u> | <u>\$ 45,744,455</u> |

Additional information on the Town's capital assets can be found in Note III on page 50 of this report.

*Long-term debt* - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$27,039,376. Of this amount, \$21,725,000 represents bonded indebtedness, \$151,656 economic development reimbursement, and \$5,580,380 business-type debt. During the fiscal year 2010-2011, the Town's total debt payable increased by \$1,542,015. This increase is primarily attributed to the issuance of Certificates of Obligation bonds in the amount of \$2,095,000 for various street projects, a note payable of \$50,000 for the purchase of heart monitors and offset by the scheduled repayment of principal and interest on outstanding bonded debt.

Standard & Poor's Ratings Services, a division of the McGraw-Hill, Inc. rates the Town's debt at AA-. Additional information about the rating agency or the significance of the rating provided may be obtained from Standard & Poor's web site.

Additional information on the Town's long-term debt can be found in Note III on pages 55-58.

**Table 6**  
**Outstanding Debt at Year-End**

|                            | <u>2011</u>          | <u>2010</u>          | <u>2011</u>         | <u>2010</u>         | <u>2011</u>          | <u>2010</u>          |
|----------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| General obligation bonds   | \$ 9,515,000         | \$ 9,630,000         | \$ -                | \$ -                | \$ 9,515,000         | \$ 9,630,000         |
| Certificates of obligation | 12,210,000           | 10,555,000           | -                   | -                   | 12,210,000           | 10,555,000           |
| Contractual obligations    | 151,656              | 177,224              | 5,580,380           | 5,658,888           | 5,732,036            | 5,836,112            |
| Notes payable              | 50,000               | -                    | -                   | -                   | 50,000               | -                    |
| Compensated absences       | 75,235               | 63,125               | 9,449               | 9,804               | 84,684               | 72,929               |
| Deferred amounts           | <u>(552,344)</u>     | <u>(596,680)</u>     | <u>-</u>            | <u>-</u>            | <u>(552,344)</u>     | <u>(596,680)</u>     |
| Total long-term debt       | <u>\$ 21,449,547</u> | <u>\$ 19,828,669</u> | <u>\$ 5,589,829</u> | <u>\$ 5,668,692</u> | <u>\$ 27,039,376</u> | <u>\$ 25,497,361</u> |

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS**

During the budget process for FY 2010-2011, we found ourselves at a juncture where we could still continue to face critical challenges and critical choices financially by relying on our major revenue sources of sales tax, franchise fees, permits & fees, (large one-time building permits), and fines and forfeitures without a property tax. Numerous options were discussed relative to the passage of an ad valorem property tax at the Council’s budget workshops and other public meetings. These were designed to determine a pathway to place the Town’s finances on solid ground, securing our vision for the future. The scenarios focused on stabilizing the General Fund’s on-going revenue (i.e. ceasing the use of fund balance for daily operations and reliance on one-time, non-reoccurring revenues) as well as reinvesting in Westlake’s infrastructure. These revenue options utilized a municipal ad valorem (property) tax, something that the Town had never implemented.

Westlake’s estimated 2012 taxable assessed valuation is approximately \$937M net of abatements; a large ad valorem tax base for a community 6.2 square miles in land area and a permanent residential population of approximately 992 with an estimated daytime population of between 10,000 and 12,000 (Monday-Friday). The tax rate for Westlake for FY 2011-2012 is the lowest in the area at \$.15684 per \$100 of assessed valuation (\$.13835 maintenance and operations and \$.01849 interest and sinking).

**GENERAL FUND**

*Revenue*

- FY 10/11 Actual \$4,743,374
- FY 11/12 Budget \$5,209,228
- Budgeted revenues are \$465,854 (10%) more than the prior year actual
  - Sales tax revenue budget increased by \$560,481 – The Town saw an increase in sales tax of approximately 21% with 18% being attributed to the ‘base’ sales tax during FY 10/11 but budgeted conservatively. The large increase is primarily due to the transfer

of the Property Tax Reduction (PTR) sales tax revenues to the General Fund; therefore, an additional ½ cent will be recorded in the General Fund.

#### *Payroll & Related*

- FY 10/11 Actual \$2,042,142
- FY 11/12 Budget \$2,120,680
- Budgeted payroll & related is \$78,538(4%) more than prior year actual
  - Municipal base pay was increased by 1% with a possible \$45,000 one-time performance payment based on revenues at mid-year
  - Insurance and tax increase of approximately \$15,000

#### *Operating/Capital Outlay Expenditures*

- FY 10/11 Actual \$2,022,239
- FY 11/12 Budget \$2,601,141
- Budgeted expenditures are \$578,902 (29%) more than the prior year actual
  - Supplies – (\$11,509)
  - Capital Outlay - \$95,715
    - FY 10/11 purchased heart monitors and traffic counting devices totaling \$94,285
    - FY 11/12 budgeted to purchase Attack Fire Truck - \$170,000 and fire fighter equipment at \$20,000
  - Westlake Academy - \$377,483 Includes transfer to the Town for indirect costs totaling \$303,695 as well as a 1% salary increase
  - Major Maintenance and Equipment Replacement increased by \$377,483 primarily due to the purchase of an ambulance for \$200,000; relocation of the pump irrigation system at \$31,500; refurbishment of several Academy classrooms at \$25,000, IT equipment replacement of \$24,500 with the remaining \$96,483 being budgeted for replacement and repair of various items related to the Academy, i.e. A/C units, roof repairs, parking lot, etc.
  - Services - \$147,964 (26% of increase)
    - Keller Police Contract increased by \$28,899 (4%)
    - Election expense - \$10,747 based on additional cost due to County election requirements
    - Contracted services and Advertising expenditures - \$23,443
    - Training and seminars - \$15,086 – several department heads did not go to their budgeted training and seminars in the prior year but will do so in FY 11-12
    - Street Drainage and Engineering increased \$20,855. This budget is typically the same from year to year for miscellaneous engineering but the need for the total expenditures was not needed in the prior year.
    - Contract Median Repair and Maintenance - \$13,000
    - Payroll reimbursement to Academy for IT Tech - \$22,100 due to 100% of Technician being paid by the Academy but a portion of his time being spent on Municipality

#### *Other Sources and Uses*

- FY 10/11 Actual (\$456,579)
- FY 11/12 Budget (\$597,915)
  - Transfers in are decreased by \$1,609,672 (74%) more than the prior year actual

- Reduction due to the transfer in from PTR fund in the amount of 1,357,548 to close the fund in the prior year and a reduction in Impact Fee transfers from Utility Fund
- Current year transfers in relate only to interfund payroll transfers to the General Fund and \$30,000 in impact fees from the Utility Fund
- Other Sources are decreased by \$57,000 or 100% from the prior year actual
  - Represented \$50,000 loan proceeds as well as \$7,000 in trade-in for 2 heart monitors in FY 11/12
- Transfers out are decreased by \$1,525,338 or 57% from the prior year actual
  - Reduction is due to the transfer out of fund balance in the prior year for capital projects in the amount of \$2,085,659, and to fund Major Maintenance for \$600,000 and Equipment Replacement for \$68,982.
  - Current year transfer are related to economic development transfer to Economic Development Fund, impact fees to the Utility Fund, \$530,000 transfer to the General Major Maintenance Fund and a debt service payment of \$601,178 to be paid with sales tax receipts.

## **VISITORS ASSOCIATION FUND**

### *Revenue*

- FY 10/11 Actual \$547,901
- FY 11/12 Budget \$557,175
- Budgeted revenues are \$9,274 (2%) more than FY 10/11 actual
  - The Town remained conservative when estimating hotel/motel occupancy tax for the FY 11/12

### *Operating Expenditures*

- FY 10/11 Actual \$356,365
- FY 11/12 Budget \$475,770
  - Budgeted expenditures are \$119,405 (33%) more than FY 10/11 actual
    - Payroll expenditures are \$102,589 (67%) greater than the prior year because there is a 1% increase in payroll for the current year and the Director of Communications and Community Affairs position was created and is funded 100% from the Visitors Association Fund – payroll was previously allocated to the General Fund and the Visitors Association Fund
    - Supplies increased by \$15,727 primarily due to moving all expenditures related to the Director of Communications and Community Affairs to this fund

### *Other Sources and Uses*

#### Transfers Out

- FY 10/11 Actual (\$181,197)
- FY 11/12 Budget (\$190,766)
  - Budgeted transfer out is \$9,569 (5%) more than the previous actual based on the actual debt service payment for the Sam and Margaret Lee Arts and Sciences Center.

## UTILITY FUND

### *Revenue*

- FY 10/11 Actual \$3,224,534
- FY 11/12 Budget \$2,721,266
- Budgeted revenues are \$503,268 (17%) less than FY 10/11 actual
  - The Charges for Service adopted budget is \$487,109 less than the FY 10/11 actual. The FY 10/11 amended budget was \$2,498,766; therefore, the actual was \$580,102 more than anticipated. The adopted budget was anticipating a 5% increase from the amended amount. Once again, due to the dry year we had, these revenues were much greater than expected.
  - Misc Income budget decreased by \$75,166 from the FY 10/11 actual amount primarily due to the receipt of \$46,500 in duct bank permit fees in FY 2011. This was an entry made during the audit to reclass these funds to a specific line-item. The line-item didn't exist at the time of the budget adoption. The remaining difference of approximately \$30,000 is due to the reduction of the TRA wastewater settle-up anticipated to be received in FY 11/12. These amounts are calculated annually based on the proportionate share of cost of actual flows vs projected flows for the regional wastewater system.

### *Operating Expenses*

- FY 10/11 Actual \$1,924,609 (net of depreciation and interest expense)
- FY 11/12 Adopted Budget \$2,321,056
- Budgeted operating expenses are \$364,687 (19%) more than FY 10/11
  - Payroll expense has increased by \$47,747 (23%)
    - Anticipated 1% increase
    - Technician was allocated 50% to the fund in the prior year and is now 100%
  - Water purchases increased by \$94,731 due to City of Fort Worth water rate increase and projected increase in water usage by customers
  - Services - \$108,218 mainly due to the increase of the TRA-Wastewater Treatment of \$102,361 due to TRA Wastewater Treatment cost increase
  - Repair and Maintenance - \$38,051- increase in pump station, lift station, and ground storage tank repairs.

### *Other Uses*

#### Transfers Out

- FY 10/11 Actual (\$145,216)
- FY 11/12 Adopted Budget (\$80,000)
- Budgeted transfers out are \$65,216 (45%) less than the prior year actual
  - Impact fee transfers were reduced due to one-time revenue in prior year

## CONTACTING THE TOWN'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debbie Piper, Town of Westlake Finance Director, at 817-490-5712.

# **BASIC FINANCIAL STATEMENTS**

**TOWN OF WESTLAKE, TEXAS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2011**

|   | Primary Government         |                             |               | Discretely<br>Presented<br>Component Units |
|---|----------------------------|-----------------------------|---------------|--|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         |  |
| <b>ASSETS</b>                                   |                            |                             |               |  |
| Cash and cash equivalents                       | \$ 7,106,213               | \$ 1,591,192                | \$ 8,697,405  | \$ 6,516,585                               |
| Investments                                     | 2,887,849                  | 612,395                     | 3,500,244     | -  |
| Receivables (net of allowance)                  | 1,356,404                  | 1,161,325                   | 2,517,729     | 433,104                                    |
| Internal balances                               | 208,115                    | ( 208,115)                  | -             | -  |
| Inventories                                     | -                          | 98,179                      | 98,179        | -  |
| Other assets                                    | 95,531                     | 2,589                       | 98,120        | 42,544                                     |
| Restricted cash and cash equivalents            | 428,463                    | 143,780                     | 572,243       | 4,737,253                                  |
| Deferred charges                                | 367,356                    | -                           | 367,356       | 3,754,524                                  |
| Capital assets:                                 |                            |                             |               |  |
| Land  | 11,896,663                 | -                           | 11,896,663    | 12,070,678                                 |
| Buildings and improvements                      | 26,621,287                 | 13,099,180                  | 39,720,467    | 91,741,792                                 |
| Wastewater treatment rights                     | -                          | 635,199                     | 635,199       | -  |
| Machinery and equipment                         | 2,468,852                  | 3,459,821                   | 5,928,673     | 12,052,793                                 |
| Construction in progress                        | 647,940                    | 35,468                      | 683,408       | -  |
| Less: accumulated depreciation                  | ( 7,968,865)               | ( 4,774,257)                | ( 12,743,122) | ( 35,208,605)                              |
| Total capital assets                            | 33,665,877                 | 12,455,411                  | 46,121,288    | 80,656,658                                 |
| Total assets                                    | 46,115,808                 | 15,856,756                  | 61,972,564    | 96,140,668                                 |
| <b>LIABILITIES</b>                              |                            |                             |               |  |
| Accounts payable                                | 1,029,619                  | 431,744                     | 1,461,363     | 1,326,886                                  |
| Customer deposits payable                       | -                          | 143,780                     | 143,780       | -  |
| Unearned revenue                                | 700                        | 415,170                     | 415,870       | 4,011,789                                  |
| Accrued interest payable                        | 391,559                    | 3,943,294                   | 4,334,853     | 17,807,507                                 |
| Noncurrent liabilities:                         |                            |                             |               |  |
| Due within one year                             | 718,487                    | 82,657                      | 801,144       | 60,581,271                                 |
| Due in more than one year                       | 20,731,060                 | 5,507,172                   | 26,238,232    | 54,818,941                                 |
| Total liabilities                               | 22,871,425                 | 10,523,817                  | 33,395,242    | 138,546,394                                |
| <b>NET ASSETS</b>                               |                            |                             |               |  |
| Invested in capital assets, net of related debt | 12,658,921                 | 6,875,031                   | 19,533,952    | ( 33,283,554)                              |
| Restricted for specific purposes                | 7,137,362                  | -                           | 7,137,362     | ( 9,424,439)                               |
| Unrestricted                                    | 3,448,100                  | ( 1,542,092)                | 1,906,008     | 302,267                                    |
| Total net assets                                | \$ 23,244,383              | \$ 5,332,939                | \$ 28,577,322 | \$( 42,405,726)                            |

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

**TOWN OF WESTLAKE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

| Functions/Programs               | Expenses             | Program Revenues     |                                    |                                  |
|----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>       |                      |                      |                                    |                                  |
| <b>Governmental activities:</b>  |                      |                      |                                    |                                  |
| General government               | \$ 2,478,826         | \$ 721,157           | \$ 175,000                         | \$ 366,000                       |
| Public safety                    | 1,801,585            | 140,600              | 5,063                              | 59,900                           |
| Culture and recreation           | 122,400              | -                    | -                                  | -                                |
| Economic Development             | 680,823              | -                    | -                                  | -                                |
| Public works                     | 470,054              | 292,572              | -                                  | -                                |
| Visitor Services                 | 356,365              | -                    | -                                  | -                                |
| Education                        | 4,884,985            | 99,638               | 548,179                            | -                                |
| Interest on long-term debt       | 1,127,913            | -                    | -                                  | -                                |
| Total governmental activities    | <u>11,922,951</u>    | <u>1,253,967</u>     | <u>728,242</u>                     | <u>425,900</u>                   |
| <b>Business-type activities:</b> |                      |                      |                                    |                                  |
| Water utilities                  | 2,794,235            | 3,078,868            | -                                  | -                                |
| Cemetery                         | 5,604                | 13,300               | -                                  | -                                |
| Total business-type activities   | <u>2,799,839</u>     | <u>3,092,168</u>     | <u>-</u>                           | <u>-</u>                         |
| Total primary government         | <u>\$ 14,722,790</u> | <u>\$ 4,346,135</u>  | <u>\$ 728,242</u>                  | <u>\$ 425,900</u>                |
| <b>Component units:</b>          |                      |                      |                                    |                                  |
| Business-type activities         | <u>\$ 22,749,658</u> | <u>\$ 17,186,589</u> | <u>\$ -</u>                        | <u>\$ -</u>                      |
| Total component units            | <u>\$ 22,749,658</u> | <u>\$ 17,186,589</u> | <u>\$ -</u>                        | <u>\$ -</u>                      |

General revenues:  
Sales taxes  
Property taxes  
Hotel occupancy taxes  
Mixed beverage taxes  
Franchise taxes  
Unrestricted grants  
Interest income  
Miscellaneous  
Transfers  
Extraordinary item - proceeds from insurance, net  
Gain on sale of capital assets  
Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

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

Net (Expense) Revenue and  
Changes in Net Assets

| Primary Government         |                             |                      | Discretely<br>Presented<br>Component Units |
|----------------------------|-----------------------------|----------------------|--|
| Governmental<br>Activities | Business-type<br>Activities | Total                |  |
| \$( 1,216,669)             | \$ -                        | \$( 1,216,669)       | \$ -                                       |
| ( 1,596,022)               | -                           | ( 1,596,022)         | -  |
| ( 122,400)                 | -                           | ( 122,400)           | -  |
| ( 680,823)                 | -                           | ( 680,823)           | -  |
| ( 177,482)                 | -                           | ( 177,482)           | -  |
| ( 356,365)                 | -                           | ( 356,365)           | -  |
| ( 4,237,168)               | -                           | ( 4,237,168)         | -  |
| ( 1,127,913)               | -                           | ( 1,127,913)         | -  |
| <u>( 9,514,842)</u>        | <u>-</u>                    | <u>( 9,514,842)</u>  | <u>-</u>                                   |
| -                          | 284,633                     | 284,633              | -  |
| -                          | 7,696                       | 7,696                | -  |
| <u>-</u>                   | <u>292,329</u>              | <u>292,329</u>       | <u>-</u>                                   |
| <u>( 9,514,842)</u>        | <u>292,329</u>              | <u>( 9,222,513)</u>  | <u>-</u>                                   |
|                            |                             |                      | \$( 5,563,069)                             |
|                            |                             |                      | <u>\$( 5,563,069)</u>                      |
| 4,609,626                  | -                           | 4,609,626            | -  |
| 1,260,112                  | -                           | 1,260,112            | -  |
| 527,261                    | -                           | 527,261              | -  |
| 19,721                     | -                           | 19,721               | -  |
| 586,836                    | -                           | 586,836              | -  |
| 3,744,757                  | -                           | 3,744,757            | -  |
| 46,248                     | 9,929                       | 56,177               | 19,424                                     |
| 691,345                    | 145,666                     | 837,011              | -  |
| 145,216                    | ( 145,216)                  | -                    | -  |
| 56,704                     | -                           | 56,704               | -  |
| 7,000                      | -                           | 7,000                | -  |
| <u>11,694,826</u>          | <u>10,379</u>               | <u>11,705,205</u>    | <u>19,424</u>                              |
| 2,179,984                  | 302,708                     | 2,482,692            | ( 5,543,645)                               |
| <u>21,064,399</u>          | <u>5,030,231</u>            | <u>26,094,630</u>    | <u>( 36,862,081)</u>                       |
| <u>\$ 23,244,383</u>       | <u>\$ 5,332,939</u>         | <u>\$ 28,577,322</u> | <u>\$( 42,405,726)</u>                     |

**TOWN OF WESTLAKE, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2011**

|  | General             | Visitors<br>Association | Westlake<br>Academy | Debt<br>Service<br>Fund |
|--|---------------------|-------------------------|---------------------|-------------------------|
| <b>ASSETS:</b>                             |                     |                         |                     |                         |
| Cash and cash equivalents                  | \$ 3,277,799        | \$ 1,067,577            | \$ 802,281          | \$ 10,173               |
| Investments                                | 102,065             | -                       | -                   | -                       |
| Receivables                                |                     |                         |                     |                         |
| Property taxes                             | 4,643               | -                       | -                   | 116                     |
| Accounts receivable                        | 259,938             | 80,094                  | 466,646             | -                       |
| Due from other funds                       | 296,555             | -                       | -                   | -                       |
| Other assets                               | 62,020              | 1,915                   | 31,596              | -                       |
| Restricted cash and investments            | 428,463             | -                       | -                   | -                       |
| <b>TOTAL ASSETS</b>                        | <b>\$ 4,431,483</b> | <b>\$ 1,149,586</b>     | <b>\$ 1,300,523</b> | <b>\$ 10,289</b>        |
| <b>LIABILITIES AND FUND BALANCE:</b>       |                     |                         |                     |                         |
| <b>Liabilities:</b>                        |                     |                         |                     |                         |
| Accounts payable                           | 413,293             | 37,606                  | 383,562             | 2,714                   |
| Deferred revenue                           | 2,796               | 700                     | -                   | 70                      |
| Due to other funds                         | -                   | -                       | -                   | -                       |
| <b>Total liabilities</b>                   | <b>416,089</b>      | <b>38,306</b>           | <b>383,562</b>      | <b>2,784</b>            |
| <b>Fund Balances:</b>                      |                     |                         |                     |                         |
| <b>Nonspendable:</b>                       |                     |                         |                     |                         |
| Prepaid items                              | 62,020              | 1,915                   | 31,596              | -                       |
| <b>Restricted for:</b>                     |                     |                         |                     |                         |
| Tourism                                    | -                   | 1,109,365               | -                   | -                       |
| Future projects                            | 219,687             | -                       | -                   | -                       |
| Debt service                               | -                   | -                       | -                   | 7,505                   |
| Education                                  | -                   | -                       | 885,365             | -                       |
| Economic development                       | -                   | -                       | -                   | -                       |
| <b>Committed for:</b>                      |                     |                         |                     |                         |
| Court security and technology              | 186,776             | -                       | -                   | -                       |
| <b>Assigned for:</b>                       |                     |                         |                     |                         |
| Future equipment purchase                  | 22,000              | -                       | -                   | -                       |
| Unassigned                                 | 3,524,911           | -                       | -                   | -                       |
| <b>Total fund balances</b>                 | <b>4,015,394</b>    | <b>1,111,280</b>        | <b>916,961</b>      | <b>7,505</b>            |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 4,431,483</b> | <b>\$ 1,149,586</b>     | <b>\$ 1,300,523</b> | <b>\$ 10,289</b>        |

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Certain other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds

Net assets of governmental activities

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

| <u>Capital<br/>Projects</u> | <u>FM 1938<br/>Fund</u> | <u>Property<br/>Tax Reduction<br/>Fund</u> | <u>Vehicle/Equip.<br/>Replacement<br/>Fund</u> | <u>Economic<br/>Development<br/>Fund</u> | <u>Lone Star<br/>Public Facility<br/>Corporation</u> | <u>4B Economic<br/>Development<br/>Corporation</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------|-------------------------|--|--|--|--|--|---|
| \$ 1,934,844                | \$ -                    | \$ -                                       | \$ -   | \$ -                                     | \$ 13,531  | \$ 8   | \$ 7,106,213                            |
| 2,785,784                   | -                       | -  | -  | -  | -  | -  | 2,887,849                               |
| -                           | -                       | -  | -  | -  | -  | -  | 4,759                                   |
| 1,649                       | -                       | 178,005                                    | -  | 104,499                                  | -  | 178,004  | 1,268,835                               |
| -                           | -                       | 118,550                                    | -  | -  | -  | 208,115  | 623,220                                 |
| -                           | -                       | -  | -  | -  | -  | -  | 95,531                                  |
| -                           | -                       | -  | -  | -  | -  | -  | 428,463                                 |
| <u>\$ 4,722,277</u>         | <u>\$ -</u>             | <u>\$ 296,555</u>                          | <u>\$ -</u>                                    | <u>\$ 104,499</u>                        | <u>\$ 13,531</u>                                     | <u>\$ 386,127</u>                                  | <u>\$ 12,414,870</u>                    |
| 87,945                      | -                       | -  | -  | 104,499                                  | -  | -  | 1,029,619                               |
| -                           | -                       | -  | -  | -  | -  | -  | 3,566                                   |
| -                           | -                       | 296,555                                    | -  | -  | -  | 118,550  | 415,105                                 |
| <u>87,945</u>               | <u>-</u>                | <u>296,555</u>                             | <u>-</u>                                       | <u>104,499</u>                           | <u>-</u>   | <u>118,550</u>                                     | <u>1,448,290</u>                        |
| -                           | -                       | -  | -  | -  | -  | -  | 95,531                                  |
| -                           | -                       | -  | -  | -  | -  | -  | 1,109,365                               |
| 4,634,332                   | -                       | -  | -  | -  | 13,531   | -  | 4,867,550                               |
| -                           | -                       | -  | -  | -  | -  | -  | 7,505                                   |
| -                           | -                       | -  | -  | -  | -  | -  | 885,365                                 |
| -                           | -                       | -  | -  | -  | -  | 267,577  | 267,577                                 |
| -                           | -                       | -  | -  | -  | -  | -  | 186,776                                 |
| -                           | -                       | -  | -  | -  | -  | -  | 22,000                                  |
| -                           | -                       | -  | -  | -  | -  | -  | 3,524,911                               |
| <u>4,634,332</u>            | <u>-</u>                | <u>-</u>                                   | <u>-</u>                                       | <u>-</u>                                 | <u>13,531</u>  | <u>267,577</u>                                     | <u>10,966,580</u>                       |
| <u>\$ 4,722,277</u>         | <u>\$ -</u>             | <u>\$ 296,555</u>                          | <u>\$ -</u>                                    | <u>\$ 104,499</u>                        | <u>\$ 13,531</u>                                     | <u>\$ 386,127</u>                                  |   |
|                             |                         |  |  |  |  |  | 33,665,877                              |
|                             |                         |  |  |  |  |  | ( 21,473,750)                           |
|                             |                         |  |  |  |  |  | <u>85,676</u>                           |
|                             |                         |  |  |  |  |  | <u>\$ 23,244,383</u>                    |

**TOWN OF WESTLAKE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | <u>General</u>      | <u>Visitors<br/>Association</u> | <u>Westlake<br/>Academy</u> |
|--|---------------------|---------------------------------|-----------------------------|
| <b>REVENUES:</b>   |                     |                                 |                             |
| Taxes  |                     |                                 |                             |
| Sales  | \$ 1,502,020        | \$ -                            | \$ -                        |
| Property   | 1,226,689           | -                               | -                           |
| Mixed beverage   | 19,721              | -                               | -                           |
| Hotel occupancy  | -                   | 527,261                         | -                           |
| Franchise  | 586,836             | -                               | -                           |
| State program revenues   | -                   | -                               | 3,945,658                   |
| Federal program revenues   | -                   | -                               | 157,445                     |
| Interest income  | 10,679              | 2,750                           | 2,295                       |
| Building permits and fees  | 520,646             | -                               | -                           |
| Fines and penalties  | 605,705             | -                               | -                           |
| Contributions  | 180,063             | -                               | -                           |
| Miscellaneous  | 91,015              | 17,890                          | 871,911                     |
| Total revenues   | <u>4,743,374</u>    | <u>547,901</u>                  | <u>4,977,309</u>            |
| <b>EXPENDITURES:</b>   |                     |                                 |                             |
| Current  |                     |                                 |                             |
| General government   | 1,733,324           | -                               | -                           |
| Public safety  | 1,842,751           | -                               | -                           |
| Culture and recreation   | 122,400             | -                               | -                           |
| Public works   | 324,874             | -                               | -                           |
| Economic Development   | -                   | -                               | -                           |
| Visitor services   | -                   | 356,365                         | -                           |
| Education  | -                   | -                               | 4,884,985                   |
| Capital outlay   | 41,037              | -                               | -                           |
| Debt service   |                     |                                 |                             |
| Principal retirement   | -                   | -                               | -                           |
| Interest and other fiscal charges                                    | -                   | -                               | -                           |
| Bond issuance costs  | -                   | -                               | -                           |
| Total expenditures   | <u>4,064,386</u>    | <u>356,365</u>                  | <u>4,884,985</u>            |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>678,988</u>      | <u>191,536</u>                  | <u>92,324</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                                 |                             |
| Transfers in   | 2,178,403           | -                               | -                           |
| Transfers out  | ( 2,691,982)        | ( 181,197)                      | -                           |
| Bonds issued   | -                   | -                               | -                           |
| Notes payable issued   | 50,000              | -                               | -                           |
| Sale of assets   | 7,000               | -                               | -                           |
| Extraordinary item - proceeds from insurance, net                    | -                   | -                               | 56,704                      |
| Total other financing sources (uses)                                 | <u>( 456,579)</u>   | <u>( 181,197)</u>               | <u>56,704</u>               |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | 222,409             | 10,339                          | 149,028                     |
| <b>FUND BALANCES, BEGINNING</b>                                      | <u>3,792,985</u>    | <u>1,100,941</u>                | <u>767,933</u>              |
| <b>FUND BALANCES, ENDING</b>   | <u>\$ 4,015,394</u> | <u>\$ 1,111,280</u>             | <u>\$ 916,961</u>           |

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

| <u>Debt<br/>Service<br/>Fund</u> | <u>Capital<br/>Projects</u> | <u>FM 1938<br/>Fund</u> | <u>Property<br/>Tax Reduction<br/>Fund</u> | <u>Vehicle/Equip.<br/>Replacement<br/>Fund</u> | <u>Economic<br/>Development<br/>Fund</u> |
|----------------------------------|-----------------------------|-------------------------|--|--|--|
| \$ -                             | \$ -                        | \$ -                    | \$ 1,218,487                               | \$ -   | \$ 670,633                               |
| 30,557                           | -                           | -                       | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | -  |
| 29                               | 27,057                      | -                       | 2,682                                      | 171  | 153                                      |
| -                                | -                           | -                       | -  | 10,000   | -  |
| -                                | -                           | -                       | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | -  |
| <u>30,586</u>                    | <u>27,057</u>               | <u>-</u>                | <u>1,221,169</u>                           | <u>10,171</u>                                  | <u>670,786</u>                           |
| -                                | -                           | -                       | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | -  |
| -                                | -                           | 1,875                   | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | 706,391                                  |
| -                                | -                           | -                       | -  | -  | -  |
| -                                | 965,700                     | -                       | -  | 17,035   | -  |
| 555,000                          | -                           | -                       | -  | -  | -  |
| 973,620                          | -                           | -                       | 109,757                                    | -  | -  |
| -                                | 36,446                      | -                       | -  | -  | -  |
| <u>1,528,620</u>                 | <u>1,002,146</u>            | <u>1,875</u>            | <u>109,757</u>                             | <u>17,035</u>                                  | <u>706,391</u>                           |
| ( 1,498,034)                     | ( 975,089)                  | ( 1,875)                | 1,111,412                                  | ( 6,864)                                       | ( 35,605)                                |
| 1,505,539                        | 3,281,759                   | 1,875                   | -  | 78,982   | 35,605                                   |
| -                                | ( 4,515)                    | -                       | ( 2,681,163)                               | ( 129,374)                                     | -  |
| -                                | 2,095,000                   | -                       | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | -  |
| -                                | -                           | -                       | -  | -  | -  |
| <u>1,505,539</u>                 | <u>5,372,244</u>            | <u>1,875</u>            | <u>( 2,681,163)</u>                        | <u>( 50,392)</u>                               | <u>35,605</u>                            |
| 7,505                            | 4,397,155                   | -                       | ( 1,569,751)                               | ( 57,256)                                      | -  |
| -                                | 237,177                     | -                       | 1,569,751                                  | 57,256   | -  |
| <u>\$ 7,505</u>                  | <u>\$ 4,634,332</u>         | <u>\$ -</u>             | <u>\$ -</u>                                | <u>\$ -</u>                                    | <u>\$ -</u>                              |

**TOWN OF WESTLAKE, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

(continued)

|  | Lone Star<br>Public Facility<br>Corporation | 4B Economic<br>Development<br>Corporation | Total<br>Governmental<br>Funds |
|--|---|---|--------------------------------|
| <b>REVENUES:</b>   |   |   |                                |
| Taxes  |   |   |                                |
| Sales  | \$ -  | \$ 1,218,486                              | \$ 4,609,626                   |
| Property   | -   | -   | 1,257,246                      |
| Mixed beverage   | -   | -   | 19,721                         |
| Hotel occupancy  | -   | -   | 527,261                        |
| Franchise  | -   | -   | 586,836                        |
| State program revenues   | -   | -   | 3,945,658                      |
| Federal program revenues   | -   | -   | 157,445                        |
| Interest income  | 35  | 397                                       | 46,248                         |
| Building permits and fees  | -   | -   | 530,646                        |
| Fines and penalties  | -   | -   | 605,705                        |
| Contributions  | -   | -   | 180,063                        |
| Miscellaneous  | -   | -   | 980,816                        |
| Total revenues   | 35  | 1,218,883                                 | 13,447,271                     |
| <b>EXPENDITURES:</b>   |   |   |                                |
| Current  |   |   |                                |
| General government   | -   | -   | 1,733,324                      |
| Public safety  | -   | -   | 1,842,751                      |
| Culture and recreation   | -   | -   | 122,400                        |
| Public works   | -   | -   | 326,749                        |
| Economic Development   | -   | -   | 706,391                        |
| Visitor services   | -   | -   | 356,365                        |
| Education  | -   | -   | 4,884,985                      |
| Capital outlay   | -   | -   | 1,023,772                      |
| Debt service   |   |   |                                |
| Principal retirement   | -   | -   | 555,000                        |
| Interest and other fiscal charges                                    | -   | -   | 1,083,377                      |
| Bond issuance costs  | -   | -   | 36,446                         |
| Total expenditures   | -   | -   | 12,671,560                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>35</b>                                   | <b>1,218,883</b>                          | <b>775,711</b>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |   |   |                                |
| Transfers in   | -   | -   | 7,082,163                      |
| Transfers out  | ( 102)                                      | ( 1,248,614)                              | ( 6,936,947)                   |
| Bonds issued   | -   | -   | 2,095,000                      |
| Notes payable issued   | -   | -   | 50,000                         |
| Sale of assets   | -   | -   | 7,000                          |
| Extraordinary item - proceeds from insurance, net                    | -   | -   | 56,704                         |
| Total other financing sources (uses)                                 | ( 102)                                      | ( 1,248,614)                              | 2,353,920                      |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>( 67)</b>                                | <b>( 29,731)</b>                          | <b>3,129,631</b>               |
| <b>FUND BALANCES, BEGINNING</b>                                      | <b>13,598</b>                               | <b>297,308</b>                            | <b>7,836,949</b>               |
| <b>FUND BALANCES, ENDING</b>   | <b>\$ 13,531</b>                            | <b>\$ 267,577</b>                         | <b>\$ 10,966,580</b>           |

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

# TOWN OF WESTLAKE, TEXAS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Net change in fund balance - total governmental funds \$ 3,129,631

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period. 614,141

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 20,844

The issuance of long-term debt (e.g., bonds, leases) provided current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. ( 1,527,986)

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 governmental funds. ( 56,646)

Change in net assets of governmental activities \$ 2,179,984

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

# TOWN OF WESTLAKE, TEXAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

SEPTEMBER 30, 2011

#### Business-type Activities-Enterprise Funds

|   | <u>Utility</u><br><u>Fund</u> | <u>Cemetery</u><br><u>Fund</u> | <u>Total</u>        |
|---|-------------------------------|--------------------------------|---------------------|
| <b>ASSETS</b>                                   |                               |                                |                     |
| Current assets:                                 |                               |                                |                     |
| Cash and cash equivalents                       | \$ 1,540,408                  | \$ 50,784                      | \$ 1,591,192        |
| Investments                                     | 612,395                       | -                              | 612,395             |
| Accounts receivable (net of allowance)          | 1,161,325                     | -                              | 1,161,325           |
| Inventories                                     | -                             | 98,179                         | 98,179              |
| Other assets                                    | 2,589                         | -                              | 2,589               |
| Restricted cash and investments                 | 143,780                       | -                              | 143,780             |
| Total current assets                            | <u>3,460,497</u>              | <u>148,963</u>                 | <u>3,609,460</u>    |
| Noncurrent assets                               |                               |                                |                     |
| Capital assets:                                 |                               |                                |                     |
| Construction in progress                        | 35,468                        | -                              | 35,468              |
| Buildings and improvements                      | 13,099,180                    | -                              | 13,099,180          |
| Wastewater treatment rights                     | 635,199                       | -                              | 635,199             |
| Machinery and equipment                         | 3,459,821                     | -                              | 3,459,821           |
| Less: accumulated depreciation                  | ( 4,774,257)                  | -                              | ( 4,774,257)        |
| Total capital assets                            | <u>12,455,411</u>             | <u>-</u>                       | <u>12,455,411</u>   |
| Total noncurrent assets                         | <u>12,455,411</u>             | <u>-</u>                       | <u>12,455,411</u>   |
| Total assets                                    | <u>15,915,908</u>             | <u>148,963</u>                 | <u>16,064,871</u>   |
| <b>LIABILITIES</b>                              |                               |                                |                     |
| Current liabilities:                            |                               |                                |                     |
| Accounts payable                                | 431,744                       | -                              | 431,744             |
| Customer deposits payable                       | 143,780                       | -                              | 143,780             |
| Accrued interest payable                        | 3,943,294                     | -                              | 3,943,294           |
| Due to other funds                              | 208,115                       | -                              | 208,115             |
| Deferred revenue                                | 415,170                       | -                              | 415,170             |
| Compensated absences                            | 945                           | -                              | 945                 |
| Contractual obligations                         | 81,712                        | -                              | 81,712              |
| Total current liabilities                       | <u>5,224,760</u>              | <u>-</u>                       | <u>5,224,760</u>    |
| Long-term liabilities:                          |                               |                                |                     |
| Compensated absences                            | 8,504                         | -                              | 8,504               |
| Contractual obligations                         | 5,498,668                     | -                              | 5,498,668           |
| Total long-term liabilities                     | <u>5,507,172</u>              | <u>-</u>                       | <u>5,507,172</u>    |
| Total liabilities                               | <u>10,731,932</u>             | <u>-</u>                       | <u>10,731,932</u>   |
| <b>NET ASSETS</b>                               |                               |                                |                     |
| Invested in capital assets, net of related debt | 6,875,031                     | -                              | 6,875,031           |
| Unrestricted                                    | ( 1,691,055)                  | 148,963                        | ( 1,542,092)        |
| Total net assets                                | <u>\$ 5,183,976</u>           | <u>\$ 148,963</u>              | <u>\$ 5,332,939</u> |

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

**TOWN OF WESTLAKE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

| <b>Business-type Activities-Enterprise Funds</b>                    |                         |                          |              |
|---|-------------------------|--------------------------|--------------|
|   | <b>Utility<br/>Fund</b> | <b>Cemetery<br/>Fund</b> | <b>Total</b> |
| <b>OPERATING REVENUES:</b>  |                         |                          |              |
| Charges for services  | \$ 3,078,868            | \$ 13,300                | \$ 3,092,168 |
| Miscellaneous revenue   | 145,666                 | -                        | 145,666      |
| Total operating revenue   | 3,224,534               | 13,300                   | 3,237,834    |
| <b>OPERATING EXPENSES:</b>  |                         |                          |              |
| Payroll costs   | 203,593                 | -                        | 203,593      |
| Professional and contract services                                  | 18,005                  | 5,008                    | 23,013       |
| Depreciation  | 418,913                 | -                        | 418,913      |
| Amortization of wastewater treatment rights                         | 31,760                  | -                        | 31,760       |
| Water purchases   | 1,015,869               | -                        | 1,015,869    |
| Cost of cemetery lots sold  | -                       | 596                      | 596          |
| Other operating costs   | 502,236                 | -                        | 502,236      |
| Total operating expenses  | 2,190,376               | 5,604                    | 2,195,980    |
| <b>OPERATING INCOME</b>   | 1,034,158               | 7,696                    | 1,041,854    |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>                           |                         |                          |              |
| Interest income   | 9,811                   | 118                      | 9,929        |
| Interest expense  | ( 603,859)              | -                        | ( 603,859)   |
| Total non-operating revenues (expenses)                             | ( 594,048)              | 118                      | ( 593,930)   |
| <b>INCOME (LOSS) BEFORE TRANSFERS AND<br/>CAPITAL CONTRIBUTIONS</b> | 440,110                 | 7,814                    | 447,924      |
| Transfer out  | ( 145,216)              | -                        | ( 145,216)   |
| Total transfers and capital contributions                           | ( 145,216)              | -                        | ( 145,216)   |
| <b>CHANGE IN NET ASSETS</b>   | 294,894                 | 7,814                    | 302,708      |
| <b>TOTAL NET ASSETS, BEGINNING</b>                                  | 4,889,082               | 141,149                  | 5,030,231    |
| <b>TOTAL NET ASSETS, ENDING</b>                                     | \$ 5,183,976            | \$ 148,963               | \$ 5,332,939 |

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

**TOWN OF WESTLAKE, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

**Business-type Activities-Enterprise Funds**

|   | <u>Utility<br/>Fund</u> | <u>Cemetery<br/>Fund</u> | <u>Total<br/>Current Year</u> |
|---|-------------------------|--------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                         |                          |                               |
| Cash received from customers  | \$ 2,778,738            | \$ 13,300                | \$ 2,792,038                  |
| Cash payments to employees/retirees   | ( 203,948)              | -                        | ( 203,948)                    |
| Cash payments for goods and services  | ( 1,246,014)            | ( 8,406)                 | ( 1,254,420)                  |
| Net cash provided by operating activities   | <u>1,328,776</u>        | <u>4,894</u>             | <u>1,333,670</u>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                         |                          |                               |
| Transfer to other funds   | ( 145,216)              | -                        | ( 145,216)                    |
| Advances to other funds   | ( 59,462)               | -                        | ( 59,462)                     |
| Net cash provided by noncapital financing activities  | <u>( 204,678)</u>       | <u>-</u>                 | <u>( 204,678)</u>             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                               |                         |                          |                               |
| Principal paid on debt  | ( 78,508)               | -                        | ( 78,508)                     |
| Interest paid on debt   | ( 135,903)              | -                        | ( 135,903)                    |
| Purchase of property and equipment  | ( 213,365)              | -                        | ( 213,365)                    |
| Net cash used by capital and related financing activities                                     | <u>( 427,776)</u>       | <u>-</u>                 | <u>( 427,776)</u>             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                         |                          |                               |
| Investment earnings   | <u>9,811</u>            | <u>118</u>               | <u>9,929</u>                  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 706,133                 | 5,012                    | 711,145                       |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING</b>   | <u>1,590,450</u>        | <u>45,772</u>            | <u>1,636,222</u>              |
| <b>CASH AND CASH EQUIVALENTS, ENDING</b>  | <u>\$ 2,296,583</u>     | <u>\$ 50,784</u>         | <u>\$ 2,347,367</u>           |
| <b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>                                      |                         |                          |                               |
| Cash and cash equivalents   | \$ 1,540,408            | \$ 50,784                | \$ 1,591,192                  |
| Restricted cash and cash equivalents  | 143,780                 | -                        | 143,780                       |
| Investments   | 612,395                 | -                        | 612,395                       |
| Total cash and cash equivalents   | <u>\$ 2,296,583</u>     | <u>\$ 50,784</u>         | <u>\$ 2,347,367</u>           |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                         |                          |                               |
| Operating income  | \$ 1,034,158            | \$ 7,696                 | \$ 1,041,854                  |
| Adjustments to reconcile operating loss to net cash provided by operating activities:         |                         |                          |                               |
| Depreciation and amortization   | 450,673                 | -                        | 450,673                       |
| Changes in operating assets and liabilities:  |                         |                          |                               |
| Receivables   | (464,397)               | -                        | (464,397)                     |
| Other assets  | 57                      | 596                      | 653                           |
| Accounts payable  | 290,039                 | ( 3,398)                 | 286,641                       |
| Compensated absences  | (355)                   | -                        | (355)                         |
| Customer deposits payable   | 15,290                  | -                        | 15,290                        |
| Deferred revenue  | 3,311                   | -                        | 3,311                         |
| Net cash provided by operating activities   | <u>\$ 1,328,776</u>     | <u>\$ 4,894</u>          | <u>\$ 1,333,670</u>           |

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

**TOWN OF WESTLAKE, TEXAS**

**DISCRETELY PRESENTED COMPONENT UNITS**

**COMBINING STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2011**

|  | <u>Texas Student<br/>Housing<br/>Authority -<br/>Ballpark Austin<br/>Project</u> | <u>Texas Student<br/>Housing<br/>Corporation -<br/>The Ridge at<br/>North Texas</u> | <u>Texas Student<br/>Housing<br/>Authority -<br/>Town Lake<br/>Austin Project</u> |
|--|--|---|---|
| <b>ASSETS</b>                                      |  |   |   |
| Cash and cash equivalents                          | \$ 863,116   | \$ 655,734  | \$ 579,911  |
| Accounts receivables (net of allowance)            | 21,398   | 16,593  | 32,100  |
| Other assets                                       | 950  | 24,517  | 500   |
| Restricted assets:                                 |  |   |   |
| Cash and cash equivalents                          | 441,207  | 2,078,658   | 258,037   |
| Deferred charges                                   | 2,385,899  | 673,250   | 695,375   |
| Capital assets:                                    |  |   |   |
| Land   | 4,788,265  | 2,200,000   | 2,182,816   |
| Buildings and improvement                          | 21,345,305   | 25,705,000  | 16,963,841  |
| Machinery and equipment                            | 6,993,063  | 1,253,841   | 1,211,085   |
| Less: accumulated depreciation                     | <u>( 10,837,949)</u>   | <u>( 10,081,182)</u>  | <u>( 5,530,206)</u>   |
| Total assets                                       | <u>26,001,254</u>  | <u>22,526,411</u>   | <u>16,393,459</u>   |
| <b>LIABILITIES AND NET ASSETS</b>                  |  |   |   |
| <b>LIABILITIES</b>                                 |  |   |   |
| Accounts payable and accrued expenses              | 592,357  | 408,086   | 163,085   |
| Unearned revenue                                   | 589,942  | 516,072   | 426,356   |
| Accrued interest payable                           | 7,040,264  | 3,680,333   | 1,200,664   |
| Noncurrent liabilities:                            |  |   |   |
| Due within one year                                | 900,000  | 28,305,191  | 281,080   |
| Due in more than one year                          | <u>34,213,263</u>  | <u>-</u>  | <u>20,605,678</u>   |
| Total liabilities                                  | <u>43,335,826</u>  | <u>32,909,682</u>   | <u>22,676,863</u>   |
| <b>NET ASSETS</b>                                  |  |   |   |
| Invested in capital assets, net<br>of related debt | ( 11,364,579)  | ( 9,227,532)  | ( 6,059,222)  |
| Restricted   | ( 6,599,057)   | ( 1,601,675)  | ( 1,223,707)  |
| Unrestricted                                       | 629,064  | 445,936   | 999,525   |
| Total net assets                                   | <u>\$( 17,334,572)</u>   | <u>\$( 10,383,271)</u>  | <u>\$( 6,283,404)</u>   |

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

| Texas Student<br>Housing<br>Authority -<br>College Station<br>Project | Texas Student<br>Housing<br>Authority | Total                  |
|---|---------------------------------------|------------------------|
| \$ 3,839,547  | \$ 578,277                            | \$ 6,516,585           |
| 326,581   | 36,432                                | 433,104                |
| 16,577  | -                                     | 42,544                 |
| 1,959,351   | -                                     | 4,737,253              |
| -   | -                                     | 3,754,524              |
| 2,899,597   | -                                     | 12,070,678             |
| 27,727,646  | -                                     | 91,741,792             |
| 2,594,804   | -                                     | 12,052,793             |
| ( 8,759,268)  | -                                     | ( 35,208,605)          |
| <u>30,604,835</u>   | <u>614,709</u>                        | <u>96,140,668</u>      |
| 160,605   | 2,753                                 | 1,326,886              |
| 2,452,166   | 27,253                                | 4,011,789              |
| 5,886,246   | -                                     | 17,807,507             |
| 31,095,000  | -                                     | 60,581,271             |
| -   | -                                     | 54,818,941             |
| <u>39,594,017</u>   | <u>30,006</u>                         | <u>138,546,394</u>     |
| ( 6,632,221)  | -                                     | ( 33,283,554)          |
| -   | -                                     | ( 9,424,439)           |
| ( 2,356,961)  | 584,703                               | 302,267                |
| <u>\$( 8,989,182)</u>   | <u>\$ 584,703</u>                     | <u>\$( 42,405,726)</u> |

**TOWN OF WESTLAKE, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

| Functions/Programs                     | Expenses      | Program Revenues                     |  |  |
|--|---------------|--------------------------------------|--|--|
|  |               | Charges for<br>Services              | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| Business-type activities:              |               |                                      |  |  |
| Texas Student Housing Authority        | \$ 862,296    | \$ 921,410                           | \$ -                                     | \$ -                                   |
| Texas Student Housing Authority:       |               |                                      |  |  |
| College Station Project                | 7,212,127     | 5,673,667                            | -  | -                                      |
| Ballpark Austin Project                | 5,512,879     | 3,526,263                            | -  | -                                      |
| Town Lake Austin Project               | 3,759,998     | 2,848,897                            | -  | -                                      |
| <br>Texas Student Housing Corporation: |               |                                      |  |  |
| The Ridge at North Texas               | 5,402,358     | 4,216,352                            | -  | -                                      |
| Total business-type activities         | 22,749,658    | 17,186,589                           | -  | -                                      |
| Total primary government               | \$ 22,749,658 | \$ 17,186,589                        | \$ -                                     | \$ -                                   |
|  |               | General revenues:                    |  |  |
|  |               | Interest income                      |  |  |
|  |               | Total general revenues and transfers |  |  |
|  |               | Change in net assets                 |  |  |
|  |               | Net assets, beginning                |  |  |
|  |               | Net assets, ending                   |  |  |

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

Net (Expense) Revenue and  
Changes in Net Assets

| Texas Student<br>Housing<br>Authority -<br>Ballpark Austin<br>Project | Texas Student<br>Housing<br>Corporation -<br>The Ridge at<br>North Texas | Texas Student<br>Housing<br>Authority -<br>Town Lake<br>Austin Project | Texas Student<br>Housing<br>Authority -<br>College Station<br>Project | Texas Student<br>Housing<br>Authority | Total                  |
|---|--|--|---|---------------------------------------|------------------------|
| \$ -  | \$ -   | \$ -   | \$ -  | \$ 59,114                             | \$ 59,114              |
| -   | -  | -  | ( 1,538,460)  | -                                     | ( 1,538,460)           |
| ( 1,986,616)  | -  | -  | -   | -                                     | ( 1,986,616)           |
| -   | -  | ( 911,101)   | -   | -                                     | ( 911,101)             |
| -   | ( 1,186,006)   | -  | -   | -                                     | ( 1,186,006)           |
| <u>( 1,986,616)</u>   | <u>( 1,186,006)</u>  | <u>( 911,101)</u>  | <u>( 1,538,460)</u>   | <u>59,114</u>                         | <u>( 5,563,069)</u>    |
| <u>( 1,986,616)</u>   | <u>( 1,186,006)</u>  | <u>( 911,101)</u>  | <u>( 1,538,460)</u>   | <u>59,114</u>                         | <u>( 5,563,069)</u>    |
| -   | 18,601   | 42   | 642   | 139                                   | 19,424                 |
| -   | 18,601   | 42   | 642   | 139                                   | 19,424                 |
| ( 1,986,616)  | ( 1,167,405)   | ( 911,059)   | ( 1,537,818)  | 59,253                                | ( 5,543,645)           |
| <u>( 15,347,956)</u>  | <u>( 9,215,866)</u>  | <u>( 5,372,345)</u>  | <u>( 7,451,364)</u>   | <u>525,450</u>                        | <u>( 36,862,081)</u>   |
| <u>\$( 17,334,572)</u>  | <u>\$( 10,383,271)</u>   | <u>\$( 6,283,404)</u>  | <u>\$( 8,989,182)</u>   | <u>\$ 584,703</u>                     | <u>\$( 42,405,726)</u> |

**TOWN OF WESTLAKE, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Westlake, Texas (the "Town") was incorporated under the provisions of the laws of the State of Texas on December 26, 1956. The Town operates under a Council-Manager form of government and provides the following services as authorized by the laws of the State of Texas: public safety; cultural and recreation; and economic development.

**A. Reporting Entity**

The accompanying financial statements comply with the provisions of the GASB statements No. 14 and 39. "The Financial Reporting Entity," in that the Town's basic financial statements include the accounts of the Town's financial reporting entity, including the primary government, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that inclusion would cause the Town's financial statement to be misleading or incomplete. The criteria for including organizations as component units within the Town's reporting entity, includes whether:

- The organization is legally separate (can sue and be sued in their own name);
- The Town holds the corporate powers of the organization;
- The Town appoints a voting majority of the organization's board;
- The Town is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the Town; and
- There is fiscal dependency by the organization on the Town.

Component units are blended with the balances and transactions of the Town if one of the following criterion are met:

- The component unit is substantially the same governing body as the Town; or
- The component unit provides services entirely (or almost entirely) to the Town or benefits the Town exclusively (or almost exclusively) ; or
- The Town is able to impose its will on the component unit.

**(continued)**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Reporting Entity (Continued)

Based on the aforementioned criteria, the Town has the following component units: Lone Star Public Facilities Corporation, 4B Economic Development Corporation, Westlake Academy, Texas Student Housing Authority, Texas Student Housing Authority Ballpark Austin Project; Texas Student Housing Authority Town Lake Austin Project, Texas Student Housing Authority College Station Project and Texas Student Housing Corporation - The Ridge at North Texas.

### B. Component Units

#### **Discretely Presented**

*The Texas Student Housing Authority, Texas Student Housing Ballpark Austin Project, Texas Student Housing Town Lake Austin Project, Texas Student Housing College Station Project, and Texas Student Housing Corporation – The Ridge at North Texas Project (collectively, “Texas Student Housing”)* are Texas nonprofit organizations as a duly constituted authority of the Town pursuant to Section 53.35(b) of the Texas Education Code, as amended (Act). Texas Student Housing’s primary purpose is to construct, own, and operate student housing facilities on college campuses in Texas. The board consists of seven directors which are appointed by the Town’s governing body and has the ability to remove at will the appointed members, thus the governing body can impose its will on the organizations. Housing entities are reported as Enterprise Funds. The Town is not responsible for the long-term debt of the Texas Student Housing entities. All Texas Student Housing entities have separately issued financial statements. These statements can be obtained by contacting the Texas Student Housing Authority, 3 Village Circle, Suite 202, Westlake, Texas 76262.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and the discretely presented component units.

#### **Blended**

*Lone Star Public Facilities Corporation* is a Texas nonprofit corporation that acts on behalf of the Town to further the public purposes under the Public Facilities Corporation Act, as it’s duly constituted authority and instrumentality. The board of directors, appointed by the Town’s governing body, is comprised of seven members, of whom five must be members of the Town’s governing body. Since a voting majority of the board of directors is on the Town’s governing body, the Town can impose its will on the entity.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Component Units (Continued)

#### Blended (Continued)

**4B Economic Development Corporation** is a Texas nonprofit industrial corporation under the Development Corporation Act of 1979 formed to promote economic development within the Town and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the Town by developing, implementing, financing, and providing one or more projects defined and permitted under Section 4B of the Act. The board of directors is composed of seven persons appointed by the members of the Town's governing board. Four of the members of the board of directors are members of the Town's governing board. Since a voting majority of the board of directors is on the Town's governing body, the Town can impose its will on the entity.

**Westlake Academy ("Academy")** is an open-enrollment charter school, as provided by Subchapter D, Chapter 12, of the Texas Education Code. The Town of Westlake ("Charter Holder") applied for and became the first municipality in Texas to ever receive this special charter designation. The board consists of six trustees and is appointed by the Town's governing body. Currently, all the members of the board of trustees are members of the Town's governing body. Since a voting majority of the board of directors is on the Town's governing body, the Town can impose its will on the entity. The Academy's year-end is August 31.

### C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates 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* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

**Governmental Funds** are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon income determination.

The Town reports the following major governmental funds:

**General Fund** – to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the Town.

**Special Revenue Funds** – to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**Visitors Association Fund** – to account for municipal hotel occupancy taxes collected and expenditures to promote tourism and the convention and hotel industry.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property Tax Reduction Fund – to account for activity relating to the Property Tax Reduction Fund.

Westlake Academy Fund – to account for all financial resources of the Academy.

FM 1938 Fund – to account for activity relating to the FM 1938 Fund.

Vehicle and Equipment Replacement Fund – to account for activity relating to the Vehicle and Equipment Replacement Fund.

Lone Star Public Facilities Corporation – to account for activity relating to the Lone Star Public Facilities Corporation.

4B Economic Development Corporation – to account for activity relating to 4B Economic Development Corporation.

Economic Development Fund – to account for activity relating to the Economic Development Fund.

Debt Service Fund – to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a Debt Service Fund.

Capital Projects Fund – to account for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

**Proprietary Funds** distinguish operating revenues and expenses from nonoperating 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 Town's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Town reports the following major proprietary fund:

Utility Fund – to account for revenues and expenses related to providing water and sewer services to the general public on a continuing basis.

Cemetery Fund – to account for the operations of the Town's cemetery.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customer or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

### E. Assets, Liabilities, and Net Assets or Equity

#### Cash and Cash Equivalents

Cash and investments of all funds, including restricted cash, are available upon demand and are considered to be "cash equivalents."

For purposes of the statement of cash flows, the Town considers highly-liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the Town to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; (5) certificates of deposit by state or national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by (1) – (4); or (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1) pledged with third-party selected or approved by the Town, and placed through a primary government securities dealer.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities, and Net Assets or Equity (Continued)

#### **Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable from Hillwood Alliance Group before July 1, 2004 comprises the trade accounts receivable allowance for uncollectibles. The net property tax receivable allowance is equal to 25 percent of outstanding property taxes at September 30, 2011.

The Town’s property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the Town. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

#### **Restricted Assets**

Certain bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

#### **Inventories and prepaid items**

Inventories, which are expended as they are consumed, are stated at the lower of cost or market on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

(continued)

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Fund Changes and Transactions Between Funds**

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

The Town allocates an indirect cost percentage of the salaries, wages and related costs of personnel who perform administrative services as well as other indirect costs necessary for the operation of various funds. Expenses are budgeted and paid from the appropriate fund.

**Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

The cost of nominal maintenance and repairs that do not add value to the asset or materially extend assets' lives are not capitalized. Donated assets are valued at their fair market value on the date donated. Assets capitalized have an original cost of \$5,000 or more and over three years of life. All infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), regardless of the acquisition date or amount, have been included. Estimated historical cost for initial reporting of infrastructure assets (those reported by governmental activities) was valued by estimating the current replacement cost of the infrastructure and using an index to deflate the cost to the estimated acquisition/construction year. As the Town constructs or acquires additional capital assets, including infrastructure assets, they are capitalized and reported at historical cost.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| <u>Assets</u>                    | <u>Years</u> |
|----------------------------------|--------------|
| Water and sewer system           | 10-50        |
| Buildings                        | 20-50        |
| Machinery and equipment          | 3-30         |
| Improvements                     | 5-30         |
| Information systems and software | 3            |

(continued)

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Compensated Absences**

The Town's policy allows employees to earn 5 days of vacation and 5 days of sick leave between six months and one year of service, and 10 days of vacation and 10 days of sick leave between one year and two years of service and each successive year through five years of service. After completion of 5 years of service, 15 days of vacation and 15 days of sick leave per year are earned. After completion of 10 years of service, 20 days of vacation and 20 days of sick leave per year are earned. The Town makes sick and vacation time available in full at the beginning of each year, and hours are actually earned throughout the year. Unused, earned vacation hours are paid upon termination or retirement at the employee's normal hourly rate; accumulated, unused sick time is not payable upon termination or retirement.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, even if withheld from the actual proceeds, are reported as expenditures.

**Fund Equity and Net Assets**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities, and Net Assets or Equity (Continued)

#### **Fund Equity and Net Assets** (Continued)

The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Town council, the Town's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Town council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town council.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide and fund level financial statements report restricted fund balances for amounts not available for appropriation or legally restricted for specific uses. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

(continued)

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities, and Net Assets or Equity (Continued)

#### Fund Equity and Net Assets (Continued)

In the government-wide financial statements, the City's restrictions on net assets are for amounts that are not available for appropriation. The City's restricted net assets are as follows:

|                                     |    |                  |
|-------------------------------------|----|------------------|
| Restricted for Tourism              | \$ | 1,109,365        |
| Restricted for Future projects      |    | 4,867,550        |
| Restricted for Debt Service         |    | 7,505            |
| Restricted for Education            |    | 885,365          |
| Restricted for Economic Development |    | <u>267,577</u>   |
| Total                               | \$ | <u>7,137,362</u> |

#### Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$21,473,750 difference are as follows:

|  |    |                   |
|--|----|-------------------|
| Certificates of obligation bonds   | \$ | 21,876,656        |
| Notes payable  |    | 50,000            |
| Deferred charges for issuance costs (to be amortized over life of debt)  |    | (919,700)         |
| Compensated absences   |    | 75,235            |
| Accrued interest payable   |    | <u>391,559</u>    |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | \$ | <u>21,473,750</u> |

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$614,141 difference are as follows:

|  |                   |
|--|-------------------|
| Capital contributions  | \$ 425,900        |
| Capital outlay (\$70,455 reclassified to expense repairs)  | 1,040,648         |
| Depreciation expense   | <u>(852,407)</u>  |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ 614,141</u> |

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, 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 assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Details of this \$1,527,986 difference are as follows:

|  |                       |
|--|-----------------------|
| Principal repayments:  |                       |
| General obligation debt  | \$ 555,000            |
| Deferred rebates   | <u>25,568</u>         |
| Debt issuance:   |                       |
| General obligation debt  | (2,095,000)           |
| Bond issuance costs  | 36,446                |
| Note payable   | <u>(50,000)</u>       |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ (1,527,986)</u> |

(continued)

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)**

Another element of that reconciliation states, “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 governmental funds.” The details of this \$56,646 difference are as follows:

|  |                        |
|--|------------------------|
| Accrued interest   | \$ 16,183              |
| Compensated absences   | (12,110)               |
| Amortization of deferred charge on refunding   | (44,336)               |
| Amortization of issuance costs   | <u>(16,383)</u>        |
| <br>Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <br><u>\$ (56,646)</u> |

**III. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

Legal provisions generally permit the Town to invest in certificates of deposit, repurchase agreements, public funds investment pools, direct obligations of the United States of America or its subdivisions and state and local government securities.

The Town did not engage in repurchase or reverse repurchase agreement transactions during the current year.

During the year ended September 30, 2011, the Town had investments with TexPool. TexPool, a public funds investment pool created by the Treasurer of the State of Texas acting by and through the Texas Treasury Safekeeping Trust Company, which is empowered to invest funds and acts as custodian of investments purchased with local investment funds. These investments are not required to be categorized because the investor is not issued securities, but rather it owns an undivided beneficial interest in the assets of the respective funds. The fair value of the position in TexPool is the same as the value of the pool shares.

On September 1, 1989, local government investment pools became authorized investments for the majority of public entities in Texas. The Interlocal Cooperation Act was amended by the 71<sup>st</sup> Texas Legislature to facilitate the creation of local government investment pools in Texas. This act permits the creation of investment pools to which a majority of political subdivisions (local governments) may delegate, by contract, the authority to make investments purchased with local investment funds and to hold legal title as custodian of the investments. TexPool was organized to conform 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.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Deposits and Investments (Continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize its investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar – weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes and the Town’s investment policy authorized the Town to invest in the following investments as summarized in the table below:

| <u>Authorized Investment Type</u>                      | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|--|-------------------------|--|---|
| Obligations of, or guaranteed by Governmental entities | 2 years                 | None                                   | None                                    |
| Certificates of deposit                                | 1 year                  | None                                   | None                                    |
| Mutual funds   | 2 years                 | 80%                                    | None                                    |
| Investment pools                                       | -                       | None                                   | None                                    |

At September 30, 2011, the Town’s investments included investment pools in the name of the Town or its agent in the Town’s name. The Town’s investments were as follows:

| <u>Primary government</u>  | <u>Carrying Amount</u> | <u>Fair Value</u>    | <u>Minimum Legal Rating</u> | <u>Rating as of Year-end</u> |
|----------------------------|------------------------|----------------------|-----------------------------|------------------------------|
| Investments:               |                        |                      |                             |                              |
| TexPool                    | \$ 372                 | \$ 372               | N/A                         | AAA-m                        |
| Certificates of deposit    | 3,500,244              | 3,500,244            | N/A                         | AAA-A                        |
| Cash                       | <u>9,269,276</u>       | <u>9,269,276</u>     | N/A                         | N/A                          |
| Total cash and investments | \$ <u>12,769,892</u>   | \$ <u>12,769,892</u> |                             |                              |

Reconciliation of total cash and investments at September 30, 2011, are as follows:

|                                 |                      |
|---------------------------------|----------------------|
| Cash and cash equivalents       | \$ 12,197,649        |
| Restricted cash and investments | <u>572,243</u>       |
| Total cash and investments      | \$ <u>12,769,892</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

**Deposits and Investments** (Continued)

The Town's entire cash deposits in the bank of \$9,527,442 on September 30, 2011, were covered by federal depository insurance or by collateral.

| <u>Component units</u>    | <u>Carrying Amount</u> | <u>Fair Value</u>    | <u>Weighted Average Maturity (Days)</u> |
|---------------------------|------------------------|----------------------|---|
| Investments:              |                        |                      |   |
| Cash and cash equivalents | \$ <u>11,253,838</u>   | \$ <u>11,253,838</u> | N/A                                     |
| Total                     | \$ <u>11,253,838</u>   | \$ <u>11,253,838</u> |   |

***Interest Rate Risk.*** This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In order to limit interest and market rate risk from changes in interest rates, the Town's investment policy sets a maximum stated maturity limit of two years for obligations of the United States Government, its agencies and instrumentalities (excluding mortgage backed securities) and one year for fully insured or collateralized certificates of deposit. No more than 80% of the Town's monthly average balance may be invested in money market funds. Additionally, the Town invests in an investment pool that purchases a combination of shorter term investments with an average maturity of less than 29 days thus reducing the interest rate risk. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's Investments. The Town has negotiated an interest rate for all checking account deposits; therefore, cash is considered in the balance of our investments.

***Credit Risk.*** This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

#### **Primary Government**

|  | Beginning<br>Balance | Increases           | Decreases     | Ending<br>Balance    |
|--|----------------------|---------------------|---------------|----------------------|
| <b>Governmental activities:</b>              |                      |                     |               |                      |
| Capital assets, not being depreciated:       |                      |                     |               |                      |
| Land   | \$ 11,530,663        | \$ 366,000          | \$ -          | \$ 11,896,663        |
| Construction in progress                     | 74,921               | 573,019             | -             | 647,940              |
| Total assets not being depreciated           | <u>11,605,584</u>    | <u>939,019</u>      | <u>-</u>      | <u>12,544,603</u>    |
| Capital assets, being depreciated:           |                      |                     |               |                      |
| Capital improvements                         | 4,920,606            | 302,213             | -             | 5,222,819            |
| Buildings                                    | 21,260,483           | 137,985             | -             | 21,398,468           |
| Machinery and equipment                      | 2,349,076            | 87,331              | 19,985        | 2,416,422            |
| Information systems and software             | 52,430               | -                   | -             | 52,430               |
| Total capital assets being depreciated       | <u>28,582,595</u>    | <u>527,529</u>      | <u>19,985</u> | <u>29,090,139</u>    |
| Less accumulated depreciation:               |                      |                     |               |                      |
| Capital improvements                         | 2,687,176            | 173,955             | -             | 2,861,131            |
| Buildings                                    | 2,773,983            | 426,293             | -             | 3,200,276            |
| Machinery and equipment                      | 1,622,854            | 252,159             | 19,985        | 1,855,028            |
| Information systems and software             | 52,430               | -                   | -             | 52,430               |
| Total accumulated depreciation               | <u>7,136,443</u>     | <u>852,407</u>      | <u>19,985</u> | <u>7,968,865</u>     |
| Total capital assets being depreciated, net  | <u>21,446,152</u>    | <u>( 324,878)</u>   | <u>-</u>      | <u>21,121,274</u>    |
| Governmental activities capital assets, net  | <u>\$ 33,051,736</u> | <u>\$ 614,141</u>   | <u>\$ -</u>   | <u>\$ 33,665,877</u> |
| <b>Business-type activities:</b>             |                      |                     |               |                      |
| Capital assets, not being depreciated:       |                      |                     |               |                      |
| Construction in progress                     | \$ -                 | \$ 35,468           | \$ -          | \$ 35,468            |
| Total assets not being depreciated           | <u>-</u>             | <u>35,468</u>       | <u>-</u>      | <u>35,468</u>        |
| Capital assets, being depreciated:           |                      |                     |               |                      |
| Capital improvements                         | 12,921,283           | 177,897             | -             | 13,099,180           |
| Wastewater treatment rights                  | 635,199              | -                   | -             | 635,199              |
| Machinery and equipment                      | 3,459,821            | -                   | -             | 3,459,821            |
| Total capital assets being depreciated       | <u>17,016,303</u>    | <u>177,897</u>      | <u>-</u>      | <u>17,194,200</u>    |
| Less accumulated depreciation:               |                      |                     |               |                      |
| Capital improvements                         | 2,841,111            | 302,527             | -             | 3,143,638            |
| Wastewater treatment rights                  | 322,893              | 31,760              | -             | 354,653              |
| Machinery and equipment                      | 1,159,580            | 116,386             | -             | 1,275,966            |
| Total accumulated depreciation               | <u>4,323,584</u>     | <u>450,673</u>      | <u>-</u>      | <u>4,774,257</u>     |
| Total capital assets being depreciated, net  | <u>12,692,719</u>    | <u>( 272,776)</u>   | <u>-</u>      | <u>12,419,943</u>    |
| Business-type activities capital assets, net | <u>\$ 12,692,719</u> | <u>\$( 237,308)</u> | <u>\$ -</u>   | <u>\$ 12,455,411</u> |

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

Depreciation was charged to departments of the primary government as follows:

|  |                   |
|--|-------------------|
| Governmental activities:                             |                   |
| General government                                   | \$ 667,418        |
| Public safety  | 32,065            |
| Public works   | <u>152,924</u>    |
| Total depreciation expense - governmental activities | <u>\$ 852,407</u> |

A summary of discretely presented component units' capital assets at September 30, 2011, follows:

**Texas Student Housing Authority - Ballpark Austin Project**

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|----------------------|------------------|---------------------------|
| Capital assets, not being depreciated:          |                              |                      |                  |                           |
| Land  | \$ 4,788,265                 | \$ -                 | \$ -             | \$ 4,788,265              |
| Total capital assets,<br>not being depreciated  | <u>4,788,265</u>             | <u>-</u>             | <u>-</u>         | <u>4,788,265</u>          |
| Capital assets, being depreciated:              |                              |                      |                  |                           |
| Building  | 21,345,305                   | -                    | -                | 21,345,305                |
| Furniture and fixtures                          | <u>6,993,063</u>             | <u>-</u>             | <u>-</u>         | <u>6,993,063</u>          |
| Total capital assets,<br>being depreciated      | <u>28,338,368</u>            | <u>-</u>             | <u>-</u>         | <u>28,338,368</u>         |
| Less accumulated depreciation for:              |                              |                      |                  |                           |
| Building  | 6,166,421                    | 711,510              | -                | 6,877,931                 |
| Furniture and fixtures                          | <u>3,810,852</u>             | <u>149,166</u>       | <u>-</u>         | <u>3,960,018</u>          |
| Total accumulated depreciation                  | <u>9,977,273</u>             | <u>860,676</u>       | <u>-</u>         | <u>10,837,949</u>         |
| Total capital assets,<br>being depreciated, net | <u>18,361,095</u>            | <u>( 860,676)</u>    | <u>-</u>         | <u>17,500,419</u>         |
| Capital assets, net                             | <u>\$ 23,149,360</u>         | <u>\$ ( 860,676)</u> | <u>\$ -</u>      | <u>\$ 22,288,684</u>      |

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

**Texas Student Housing Corporation - The Ridge at North Texas**

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital assets, not being depreciated:          |                              |                     |                  |                           |
| Land  | \$ 2,200,000                 | \$ -                | \$ -             | \$ 2,200,000              |
| Total capital assets,<br>not being depreciated  | <u>2,200,000</u>             | <u>-</u>            | <u>-</u>         | <u>2,200,000</u>          |
| Capital assets, being depreciated:              |                              |                     |                  |                           |
| Building  | 25,705,000                   | -                   | -                | 25,705,000                |
| Furniture and fixtures                          | <u>1,253,841</u>             | <u>-</u>            | <u>-</u>         | <u>1,253,841</u>          |
| Total capital assets,<br>being depreciated      | <u>26,958,841</u>            | <u>-</u>            | <u>-</u>         | <u>26,958,841</u>         |
| Less accumulated depreciation for:              |                              |                     |                  |                           |
| Building  | 6,844,707                    | 856,833             | ( 1,223,807)     | 8,925,347                 |
| Furniture and fixtures                          | <u>2,368,387</u>             | <u>11,255</u>       | <u>1,223,807</u> | <u>1,155,835</u>          |
| Total accumulated depreciation                  | <u>9,213,094</u>             | <u>868,088</u>      | <u>-</u>         | <u>10,081,182</u>         |
| Total capital assets,<br>being depreciated, net | <u>17,745,747</u>            | <u>( 868,088)</u>   | <u>-</u>         | <u>16,877,659</u>         |
| Capital assets, net                             | <u>\$ 19,945,747</u>         | <u>\$( 868,088)</u> | <u>\$ -</u>      | <u>\$ 19,077,659</u>      |

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

**Texas Student Housing Authority - Town Lake Austin Project**

|   | Beginning<br>Balance | Additions           | Retirements | Ending<br>Balance    |
|---|----------------------|---------------------|-------------|----------------------|
| Capital assets, not being depreciated:          |                      |                     |             |                      |
| Land  | \$ 2,182,816         | \$ -                | \$ -        | \$ 2,182,816         |
| Total capital assets,<br>not being depreciated  | <u>2,182,816</u>     | <u>-</u>            | <u>-</u>    | <u>2,182,816</u>     |
| Capital assets, being depreciated:              |                      |                     |             |                      |
| Building and improvements                       | 13,270,150           | -                   | -           | 13,270,150           |
| Capitalized purchase costs                      | 887,095              | -                   | -           | 887,095              |
| Land improvements                               | 2,806,596            | -                   | -           | 2,806,596            |
| Unit appliances                                 | 295,134              | -                   | -           | 295,134              |
| Furniture and fixtures                          | 915,951              | -                   | -           | 915,951              |
| Total capital assets,<br>being depreciated      | <u>18,174,926</u>    | <u>-</u>            | <u>-</u>    | <u>18,174,926</u>    |
| Less accumulated depreciation for:              |                      |                     |             |                      |
| Building and improvements                       | 3,604,377            | 627,487             | ( 4,344)    | 4,236,208            |
| Capitalized purchase costs                      | 203,732              | 28,484              | 4,344       | 227,872              |
| Land improvements                               | 374,212              | -                   | -           | 374,212              |
| Unit appliances                                 | 168,648              | -                   | -           | 168,648              |
| Furniture and fixtures                          | 523,266              | -                   | -           | 523,266              |
| Total accumulated depreciation                  | <u>4,874,235</u>     | <u>655,971</u>      | <u>-</u>    | <u>5,530,206</u>     |
| Total capital assets,<br>being depreciated, net | <u>13,300,691</u>    | <u>( 655,971)</u>   | <u>-</u>    | <u>12,644,720</u>    |
| Capital assets, net                             | <u>\$ 15,483,507</u> | <u>\$( 655,971)</u> | <u>\$ -</u> | <u>\$ 14,827,536</u> |

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Capital Assets (Continued)

##### Texas Student Housing Authority - College Station Project

|   | Beginning<br>Balance | Additions    | Retirements | Ending<br>Balance |
|---|----------------------|--------------|-------------|-------------------|
| Capital assets, not being depreciated:          |                      |              |             |                   |
| Land  | \$ 2,899,597         | \$ -         | \$ -        | \$ 2,899,597      |
| Total capital assets,<br>not being depreciated  | 2,899,597            | -            | -           | 2,899,597         |
| Capital assets, being depreciated:              |                      |              |             |                   |
| Building  | 27,727,646           | -            | -           | 27,727,646        |
| Furniture and fixtures                          | 2,594,804            | -            | -           | 2,594,804         |
| Total capital assets,<br>being depreciated      | 30,322,450           | -            | -           | 30,322,450        |
| Less accumulated depreciation for:              |                      |              |             |                   |
| Building  | 5,268,464            | 895,421      | -           | 6,163,885         |
| Furniture and fixtures                          | 2,506,611            | 88,772       | -           | 2,595,383         |
| Total accumulated depreciation                  | 7,775,075            | 984,193      | -           | 8,759,268         |
| Total capital assets,<br>being depreciated, net | 22,547,375           | ( 984,193)   | -           | 21,563,182        |
| Capital assets, net                             | \$ 25,446,972        | \$( 984,193) | \$ -        | \$ 24,462,779     |

#### Restricted Cash

##### General Fund

Within the governmental funds, \$428,463 in cash and cash equivalents represents funds held to assist in the financing of future projects and court security and technology.

##### Proprietary Fund

Within the proprietary funds, \$143,780 of the fund represents customer deposits received for water and sewer usage that are refundable upon termination of service.

##### Discretely Presented Component Units

Within the discretely presented component units, \$4,737,253 in cash and cash equivalents represents funds held for debt service.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Capital Leases

The Town entered into a lease agreement as lessee for financing the acquisition of a vehicle for the warrant division of the municipal court. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

|                                | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Asset:                         |                                    |
| Machinery and equipment        | \$ 23,000                          |
| Less: Accumulated depreciation | <u>(23,000)</u>                    |
| Total                          | <u>\$ -</u>                        |

#### General Long-term Debt

Long-term liability activity for the year ended September 30, 2011, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|---------------------|-------------------|---------------------------|--------------------------------|
| Combination tax and limited<br>Pledge Revenue Certificates<br>of Obligation, Series 2002 | \$ 4,880,000                 | \$ -                | \$ 280,000        | \$ 4,600,000              | \$ 295,000                     |
| Combination tax and limited<br>Pledge Revenue Certificates<br>of Obligation, Series 2003 | 5,675,000                    | -                   | 160,000           | 5,515,000                 | 165,000                        |
| General Obligation Refunding<br>Bonds, Series 2007                                       | 7,310,000                    | -                   | 25,000            | 7,285,000                 | 25,000                         |
| Less deferred amounts<br>on refunding  | ( 596,680)                   | -                   | ( 44,336)         | ( 552,344)                | -                              |
| General Obligation<br>Bonds, Series 2008   | 2,320,000                    | -                   | 90,000            | 2,230,000                 | 95,000                         |
| Combination tax and<br>Revenue Certificates<br>of Obligation, Series 2011                | -                            | 2,095,000           | -                 | 2,095,000                 | 88,000                         |
| Notes payable  | -                            | 50,000              | -                 | 50,000                    | 15,925                         |
| Compensated absences   | 63,125                       | 43,441              | 31,331            | 75,235                    | 7,524                          |
| Fidelity Tax Reimbursement   | <u>177,224</u>               | <u>-</u>            | <u>25,568</u>     | <u>151,656</u>            | <u>27,038</u>                  |
|  | <u>\$ 19,828,669</u>         | <u>\$ 2,188,441</u> | <u>\$ 567,563</u> | <u>\$ 21,449,547</u>      | <u>\$ 718,487</u>              |

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### General Long-term Debt (Continued)

The Certificates of Obligation, Series 2002 and 2003 require the Town to provide certain updated financial information and operating data to certain information vendors annually, as permitted by SEC Rule 15c2-12 (the "Rule"). The issuer will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

During the fiscal year ended September 30, 2008, the Town issued General Obligation bonds of \$2.5 million. These bonds were used for the construction of an Arts & Sciences Center that was completed during the current fiscal year.

During the fiscal year ended September 30, 2011, the Town issued Certificates of Obligation in the amount of \$2,095,000 for various street projects.

Debt service requirements of certificates of obligation and general obligations to be retired from governmental funds are as follows:

| <u>Year Ending<br/>September 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total<br/>Requirements</u> |
|--------------------------------------|----------------------|----------------------|-------------------------------|
| 2012                                 | \$ 668,000           | \$ 985,107           | \$ 1,653,107                  |
| 2013                                 | 700,000              | 952,293              | 1,652,293                     |
| 2014                                 | 733,000              | 917,697              | 1,650,697                     |
| 2015                                 | 772,000              | 881,146              | 1,653,146                     |
| 2016                                 | 810,000              | 842,366              | 1,652,366                     |
| 2017-2021                            | 4,485,000            | 3,794,748            | 8,279,748                     |
| 2022-2026                            | 5,716,000            | 2,545,755            | 8,261,755                     |
| 2027-2031                            | 6,581,000            | 1,147,374            | 7,728,374                     |
| 2032-2036                            | <u>1,260,000</u>     | <u>56,160</u>        | <u>1,316,160</u>              |
| Total                                | <u>\$ 21,725,000</u> | <u>\$ 12,122,646</u> | <u>\$ 33,847,646</u>          |

During the fiscal year ended September 30, 2011, the Town entered into a note payable in the amount of \$50,000 for the purchase of two heart monitors for the EMS/Fire Department.

Debt service requirements for the note payable to be retired from governmental funds are as follows:

| <u>Year Ending<br/>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total<br/>Requirements</u> |
|--------------------------------------|------------------|-----------------|-------------------------------|
| 2012                                 | \$ 15,925        | \$ 2,295        | \$ 18,220                     |
| 2013                                 | 16,655           | 1,565           | 18,220                        |
| 2014                                 | <u>17,420</u>    | <u>800</u>      | <u>18,220</u>                 |
| Total                                | <u>\$ 50,000</u> | <u>\$ 4,660</u> | <u>\$ 54,660</u>              |

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**General Long-term Debt** (Continued)

On August 10, 1998, the Town entered into an economic development agreement with Fidelity Texas Limited Partnership (“Fidelity”) which provided that Fidelity will receive a rebate of one percent of local sales taxes collected by the Town and paid by Fidelity. The agreement provided that the rebate will be paid to Fidelity within 30 days of each calendar quarter from the sales taxes received by the Town. On November 13, 2000, the agreement was amended to allow for a payment schedule of 15 annual equal installments for sales tax rebate due and payable to Fidelity. The amount due will not bear interest. The loan is discounted to present value and amortized over the life of the loan using the effective interest method.

Debt service requirements for deferred rebates to be retired from governmental funds are as follows:

| <u>Year Ending<br/>September 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total<br/>Requirements</u> |
|--------------------------------------|-------------------|------------------|-------------------------------|
| 2012                                 | \$ 27,038         | \$ 8,720         | \$ 35,758                     |
| 2013                                 | 28,593            | 7,165            | 35,758                        |
| 2014                                 | 30,237            | 5,521            | 35,758                        |
| 2015                                 | 31,975            | 3,783            | 35,758                        |
| 2016                                 | <u>33,813</u>     | <u>1,945</u>     | <u>35,758</u>                 |
| Total                                | <u>\$ 151,656</u> | <u>\$ 27,134</u> | <u>\$ 178,790</u>             |

Compensated absences are typically liquidated by the fund to which they relate.

**Proprietary Long-term Debt**

Proprietary long-term debt as of September 30, 2011, is as follows:

| <u>Description</u>                         | <u>Outstanding<br/>9/30/2010</u> | <u>Issued</u>   | <u>Retired</u>   | <u>Outstanding<br/>9/30/2011</u> | <u>Current<br/>Portion</u> |
|--|----------------------------------|-----------------|------------------|----------------------------------|----------------------------|
| Contractual obligations:                   |                                  |                 |                  |                                  |                            |
| Elevated water storage                     | \$ 978,944                       | \$ -            | \$ 78,508        | \$ 900,436                       | \$ 81,712                  |
| Limited pledge contractual obligation:     |                                  |                 |                  |                                  |                            |
| Dove Road Water Line and West Pump Station | 4,679,944                        | -               | -                | 4,679,944                        | -                          |
| Compensated absences                       | <u>9,804</u>                     | <u>3,484</u>    | <u>3,839</u>     | <u>9,449</u>                     | <u>945</u>                 |
|  | <u>\$ 5,668,692</u>              | <u>\$ 3,484</u> | <u>\$ 82,347</u> | <u>\$ 5,589,829</u>              | <u>\$ 82,657</u>           |

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Proprietary Long-term Debt (Continued)

The schedule of future payments by the Town under these agreements is as follows:

| <u>Year Ending</u><br><u>September 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u><br><u>Requirements</u> |
|--|---------------------|---------------------|-------------------------------------|
| 2012                                       | \$ 81,712           | \$ 635,374          | \$ 717,086                          |
| 2013                                       | 86,519              | 673,918             | 760,437                             |
| 2014                                       | 91,325              | 715,078             | 806,403                             |
| 2015                                       | 94,530              | 759,191             | 853,721                             |
| 2016                                       | 99,336              | 806,474             | 905,810                             |
| 2017-2021                                  | 447,014             | 4,494,037           | 4,941,051                           |
| 2022-2026                                  | <u>4,679,944</u>    | <u>-</u>            | <u>4,679,944</u>                    |
| Total                                      | <u>\$ 5,580,380</u> | <u>\$ 8,084,072</u> | <u>\$ 13,664,452</u>                |

#### **Elevated Water Storage Facility**

On October 9, 2000, the Town approved an interlocal agreement with the City of Keller, which provided for the joint construction, operation, maintenance and use of an elevated water storage facility and appurtenances. The Town recorded a contractual obligation of \$1,466,000 based on the terms of the interlocal agreement, which requires 20 annual principal and interest payments to the City of Keller, with payments due each September 30 at interest rates ranging from 5.0% to 5.65%.

#### **Dove Road Water Line and West Pump Station**

In April 2000, the Town approved an agreement with the Hillwood Development Corporation ("Hillwood"). In the agreement, Hillwood agreed to bear all initial costs for the design, engineering and constructions of the Dove Road Water Line and the West Pump Station that will service the residents of the Town. The Town agreed to reimburse Hillwood for the cost of the project upon completion and the Town's acceptance of the project, which occurred in June 2001, solely from a \$.25 charge per 1,000 gallons of usage. The Town further agreed to deposit debt service revenue of \$.25 per 1,000 gallons of usage collected from Town residents to fund its repayment to Hillwood. Debt service revenue will be allocated between Hillwood service area and Town service area by 52% and 48%, respectively and deposited into two separate debt service funds that will result in debt service revenue to pay the respective share of the construction cost. The Town recorded a limited pledge contractual obligation of \$4,679,944 for the project cost based upon the terms of the agreement, which requires 239 monthly principal and interest payments to Hillwood, at an interest rate of 6.75%. If the Town collects insufficient funds to pay current interest on the debt, the interest payment may be deferred. No portion of debt payments will be applied to the principal component, until all current and deferred interest is fully paid. The obligation of the Town to pay the purchase price and interest thereon is not a general obligation of the Town but is a limited recourse obligation payable solely from debt service revenue.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Discretely Presented Long-term Debt

##### **Texas Student Housing Authority - College Station Project**

The Project's installment note payable is summarized as follows:

| <u>Lender/Security/Due Date</u>   | <u>Interest<br/>Rate</u> | <u>Balance</u>       |
|---|--------------------------|----------------------|
| Cambridge Student Housing Financing Company,<br>L.P.; substantially all assets and assignment of<br>rents; due November 1, 2039 | 8.00%                    | \$ <u>31,095,000</u> |

The Project's installment note is payable monthly with principal and interest payments of \$231,545 until November 1, 2039.

The following is a summary of long-term debt transactions of the Project for the year ended August 31, 2011:

| <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|------------------------------|------------------|-------------------|---------------------------|--|
| \$ <u>31,450,000</u>         | \$ -             | \$ <u>355,000</u> | \$ <u>31,095,000</u>      | \$ <u>31,095,000</u>                       |

The Project's original developer refinanced the installment note through a secondary offering with Cambridge Student Housing Financing Company, L.P. The debt certificates were sold to private investors in the following classes:

| <u>Class (Series)</u> | <u>Offering Total</u> |
|-----------------------|-----------------------|
| A                     | \$ 16,720,000         |
| B                     | 4,175,000             |
| C                     | 4,820,000             |
| D                     | <u>5,380,000</u>      |
| Total                 | \$ <u>31,095,000</u>  |

Each class has certain rights and privileges, as contained in the private placement memorandum. As a part of the offering, the Project entered into a trust agreement with J. P. Morgan Trust Company, N.A. (the "Trustee") for the purpose of determining that each class is paid in accordance with the private placement memorandum.

At August 31, 2011, the Project was not in compliance with the fixed charge coverage ratio. Should the project default, the lender may accelerate the maturity of the unpaid portion of the principal payable under the installment sale agreement. However, the Authority does not anticipate this event will occur, since foreclosure by private interests would result in the loss of tax-exempt status for the Project.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely Presented Long-term Debt (Continued)

**Texas Student Housing Authority - Town Lake Austin Project**

|                | Beginning<br>Balance | Increases   | Decreases         | Ending Balance       | Amounts Due<br>Within One<br>Year |
|----------------|----------------------|-------------|-------------------|----------------------|-----------------------------------|
| Revenue Bonds: |                      |             |                   |                      |                                   |
| 2002 A-1 Bonds | \$ 16,056,004        | \$ -        | \$ 258,488        | \$ 15,797,516        | \$ 281,080                        |
| 2002 A-2 Bonds | 5,089,241            | -           | -                 | 5,089,241            | -                                 |
| Total          | <u>\$ 21,145,245</u> | <u>\$ -</u> | <u>\$ 258,488</u> | <u>\$ 20,886,757</u> | <u>\$ 281,080</u>                 |

The bonds are payable solely from the revenues generated by the Project and are secured by the revenues pledged and assigned under the terms of the Trust Indenture. Interest rates on the bonds range from 7.76% to 8.69% at present and principal and interest payments are made monthly. The future debt service requirements of the bonds are as follows:

| Year Ending<br>August 31, | Principal            | Interest             | Total                |
|---------------------------|----------------------|----------------------|----------------------|
| 2011                      | \$ 281,080           | \$ 1,610,557         | \$ 1,891,637         |
| 2012                      | 305,354              | 1,587,954            | 1,893,308            |
| 2013                      | 328,105              | 1,563,532            | 1,891,637            |
| 2014                      | 354,491              | 1,537,146            | 1,891,637            |
| 2015                      | 382,998              | 1,508,639            | 1,891,637            |
| 2016-2020                 | 2,429,604            | 7,028,581            | 9,458,185            |
| 2021-2025                 | 3,576,784            | 5,881,401            | 9,458,185            |
| 2026-2030                 | 5,265,627            | 4,192,558            | 9,458,185            |
| 2031-2033                 | 7,962,714            | 1,037,383            | 9,000,097            |
| Totals                    | <u>\$ 20,886,757</u> | <u>\$ 25,947,751</u> | <u>\$ 46,834,508</u> |

**Texas Student Housing Authority - Ballpark Austin Project**

The long-term debt activity of the Ballpark Austin Project is as follows:

|                | Beginning<br>Balance | Increases   | Decreases         | Ending<br>Balance    | Amounts<br>Due Within<br>One Year |
|----------------|----------------------|-------------|-------------------|----------------------|-----------------------------------|
| Revenue Bonds: |                      |             |                   |                      |                                   |
| 2001A Bonds    | \$ 30,150,000        | \$ -        | \$ 640,000        | \$ 29,510,000        | \$ 670,000                        |
| 2001B Bonds    | 2,365,000            | -           | -                 | 2,365,000            | 230,000                           |
| 2001C Bonds    | 3,000,000            | -           | -                 | 3,000,000            | -                                 |
| Less discounts | ( 1,281,821)         | -           | ( 60,085)         | ( 1,221,736)         | -                                 |
| Total          | <u>\$ 34,233,179</u> | <u>\$ -</u> | <u>\$ 579,915</u> | <u>\$ 33,653,264</u> | <u>\$ 900,000</u>                 |

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Discretely Presented Long-term Debt (Continued)**

**Texas Student Housing Authority - Ballpark Austin Project (Continued)**

The bonds are payable solely from the revenues generated by the Project and secured by the revenues pledged and assigned under the terms of the trust indenture. Interest rates on the bonds range from 4.00% to 11.00% and are payable semi-annually. The debt service requirements of the bonds are as follows:

| Year Ending<br>August 31, | Governmental Activities |                      |                      |
|---------------------------|-------------------------|----------------------|----------------------|
|                           | Principal               | Interest             | Total                |
| 2012                      | \$ 900,000              | \$ 2,247,194         | \$ 3,147,194         |
| 2013                      | 755,000                 | 2,208,144            | 2,963,144            |
| 2014                      | 795,000                 | 2,166,875            | 2,961,875            |
| 2015                      | 840,000                 | 2,123,456            | 2,963,456            |
| 2016                      | 885,000                 | 2,077,550            | 2,962,550            |
| 2017-2021                 | 5,205,000               | 9,606,319            | 14,811,319           |
| 2022-2026                 | 6,795,000               | 8,012,963            | 14,807,963           |
| 2027-2031                 | 8,920,000               | 5,891,837            | 14,811,837           |
| 2032-2034                 | 9,780,000               | 1,618,400            | 11,398,400           |
| Totals                    | \$ <u>34,875,000</u>    | \$ <u>35,952,738</u> | \$ <u>70,827,738</u> |

At August 31, 2011, the Project had not made interest payments on the Subordinate 2001C Bond Series since July 2003, and the Subordinate 2001C Bond is in default. In addition, the Project's fixed charges coverage ratio was not in compliance with the covenants of the indenture. These events do not constitute an event of default that accelerates the bonds. As a result, the maturities are presented under the original repayment terms.

**Texas Student Housing Corporation - The Ridge at North Texas**

The long-term debt activity of the Ridge at North Texas is as follows:

|                | Beginning<br>Balance | Increases   | Decreases         | Ending<br>Balance    | Amounts<br>Due Within<br>One Year |
|----------------|----------------------|-------------|-------------------|----------------------|-----------------------------------|
| Revenue Bonds: |                      |             |                   |                      |                                   |
| 2001A Bonds    | \$ 26,380,000        | \$ -        | \$ 605,000        | \$ 25,775,000        | \$ 25,775,000                     |
| 2001B Bonds    | 3,240,000            | -           | -                 | 3,240,000            | 3,240,000                         |
| Less discounts | ( 747,294)           | -           | ( 37,485)         | ( 709,809)           | ( 709,809)                        |
| Total          | \$ <u>28,872,706</u> | \$ <u>-</u> | \$ <u>567,515</u> | \$ <u>28,305,191</u> | \$ <u>28,305,191</u>              |

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Discretely Presented Long-term Debt (Continued)

##### **Texas Student Housing Corporation - The Ridge at North Texas** (Continued)

The debt originally was to be amortized through 2031 with varying monthly principal payment amounts ranging from \$2,618,093 to \$3,465,280 for interest and principal. The annual requirements to amortize all debts outstanding as of August 31, 2011, are as follows and have not been adjusted for the default of the bonds. Under the original terms of the Indenture, a total of \$605,000 in principal and \$2,013,093 in interest is due in fiscal 2011. The total interest to be paid will depend on the ultimate maturities of the bonds.

| <u>Year Ending</u><br><u>August 31,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---|----------------------|----------------------|----------------------|
| 2011                                    | \$ <u>29,015,000</u> | \$ <u>25,519,133</u> | \$ <u>54,534,133</u> |

The Town of Westlake does not have any liability for the payment of debt of the discretely presented component units as the bonds are non-recourse to both the Town and Texas Student Housing Authority.

#### Deferred Revenue

Deferred revenue in the proprietary fund of \$415,170 relates to the collection of the entire amount due on eight Ductbank leases as follows: One 25-year lease with AT&T local network services, five 20, 25 and 30-year leases with Verizon Southwest, one 5-year lease with MCI Metro and one 5-year lease with L3 Communications for use of the Town's Ductbank.

#### Commitments and Contingencies

##### **Lease Obligations**

The Town has commitments relative to municipal services, and contractual relationships concerning certain utilities and public safety resources, which are normal in its ongoing activity. Noncancellable obligations consist of agreements for services at September 30, 2011.

Minimum lease payments and contractual obligations under these noncancellable leases and agreements as of September 30, 2011, are as follows:

| <u>Year Ending</u><br><u>September 30,</u> | <u>Amount</u>     |
|--|-------------------|
| 2012                                       | \$ <u>129,318</u> |
| Total                                      | \$ <u>129,318</u> |

Rental expenditures in 2011 were \$219,256.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Commitments and Contingencies (Continued)

##### **Interlocal Agreement with the City of Southlake**

In August 1995, the Town entered into an agreement with the City of Southlake to allow the Town to utilize capacity in a sewer line and to set forth their respective rights and obligations with respect to the sewer line owned by the City of Southlake. The Town is obligated to share in the cost of construction, operation and maintenance of the water sewer line. The sewer line was constructed in 2000. Additionally, the Town must pay the City of Southlake all transportation, treatment and related costs allocable to the metered flow of sewage from the Town into the sewer line.

##### Federal and State Program Revenues

The Town received financial assistance from various federal and state governmental agencies in the form of grants for Westlake Academy. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any unallowed disbursement resulting from such audits becomes a liability of the Town. In the opinion of the Town management, no material refunds will be required as a result of unallowed disbursements (if any) by the grantor agencies.

Sources of federal and state program revenues for the year ended September 30, 2011, were as follows:

| <u>Source</u>   | <u>Westlake<br/>Academy</u> | <u>Total</u>        |
|---|-----------------------------|---------------------|
| Federal program revenues:   |                             |                     |
| U. S. Department of Education - Passed<br>through State Department of Education | \$ <u>157,445</u>           | \$ <u>157,445</u>   |
| Total federal program revenues:   | \$ <u>157,445</u>           | \$ <u>157,445</u>   |
| State program revenues:   |                             |                     |
| State Department of Education   | \$ <u>3,945,658</u>         | \$ <u>3,945,658</u> |

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Interfund Balances and Transactions

Interfund receivables and payables at September 30, 2011, were as follows:

|   | <u>Due from<br/>Other Funds</u> | <u>Due to<br/>Other Funds</u> |
|---|---------------------------------|-------------------------------|
| General fund:                             |                                 |                               |
| Property tax reduction fund               | \$ 296,555                      | \$ -                          |
| Property tax reduction fund:              |                                 |                               |
| General fund                              | -                               | 296,555                       |
| 4B Economic Development Corporation fund  | 118,550                         | -                             |
| 4B Economic Development Corporation fund: |                                 |                               |
| Property Tax Reduction fund               | -                               | 118,550                       |
| Utility fund                              | 208,115                         | -                             |
| Utility fund:                             |                                 |                               |
| 4B Economic Development Corporation fund  | <u>-</u>                        | <u>208,115</u>                |
|   | <u>\$ 623,220</u>               | <u>\$ 623,220</u>             |

The 4B Economic Development Corporation fund (4B) amount of \$118,550 payable to the Property Tax Reduction fund (PTR) is related to payments to the Debt Service fund (DS) on behalf of the 4B fund which will be repaid in fiscal year 2012. The PTR Fund amount of \$296,555 payable to the General fund (GF) is a total of the \$118,550 due from 4B and two months of sales tax receivable of \$178,005 to be paid to GF in fiscal year 2012 to close out this fund. The amount payable to the 4B fund from the Utility fund (UF) is related to an interfund loan made for several waterlines and connections and is scheduled to be repaid at a rate of \$29,731 per year through fiscal year 2018-2019.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### Interfund Balances and Transactions (Continued)

Interfund transfers between the primary government's funds consisted of:

|   | Transfers<br>To Funds | Transfers<br>From Funds |
|---|-----------------------|-------------------------|
| <b>Primary Government</b>                 |                       |                         |
| General fund:                             |                       |                         |
| Visitors Association fund                 | \$ -                  | \$ 262                  |
| Economic Development fund                 | 35,605                | -                       |
| Capital Projects fund                     | 2,085,520             | 4,515                   |
| FM 1938 fund                              | 1,875                 | -                       |
| Property Tax Reduction fund               | -                     | 1,398,822               |
| Vehicle and Equipment Replacement fund    | 68,982                | 129,374                 |
| Utility fund                              | -                     | 145,216                 |
| Lone Star Public Facility Corporation     | -                     | 102                     |
| 4B Economic Development Corporation fund  | -                     | 112                     |
| General maintenance                       | 500,000               | 500,000                 |
| Visitors Association fund:                |                       |                         |
| General fund                              | 262                   | -                       |
| Debt service fund                         | 180,935               | -                       |
| Debt Service fund:                        |                       |                         |
| Visitors Association fund                 | -                     | 180,935                 |
| 4B Economic Development Corporation fund  | -                     | 1,248,502               |
| Property Tax Reduction fund               | -                     | 76,102                  |
| Capital Projects fund:                    |                       |                         |
| General fund                              | 4,515                 | 2,085,520               |
| Property Tax Reduction fund               | -                     | 1,196,239               |
| FM 1938 fund:                             |                       |                         |
| General fund                              | -                     | 1,875                   |
| Property Tax Reduction fund:              |                       |                         |
| General fund                              | 1,398,822             | -                       |
| Debt Service fund                         | 76,102                | -                       |
| Capital Projects fund                     | 1,196,239             | -                       |
| Vehicle and Equipment Replacement fund    | 10,000                | -                       |
| Vehicle and Equipment Replacement fund:   |                       |                         |
| General fund                              | 129,374               | 68,982                  |
| Property Tax Reduction fund               | -                     | 10,000                  |
| Economic Development fund:                |                       |                         |
| General fund                              | -                     | 35,605                  |
| Lone Star Public Facility Corporation:    |                       |                         |
| General fund                              | 102                   | -                       |
| 4B Economic Development Corporation fund: |                       |                         |
| General fund                              | 112                   | -                       |
| Debt Service fund                         | 1,248,502             | -                       |
| Utility fund:                             |                       |                         |
| General fund                              | 145,216               | -                       |
| Totals                                    | \$ 7,082,163          | \$ 7,082,163            |

Inter-fund transfers are reported in the governmental funds and proprietary fund financial statements. In the government-wide statements, inter-fund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**Interfund Balances and Transactions (Continued)**

Transfers are used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to the Debt Service fund as debt service payments become due, (3) reimburse one fund for services provided to another fund, (4) move unrestricted General fund and Property Tax Reduction fund revenues to Capital Project fund as determined by the Council for capital projects, (5) close the Vehicle and Equipment Replacement fund by transferring the balance to General Maintenance fund for future expenditures, and (6) transfer payment for economic development agreements to the Economic Development fund.

**Receivables**

|                                    | Governmental Funds |                      |                  |                   |                  |                             |                           | Enterprise Funds        | Total        |              |
|------------------------------------|--------------------|----------------------|------------------|-------------------|------------------|-----------------------------|---------------------------|-------------------------|--------------|--------------|
|                                    | General            | Visitors Association | Westlake Academy | Debt Service Fund | Capital Projects | Property Tax Reduction Fund | Economic Development Fund | Westlake 4B Corporation |              | Utility Fund |
| Receivables:                       |                    |                      |                  |                   |                  |                             |                           |                         |              |              |
| Sales tax                          | \$ 33,136          | \$ -                 | \$ -             | \$ -              | \$ -             | \$ 178,005                  | \$ 104,499                | \$ 178,004              | \$ -         | \$ 493,644   |
| Property tax                       | 6,191              | -                    | -                | 155               | -                | -                           | -                         | -                       | -            | 6,346        |
| Other taxes                        | 5,376              | 79,895               | -                | -                 | -                | -                           | -                         | -                       | -            | 85,271       |
| Franchise fees                     | 132,710            | -                    | -                | -                 | -                | -                           | -                         | -                       | -            | 132,710      |
| Accounts                           | -                  | -                    | -                | -                 | -                | -                           | -                         | -                       | 1,381,897    | 1,381,897    |
| Other                              | 88,716             | 199                  | 466,646          | -                 | 1,649            | -                           | -                         | -                       | 539          | 557,749      |
| Gross receivables                  | 266,129            | 80,094               | 466,646          | 155               | 1,649            | 178,005                     | 104,499                   | 178,004                 | 1,382,436    | 2,657,617    |
| Less: Allowance for uncollectibles | 1,548              | -                    | -                | 39                | -                | -                           | -                         | -                       | 221,111      | 222,698      |
| Net total receivables              | \$ 264,581         | \$ 80,094            | \$ 466,646       | \$ 116            | \$ 1,649         | \$ 178,005                  | \$ 104,499                | \$ 178,004              | \$ 1,161,325 | \$ 2,434,919 |

**Water Purchase and Wastewater Treatment Contracts**

The Town has a contract with the City of Fort Worth, Texas, to purchase water. Under the contract, the Town may obtain from the City of Fort Worth, a supply of potable water at a reasonable rate based on water usage. The rate charges are subject to minimum annual contract payments. Water expense for the year ended September 30, 2011 was \$1,015,869.

**IV. OTHER INFORMATION**

**Retirement Plan**

**Plan Description**

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

(continued)

#### IV. OTHER INFORMATION (Continued)

##### Retirement Plan (Continued)

##### Plan Description (Continued)

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

|   | <u>Plan Year 2010</u>        | <u>Plan Year 2011</u>        |
|---|------------------------------|------------------------------|
| Employee deposit rate   | 7.0%                         | 7.0%                         |
| Matching ratio (town to employee)                                     | 2 to 1                       | 2 to 1                       |
| Years required for vesting  | 5                            | 5                            |
| Service retirement eligibility<br>(expressed as age/years of service) | 60/5, 0/20                   | 60/5, 0/20                   |
| Updated service credit  | 100% repeating,<br>transfers | 100% repeating,<br>transfers |
| Annuity increase (to retirees)  | 0% of CPI<br>repeating       | 0% of CPI<br>repeating       |

##### Contributions

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

(continued)

**IV. OTHER INFORMATION (Continued)**

**Retirement Plan (Continued)**

**Contributions (Continued)**

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

| Accounting<br>Year<br>Ending | Annual<br>Pension<br>Cost (APC) | Actual<br>Contribution<br>Made | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|------------------------------|---------------------------------|--------------------------------|-------------------------------------|------------------------------|
| 09/30/09                     | 138,554                         | 138,554                        | 100%                                | \$ -                         |
| 09/30/10                     | 130,590                         | 130,590                        | 100%                                | -                            |
| 09/30/11                     | 151,868                         | 151,868                        | 100%                                | -                            |

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

| Valuation Date                                   | 12/31/08                     | 12/31/09                     | 12/31/10 -<br>Restructured   |
|--|------------------------------|------------------------------|------------------------------|
| Actuarial Cost Method                            | Projected Unit Credit        | Projected Unit Credit        | Projected Unit Credit        |
| Amortization Method                              | Level percent<br>of payroll  | Level percent<br>of payroll  | Level percent<br>of payroll  |
| GASB 25 Equivalent Single<br>Amortization Period | 24 years;<br>closed period   | 23 years;<br>closed period   | 21.6 years;<br>closed period |
| Amortization Period for new<br>Gains/Losses      | 25 years                     | 25 years                     | 25 years                     |
| Asset Valuation Method                           | Amortized Cost               | 10-year Smoothed<br>Market   | 10-year Smoothed<br>Market   |
| Actuarial Assumptions:                           |                              |                              |                              |
| Investment Rate of Return*                       | 7.5%                         | 7.5%                         | 7.0%                         |
| Projected Salary Increases *                     | Varies by<br>age and service | Varies by<br>age and service | Varies by<br>age and service |
| * Includes Inflation at                          | 3.0%                         | 3.0%                         | 3.0%                         |
| Cost-of-Living Adjustments                       | 0.0%                         | 0.0%                         | 0.0%                         |

**Funded Status and Funding Progress** – In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

(continued)

#### IV. OTHER INFORMATION (Continued)

##### Retirement Plan (Continued)

##### Contributions (Continued)

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability</u> | <u>Funded<br/>Ratio</u> | <u>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability</u> | <u>Covered<br/>Payroll</u> | <u>Unfunded Actuarial<br/>Accrued Liability<br/>as a Percentage<br/>of Covered Payroll</u> |
|---|--|--|-------------------------|---|----------------------------|--|
| 12/31/2010 <sup>1</sup>                 | \$ 1,631,375                             | \$ 1,997,412                               | 81.7%                   | \$ 366,037  | \$ 1,534,927               | 23.8%  |
| 12/31/2010 <sup>2</sup>                 | 1,863,399                                | 2,197,161                                  | 84.8%                   | 333,762   | 1,534,927                  | 21.7%  |

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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

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

##### Other Postemployment Benefits

##### Supplemental Death Benefits Fund

The Town also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The Town may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### Other Postemployment Benefits (Continued)

###### **Contributions**

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

| <u>Plan/<br/>Calendar<br/>Year</u> | <u>Annual<br/>Required<br/>Contribution<br/>(Rate)</u> | <u>Actual<br/>Contribution<br/>Made<br/>(Rate)</u> | <u>Percentage<br/>of ARC<br/>Contributed</u> |
|------------------------------------|--|--|--|
| 2009                               | 0.00%  | 0.00%  | 100%   |
| 2010                               | 0.00%  | 0.00%  | 100%   |
| 2011                               | 0.00%  | 0.00%  | 100%   |

###### Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Town's general liability, workers' compensation liability, law enforcement liability, errors and omissions liability, and automobile liability coverage is insured by the Texas Municipal League, a public entity risk pool. The Town's only responsibility to the Texas Municipal League is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

###### Contingent Liabilities

###### **Litigation**

The Town and Academy are currently involved in a lawsuit for wrongful termination brought by the former Head of School and his wife, a former teacher. A settlement was reached in November 2011 and is being handled by the Academy's insurance carrier. No additional liability to the Academy is anticipated.

The Town is also involved in a lawsuit to determine the rights of the Town to levy a property tax and its authority to expend collected tax revenues on school operations at the Academy. The Town denies any liability. No additional liability to the Town is anticipated.

Various other claims and lawsuits are pending against the Town. In the opinion of Town management, after consultation with legal counsel, the potential loss on these claims and lawsuits will not materially affect the Town's financial position.

(continued)

#### **IV. OTHER INFORMATION (Continued)**

##### **Contingent Liabilities (Continued)**

##### **Circle T Municipal Utility Districts**

The Town and Hillwood are currently in discussions regarding the debt for Municipal Utility District's (MUDs) #1 and #3 on the Circle T property in Westlake which is controlled by AIL Investments, L.P. As this property develops, Hillwood agreed to de-annex developed property from the MUDS in exchange for pro-rata payments on water and sewer infrastructure installed by the MUD at their inception.

To date, two projects, Chrysler Financial and Deloitte University, have been or are being developed within these MUDs. Discussions regarding the Town's payment to AIL Investments, L.P. in exchange for de-annexation of these two tracks from the Circle T MUDs have taken place but have not come to a conclusion as to the settlement amounts. These discussions are ongoing until the Town receives full documentation that it determines is adequate to support the requested payments. The Town of Westlake holds full rights and privileges under the State granted Certificate of Convenience and Necessity (CCN) and can serve all water and sewer customers within these MUD boundaries regardless of the status of these negotiations.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**TOWN OF WESTLAKE, TEXAS**

**GENERAL FUND**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | General Fund        |                     |                     | Variance<br>Favorable<br>(Unfavorable) |
|--|---------------------|---------------------|---------------------|--|
|  | Budgeted Amounts    |                     | Actual              |  |
|  | Original            | Amended             |                     |  |
| <b>REVENUES</b>  |                     |                     |                     |  |
| Taxes  |                     |                     |                     |  |
| Sales  | \$ 1,250,000        | \$ 1,498,500        | \$ 1,502,020        | \$ 3,520                               |
| Property   | 1,000,430           | 1,327,901           | 1,226,689           | ( 101,212)                             |
| Mixed beverages  | 17,750              | 17,750              | 19,721              | 1,971                                  |
| Franchise  | 612,000             | 583,650             | 586,836             | 3,186                                  |
| Interest income  | 9,235               | 9,520               | 10,679              | 1,159                                  |
| Building permits and fees  | 366,855             | 471,950             | 520,646             | 48,696                                 |
| Fines and penalties  | 550,190             | 598,990             | 605,705             | 6,715                                  |
| Contributions from others  | 11,200              | 175,200             | 180,063             | 4,863                                  |
| Other miscellaneous income   | 70,767              | 71,034              | 91,015              | 19,981                                 |
| Total revenues   | <u>3,888,427</u>    | <u>4,754,495</u>    | <u>4,743,374</u>    | <u>( 11,121)</u>                       |
| <b>EXPENDITURES</b>  |                     |                     |                     |  |
| Current  |                     |                     |                     |  |
| General government and administration                                | 1,939,831           | 2,011,516           | 1,733,324           | 278,192                                |
| Public safety  | 1,869,111           | 1,864,766           | 1,842,751           | 22,015                                 |
| Cultural and recreational  | 153,599             | 158,074             | 122,400             | 35,674                                 |
| Public works   | 400,654             | 415,424             | 324,874             | 90,550                                 |
| Capital Outlay   | 91,324              | 89,070              | 41,037              | 48,033                                 |
| Total expenditures   | <u>4,454,519</u>    | <u>4,538,850</u>    | <u>4,064,386</u>    | <u>474,464</u>                         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>( 566,092)</u>   | <u>215,645</u>      | <u>678,988</u>      | <u>463,343</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                     |                     |  |
| Transfers in   | 461,537             | 2,080,851           | 2,178,403           | 97,552                                 |
| Transfers out  | ( 2,120,758)        | ( 2,689,040)        | ( 2,691,982)        | ( 2,942)                               |
| Notes payable issued   | -                   | -                   | 50,000              | 50,000                                 |
| Sale of assets   | -                   | -                   | 7,000               | 7,000                                  |
| Total other financing sources (uses)                                 | <u>( 1,659,221)</u> | <u>( 608,189)</u>   | <u>( 456,579)</u>   | <u>151,610</u>                         |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u>( 2,225,313)</u> | <u>( 392,544)</u>   | <u>222,409</u>      | <u>614,953</u>                         |
| <b>FUND BALANCE, BEGINNING</b>                                       | <u>3,792,985</u>    | <u>3,792,985</u>    | <u>3,792,985</u>    | <u>-</u>                               |
| <b>FUND BALANCE, ENDING</b>  | <u>\$ 1,567,672</u> | <u>\$ 3,400,441</u> | <u>\$ 4,015,394</u> | <u>\$ 614,953</u>                      |

**TOWN OF WESTLAKE, TEXAS**

**VISITORS ASSOCIATION FUND**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | Budgeted Amounts |              | Actual       | Variance                   |
|--|------------------|--------------|--------------|----------------------------|
|  | Original         | Amended      |              | Favorable<br>(Unfavorable) |
| <b>REVENUES</b>  |                  |              |              |                            |
| Taxes  |                  |              |              |                            |
| Hotel occupancy  | \$ 450,000       | \$ 515,000   | \$ 527,261   | \$ 12,261                  |
| Interest income  | 1,700            | 2,900        | 2,750        | ( 150)                     |
| Other miscellaneous income   | 27,275           | 19,275       | 17,890       | ( 1,385)                   |
| Total revenues   | 478,975          | 537,175      | 547,901      | 10,726                     |
| <b>EXPENDITURES</b>  |                  |              |              |                            |
| Visitors services  | 241,962          | 245,402      | 356,365      | ( 110,963)                 |
| Total expenditures   | 241,962          | 245,402      | 356,365      | ( 110,963)                 |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> |                  |              |              |                            |
|  | 237,013          | 291,773      | 191,536      | ( 100,237)                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                  |              |              |                            |
| Transfers out  | (355,915)        | ( 355,915)   | ( 181,197)   | 174,718                    |
| Total other financing sources (uses)                                 | ( 355,915)       | ( 355,915)   | ( 181,197)   | 174,718                    |
| <b>NET CHANGE IN FUND BALANCE</b>                                    |                  |              |              |                            |
|  | ( 118,902)       | ( 64,142)    | 10,339       | 74,481                     |
| <b>FUND BALANCE, BEGINNING</b>                                       |                  |              |              |                            |
|  | 1,100,941        | 1,100,941    | 1,100,941    | -                          |
| <b>FUND BALANCE, ENDING</b>  |                  |              |              |                            |
|  | \$ 982,039       | \$ 1,036,799 | \$ 1,111,280 | \$ 74,481                  |

**TOWN OF WESTLAKE, TEXAS**

**WESTLAKE ACADEMY**

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

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2011**

|  | Budgeted Amounts |              | Actual       | Variance<br>Favorable<br>(Unfavorable) |
|--|------------------|--------------|--------------|--|
|  | Original         | Amended      |              |  |
| <b>REVENUES</b>  |                  |              |              |  |
| State program revenues   | \$ 3,944,632     | \$ 3,920,137 | \$ 3,945,658 | \$ 25,521                              |
| Federal program revenues   | -                | -            | 157,445      | 157,445                                |
| Interest income  | 2,295            | 1,700        | 2,295        | 595                                    |
| Other miscellaneous income   | 583,086          | 668,267      | 871,911      | 203,644                                |
| Total revenues   | 4,530,013        | 4,590,104    | 4,977,309    | 387,205                                |
| <br><b>EXPENDITURES</b>  |                  |              |              |  |
| Education  | 4,425,054        | 4,610,062    | 4,884,985    | ( 274,923)                             |
| Total expenditures   | 4,425,054        | 4,610,062    | 4,884,985    | ( 274,923)                             |
| <br><b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 104,959          | ( 19,958)    | 92,324       | ( 112,282)                             |
| <br><b>OTHER FINANCING SOURCES (USES)</b>                                |                  |              |              |  |
| Extraordinary item - proceeds from insurance, net                        | -                | -            | 56,704       | ( 56,704)                              |
| Transfers out  | ( 99,272)        | ( 91,354)    | -            | 91,354                                 |
| Total other financing sources (uses)                                     | ( 99,272)        | ( 91,354)    | 56,704       | ( 148,058)                             |
| <br><b>NET CHANGE IN FUND BALANCE</b>                                    | 5,687            | ( 111,312)   | 149,028      | 260,340                                |
| <br><b>FUND BALANCE, BEGINNING</b>                                       | 767,933          | 767,933      | 767,933      | -                                      |
| <br><b>FUND BALANCE, ENDING</b>  | \$ 773,620       | \$ 656,621   | \$ 916,961   | \$ 260,340                             |

**TOWN OF WESTLAKE, TEXAS**

**FM 1938 FUND**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | Budgeted Amounts |         | Actual   | Variance<br>Favorable<br>(Unfavorable) |
|--|------------------|---------|----------|--|
|  | Original         | Amended |          |  |
| <b>REVENUES</b>  |                  |         |          |  |
| Contributions  | \$ -             | \$ -    | \$ -     | \$ -                                   |
| Total revenues   | -                | -       | -        | -                                      |
| <b>EXPENDITURES</b>  |                  |         |          |  |
| Public Works   | -                | -       | 1,875    | ( 1,875)                               |
| Total expenditures   | -                | -       | 1,875    | ( 1,875)                               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | -                | -       | ( 1,875) | ( 1,875)                               |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                  |         |          |  |
| Transfers in   | -                | -       | 1,875    | 1,875                                  |
| Total other financing sources (uses)                                 | -                | -       | 1,875    | 1,875                                  |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | -                | -       | -        | -                                      |
| <b>FUND BALANCE, BEGINNING</b>                                       | -                | -       | -        | -                                      |
| <b>FUND BALANCE, ENDING</b>  | \$ -             | \$ -    | \$ -     | \$ -                                   |

**TOWN OF WESTLAKE, TEXAS**

**PROPERTY TAX REDUCTION FUND**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | Budgeted Amounts      |                      | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|--|-----------------------|----------------------|----------------------|--|
|  | Original              | Amended              |                      |  |
| <b>REVENUES</b>  |                       |                      |                      |  |
| Taxes  |                       |                      |                      |  |
| Sales  | \$ 812,500            | \$ 1,049,250         | \$ 1,218,487         | \$ 169,237                             |
| Interest income  | <u>5,800</u>          | <u>5,799</u>         | <u>2,682</u>         | ( 3,117)                               |
| Total revenues   | <u>818,300</u>        | <u>1,055,049</u>     | <u>1,221,169</u>     | <u>166,120</u>                         |
| <br><b>EXPENDITURES</b>  |                       |                      |                      |  |
| Debt service   |                       |                      |                      |  |
| Interest and other fiscal charges  | <u>-</u>              | <u>109,757</u>       | <u>109,757</u>       | <u>-</u>                               |
| Total expenditures   | <u>-</u>              | <u>109,757</u>       | <u>109,757</u>       | <u>-</u>                               |
| <br><b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <br><u>818,300</u>    | <br><u>945,292</u>   | <br><u>1,111,412</u> | <br><u>166,120</u>                     |
| <br><b>OTHER FINANCING SOURCES (USES)</b>                                |                       |                      |                      |  |
| Transfers in   | -                     | 8,770                | -                    | ( 8,770)                               |
| Transfers out  | ( 1,736,377)          | ( 2,523,813)         | ( 2,681,163)         | ( 157,350)                             |
| Total other financing sources (uses)                                     | <u>( 1,736,377)</u>   | <u>( 2,515,043)</u>  | <u>( 2,681,163)</u>  | <u>( 166,120)</u>                      |
| <br><b>NET CHANGE IN FUND BALANCE</b>                                    | <br>( 918,077)        | <br>( 1,569,751)     | <br>( 1,569,751)     | <br>-                                  |
| <br><b>FUND BALANCE, BEGINNING</b>                                       | <br><u>1,569,751</u>  | <br><u>1,569,751</u> | <br><u>1,569,751</u> | <br><u>-</u>                           |
| <br><b>FUND BALANCE, ENDING</b>  | <br><u>\$ 651,674</u> | <br><u>\$ -</u>      | <br><u>\$ -</u>      | <br><u>\$ -</u>                        |

**TOWN OF WESTLAKE, TEXAS**

**VEHICLE/EQUIPMENT REPLACEMENT FUND**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | Budgeted Amounts |           | Actual     | Variance                   |
|--|------------------|-----------|------------|----------------------------|
|  | Original         | Amended   |            | Favorable<br>(Unfavorable) |
| <b>REVENUES</b>  |                  |           |            |                            |
| Interest income  | \$ -             | \$ 200    | \$ 171     | \$( 29)                    |
| Building permits and fees  | -                | 10,000    | 10,000     | -                          |
| Total revenues   | -                | 10,200    | 10,171     | ( 29)                      |
| <b>EXPENDITURES</b>  |                  |           |            |                            |
| Capital Outlay   | 81,788           | 66,292    | 17,035     | 49,257                     |
| Total expenditures   | 81,788           | 66,292    | 17,035     | 49,257                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | ( 81,788)        | ( 56,092) | ( 6,864)   | 49,228                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                  |           |            |                            |
| Transfers in   | 10,000           | 76,407    | 78,982     | 2,575                      |
| Transfers out  | -                | (77,571)  | ( 129,374) | ( 51,803)                  |
| Total other financing sources (uses)                                 | 10,000           | ( 1,164)  | ( 50,392)  | ( 49,228)                  |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | ( 71,788)        | ( 57,256) | ( 57,256)  | -                          |
| <b>FUND BALANCE, BEGINNING</b>                                       | 57,256           | 57,256    | 57,256     | -                          |
| <b>FUND BALANCE, ENDING</b>  | \$( 14,532)      | \$ -      | \$ -       | \$ -                       |

**TOWN OF WESTLAKE, TEXAS**

**ECONOMIC DEVELOPMENT FUND**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | Budgeted Amounts |            | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|--|------------------|------------|------------|--|
|  | Original         | Amended    |            |  |
| <b>REVENUES</b>  |                  |            |            |  |
| Taxes  |                  |            |            |  |
| Sales  | \$ 375,000       | \$ 545,000 | \$ 670,633 | \$ 125,633                             |
| Interest income  | -                | 10         | 153        | 143                                    |
| Total revenues   | 375,000          | 545,010    | 670,786    | 125,776                                |
| <br><b>EXPENDITURES</b>  |                  |            |            |  |
| Economic Development   | 410,758          | 580,768    | 706,391    | ( 125,623)                             |
| Total expenditures   | 410,758          | 580,768    | 706,391    | ( 125,623)                             |
| <br><b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | ( 35,758)        | ( 35,758)  | ( 35,605)  | 153                                    |
| <br><b>OTHER FINANCING SOURCES (USES)</b>                                |                  |            |            |  |
| Transfers in   | 35,758           | 35,758     | 35,605     | ( 153)                                 |
| Total other financing sources (uses)                                     | 35,758           | 35,758     | 35,605     | ( 153)                                 |
| <br><b>NET CHANGE IN FUND BALANCE</b>                                    | -                | -          | -          | -                                      |
| <br><b>FUND BALANCE, BEGINNING</b>                                       | -                | -          | -          | -                                      |
| <br><b>FUND BALANCE, ENDING</b>  | \$ -             | \$ -       | \$ -       | \$ -                                   |

**TOWN OF WESTLAKE, TEXAS**

**LONE STAR PUBLIC FACILITY CORPORATION**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | Budgeted Amounts |           | Actual    | Variance                   |
|--|------------------|-----------|-----------|----------------------------|
|  | Original         | Amended   |           | Favorable<br>(Unfavorable) |
| <b>REVENUES</b>  |                  |           |           |                            |
| Interest income  | \$ 100           | \$ 30     | \$ 35     | \$ 5                       |
| Total revenues   | 100              | 30        | 35        | 5                          |
| <b>EXPENDITURES</b>  |                  |           |           |                            |
| General government   | -                | -         | -         | -                          |
| Total expenditures   | -                | -         | -         | -                          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 100              | 30        | 35        | 5                          |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                  |           |           |                            |
| Transfers out  | -                | -         | ( 102)    | ( 102)                     |
| Total other financing sources (uses)                                 | -                | -         | ( 102)    | ( 102)                     |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | 100              | 30        | ( 67)     | ( 97)                      |
| <b>FUND BALANCE, BEGINNING</b>                                       | 13,598           | 13,598    | 13,598    | -                          |
| <b>FUND BALANCE, ENDING</b>  | \$ 13,698        | \$ 13,628 | \$ 13,531 | \$( 97)                    |

**TOWN OF WESTLAKE, TEXAS**

**4B ECONOMIC DEVELOPMENT CORPORATION**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | Budgeted Amounts |              | Actual       | Variance<br>Favorable<br>(Unfavorable) |
|--|------------------|--------------|--------------|--|
|  | Original         | Amended      |              |  |
| <b>REVENUES</b>  |                  |              |              |  |
| Taxes  |                  |              |              |  |
| Sales  | \$ 812,500       | \$ 1,049,250 | \$ 1,218,486 | \$ 169,236                             |
| Interest income  | -                | 500          | 397          | ( 103)                                 |
| Total revenues   | 812,500          | 1,049,750    | 1,218,883    | 169,133                                |
| <b>EXPENDITURES</b>  |                  |              |              |  |
| General government   | -                | -            | -            | -                                      |
| Total expenditures   | -                | -            | -            | -                                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | 812,500          | 1,049,750    | 1,218,883    | 169,133                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                  |              |              |  |
| Transfers out  | ( 842,231)       | ( 1,028,962) | ( 1,248,614) | ( 219,652)                             |
| Total other financing sources (uses)                                 | ( 842,231)       | ( 1,028,962) | ( 1,248,614) | ( 219,652)                             |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | ( 29,731)        | 20,788       | ( 29,731)    | ( 50,519)                              |
| <b>FUND BALANCE, BEGINNING</b>                                       | 297,308          | 297,308      | 297,308      | -                                      |
| <b>FUND BALANCE, ENDING</b>  | \$ 267,577       | \$ 318,096   | \$ 267,577   | \$( 50,519)                            |

**TOWN OF WESTLAKE, TEXAS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**  
**(unaudited)**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability | Funded<br>Ratio | Unfunded<br>Actuarial<br>Accrued<br>Liability | Covered<br>Payroll | Unfunded Actuarial<br>Accrued Liability<br>as a Percentage<br>of Covered Payroll |
|--------------------------------|---------------------------------|-----------------------------------|-----------------|---|--------------------|--|
| 12/31/2008                     | \$ 1,052,148                    | \$ 1,445,196                      | 72.80%          | \$ 393,048                                    | \$ 1,536,837       | 25.58%   |
| 12/31/2009                     | 1,337,183                       | 1,810,429                         | 73.86%          | 473,246                                       | 1,658,452          | 28.54%   |
| 12/31/2010 <sup>1</sup>        | 1,631,375                       | 1,997,412                         | 81.67%          | 366,037                                       | 1,534,927          | 23.85%   |
| 12/31/2010 <sup>2</sup>        | 1,863,399                       | 2,197,161                         | 84.81%          | 333,762                                       | 1,534,927          | 21.74%   |

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

TOWN OF WESTLAKE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

(Unaudited)

BUDGETARY INFORMATION - The Town follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The Town Manager submits to the Town Council a proposed budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them.
2. Prior to October 1, the budget is legally adopted through passage of an ordinance. This budget is reported as the Original Budget in the budgetary comparison schedules.
3. During the fiscal year, changes to the adopted budget may be authorized, as follows:
  - a) Items requiring Town Council action - appropriation of fund balance reserves; transfers of appropriations between funds; new inter-fund loans or advances; and creation of new capital projects or increases to existing capital projects.
  - b) Items delegated to the Town Manager – appropriation balances from an expenditure account to another within a single fund
4. Annual budgets are legally adopted and amended as required for the general, special revenue and debt service funds. Project length budgets are adopted for the capital projects funds. All budgets are adopted on a basis consistent with generally accepting accounting principles. Budgets are adopted for the proprietary funds annually only as a management tool. There are no legally mandated budgetary constraints for the proprietary funds.
5. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.
6. The appropriated budget is prepared by fund, function and department. The Town's management may make transfers of appropriations within a fund. Transfers of appropriations between funds require the approval of the Town Council. The legal level of budgetary control is the fund level. The Town Council made several supplementary budget appropriations during the year.
7. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of resources are recoded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.
8. Expenditures exceeded appropriations in the Visitors Association Fund, Westlake Academy, FM 1938 Fund and Economic Development Fund for the year. These deficits were covered by additional collections of revenue, unspent budget in other functions and available fund balance. In addition, transfers out exceeded appropriations in the General Fund, Property Tax Reduction Fund, Vehicle/Equipment Replacement Fund, Lone Star Public Facility Corporation and 4B Economic Development Corporation Fund. These excesses were covered by unspent budget in other functions and available fund balances.

# **INDIVIDUAL FUND SCHEDULE**

**TOWN OF WESTLAKE, TEXAS**

**DEBT SERVICE FUND**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

|  | <u>Final Budgeted<br/>Amounts</u> | <u>Actual</u>       | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-----------------------------------|---------------------|---|
| <b>REVENUES</b>  |                                   |                     |   |
| Taxes  |                                   |                     |   |
| Property   | \$ 32,803                         | \$ 30,557           | \$( 2,246)                                      |
| Contributions  | <u>25</u>                         | <u>29</u>           | <u>4</u>  |
| Total revenues   | <u>32,828</u>                     | <u>30,586</u>       | <u>( 2,242)</u>                                 |
| <b>EXPENDITURES</b>  |                                   |                     |   |
| Debt service   |                                   |                     |   |
| Principal retirement   | 555,000                           | 555,000             | -   |
| Interest and other fiscal charges                                    | <u>975,744</u>                    | <u>973,620</u>      | <u>2,124</u>                                    |
| Total expenditures   | <u>1,530,744</u>                  | <u>1,528,620</u>    | <u>2,124</u>                                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>( 1,497,916)</u>               | <u>( 1,498,034)</u> | <u>( 118)</u>                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                                   |                     |   |
| Transfers in   | <u>1,497,916</u>                  | <u>1,505,539</u>    | <u>7,623</u>                                    |
| Total other financing sources (uses)                                 | <u>1,497,916</u>                  | <u>1,505,539</u>    | <u>7,623</u>                                    |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | -                                 | 7,505               | 7,505   |
| <b>FUND BALANCE, BEGINNING</b>                                       | <u>-</u>                          | <u>-</u>            | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>  | <u>\$ -</u>                       | <u>\$ 7,505</u>     | <u>\$ 7,505</u>                                 |

# **STATISTICAL SECTION**

**STATISTICAL SECTION**  
**(Unaudited)**

This part of the Town of Westlake, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Town's overall financial health.

| <b>Contents</b>  | <b>Page</b> |
|--|-------------|
| <b>Financial Trends</b><br><i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>  | 84 - 89     |
| <b>Revenue Capacity</b><br><i>These schedules contains information to help the reader assess the Town's most significant local revenue sources. Although sales taxes are the Town's most significant local revenue source, information about principal revenue payers is confidential under Texas statutes, and; therefore, not disclosed. Trend information about sales tax revenue is provided in Table 9.</i> | 90 - 94     |
| <b>Debt Capacity</b><br><i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>   | 95 - 97     |
| <b>Demographic and Economic Information</b><br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>   | 98 - 99     |
| <b>Operating Information</b><br><i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</i>  | 100 - 102   |

Sources: Unless otherwise noted, the information in these schedules is derived from annual financial reports for the relevant year.

## TOWN OF WESTLAKE, TEXAS

## NET ASSETS BY COMPONENT

## LAST EIGHT FISCAL YEARS

*(Accrual Basis of Accounting - unaudited)*

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 |
| Governmental activities:                        |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 9,084,603         | \$ 7,975,910         | \$ 9,171,657         | \$ 9,646,644         | \$ 10,313,743        | \$ 13,244,690        | \$ 13,633,485        | \$ 12,658,921        |
| Restricted                                      | 124,185              | -                    | 1,406,756            | 1,719,771            | 2,004,763            | 1,761,067            | 1,564,868            | 7,137,362            |
| Unrestricted                                    | <u>1,246,351</u>     | <u>1,557,394</u>     | <u>3,023,875</u>     | <u>3,305,542</u>     | <u>3,835,751</u>     | <u>4,122,185</u>     | <u>5,866,046</u>     | <u>3,448,100</u>     |
| Total governmental activities net assets        | <u>\$ 10,455,139</u> | <u>\$ 9,533,304</u>  | <u>\$ 13,602,288</u> | <u>\$ 14,671,957</u> | <u>\$ 16,154,257</u> | <u>\$ 19,127,942</u> | <u>\$ 21,064,399</u> | <u>\$ 23,244,383</u> |
| Business-type activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 8,118,139         | \$ 8,450,781         | \$ 8,436,729         | \$ 8,097,807         | \$ 7,726,576         | \$ 7,349,032         | \$ 7,033,831         | \$ 6,875,031         |
| Unrestricted                                    | ( 1,462,451)         | ( 1,621,273)         | ( 1,846,851)         | ( 2,008,243)         | ( 1,997,281)         | ( 1,945,578)         | ( 2,003,600)         | ( 1,542,092)         |
| Total business-type activities net assets       | <u>\$ 6,655,688</u>  | <u>\$ 6,829,508</u>  | <u>\$ 6,589,878</u>  | <u>\$ 6,089,564</u>  | <u>\$ 5,729,295</u>  | <u>\$ 5,403,454</u>  | <u>\$ 5,030,231</u>  | <u>\$ 5,332,939</u>  |
| Primary government:                             |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 17,202,742        | \$ 16,426,691        | \$ 17,608,386        | \$ 17,744,451        | \$ 18,040,319        | \$ 20,593,722        | \$ 20,667,316        | \$ 19,533,952        |
| Restricted                                      | 124,185              | -                    | 1,406,756            | 1,719,771            | 2,004,763            | 1,761,067            | 1,564,868            | 7,137,362            |
| Unrestricted                                    | ( 216,100)           | ( 63,879)            | 1,177,024            | 1,297,299            | 1,838,470            | 2,176,607            | 3,862,446            | 1,906,008            |
| Total primary government net assets             | <u>\$ 17,110,827</u> | <u>\$ 16,362,812</u> | <u>\$ 20,192,166</u> | <u>\$ 20,761,521</u> | <u>\$ 21,883,552</u> | <u>\$ 24,531,396</u> | <u>\$ 26,094,630</u> | <u>\$ 28,577,322</u> |

Note: The Town of Westlake applied GASB Statement 34 in fiscal year ended 9/30/2004; government-wide financial information for years prior is not available.

Source: Annual financial reports

Table 2

**TOWN OF WESTLAKE, TEXAS**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
*(Accrual basis of accounting - Unaudited)*

|  | Fiscal Year         |                      |                      |                      |                      |                      |                      |                      |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2004                | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 |
| <b>EXPENSES</b>                                |                     |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                       |                     |                      |                      |                      |                      |                      |                      |                      |
| General government                             | \$ 1,862,863        | \$ 2,162,365         | \$ 1,811,281         | \$ 1,941,289         | \$ 2,031,460         | \$ 2,203,882         | \$ 2,272,127         | \$ 2,478,826         |
| Public Safety                                  | 1,604,171           | 1,592,962            | 1,705,528            | 1,738,080            | 1,795,782            | 1,939,441            | 1,698,164            | 1,801,585            |
| Cultural and Recreational                      | 84,557              | 96,617               | 91,444               | 86,560               | 129,641              | 115,770              | 105,997              | 122,400              |
| Economic Development                           | 53,006              | 349,208              | 35,759               | 120,753              | 473,451              | 207,044              | 309,653              | 680,823              |
| Public Works                                   | 533,290             | 342,500              | 613,956              | 455,481              | 1,013,804            | 1,028,934            | 594,705              | 470,054              |
| Visitor Services                               | 172,542             | 448,604              | 393,115              | 217,992              | 312,777              | 341,270              | 420,270              | 356,365              |
| Education                                      | 1,655,212           | 2,166,256            | 2,249,998            | 2,672,698            | 3,305,220            | 3,722,705            | 4,138,875            | 4,884,985            |
| Interest on long-term debt                     | 1,012,982           | 1,028,104            | 1,021,779            | 869,327              | 991,184              | 1,068,935            | 1,026,026            | 1,127,913            |
| Total governmental activities expenses         | <u>6,978,623</u>    | <u>8,186,616</u>     | <u>7,922,860</u>     | <u>8,102,180</u>     | <u>10,053,319</u>    | <u>10,627,981</u>    | <u>10,565,817</u>    | <u>11,922,951</u>    |
| Business-type activities:                      |                     |                      |                      |                      |                      |                      |                      |                      |
| Water and Sewer                                | 1,702,081           | 1,888,064            | 2,137,831            | 2,206,618            | 2,410,765            | 2,694,407            | 2,567,675            | 2,794,235            |
| Cemetery                                       | -                   | -                    | -                    | -                    | 13,299               | 473                  | 27,822               | 5,604                |
| Total business-type activities expenses        | <u>1,702,081</u>    | <u>1,888,064</u>     | <u>2,137,831</u>     | <u>2,206,618</u>     | <u>2,424,064</u>     | <u>2,694,880</u>     | <u>2,595,497</u>     | <u>2,799,839</u>     |
| Total primary government program expenses      | <u>\$ 8,680,704</u> | <u>\$ 10,074,680</u> | <u>\$ 10,060,691</u> | <u>\$ 10,308,798</u> | <u>\$ 12,477,383</u> | <u>\$ 13,322,861</u> | <u>\$ 13,161,314</u> | <u>\$ 14,722,790</u> |
| <b>PROGRAM REVENUES</b>                        |                     |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                       |                     |                      |                      |                      |                      |                      |                      |                      |
| Fees, fines, and charges for services:         |                     |                      |                      |                      |                      |                      |                      |                      |
| General Government                             | \$ 713,000          | \$ 1,039,214         | \$ 742,176           | \$ 785,771           | \$ 522,215           | \$ 677,948           | \$ 716,624           | \$ 721,157           |
| Public Safety                                  | 20,752              | 45,213               | 136,870              | 165,255              | 113,755              | 107,634              | 80,665               | 140,600              |
| Public Works                                   | 784,546             | 711,655              | 699,753              | 625,340              | 902,875              | 594,338              | 1,597,655            | 292,572              |
| Education                                      | 38,947              | 39,430               | 98,357               | 85,925               | 42,839               | 98,314               | 102,406              | 99,638               |
| Operating grants and contributions             | 1,605,091           | 1,646,438            | 3,686,964            | 1,257,058            | 1,296,378            | 1,522,935            | 853,151              | 728,242              |
| Capital grants and contributions               | 263,941             | 141,139              | 1,455,626            | -                    | -                    | 2,059,624            | 83,250               | 425,900              |
| Total governmental activities program revenue  | <u>3,426,277</u>    | <u>3,623,089</u>     | <u>6,819,746</u>     | <u>2,919,349</u>     | <u>2,878,062</u>     | <u>5,060,793</u>     | <u>3,433,751</u>     | <u>2,408,109</u>     |
| Business-type activities:                      |                     |                      |                      |                      |                      |                      |                      |                      |
| Charges for services:                          |                     |                      |                      |                      |                      |                      |                      |                      |
| Water and Sewer                                | 1,200,660           | 1,722,659            | 1,842,238            | 1,657,186            | 2,037,306            | 2,345,236            | 2,101,510            | 3,078,868            |
| Cemetery                                       | -                   | -                    | -                    | -                    | 2,100                | -                    | 5,550                | 13,300               |
| Operating grants and contributions             | -                   | 370,551              | 19,653               | -                    | -                    | -                    | 46,810               | -                    |
| Capital grants and contributions               | -                   | -                    | -                    | -                    | 169,034              | -                    | -                    | -                    |
| Total business-type activities program revenue | <u>1,200,660</u>    | <u>2,093,210</u>     | <u>1,861,891</u>     | <u>1,657,186</u>     | <u>2,208,440</u>     | <u>2,345,236</u>     | <u>2,153,870</u>     | <u>3,092,168</u>     |
| Total primary government program revenues      | <u>\$ 4,626,937</u> | <u>\$ 5,716,299</u>  | <u>\$ 8,681,637</u>  | <u>\$ 4,576,535</u>  | <u>\$ 5,086,502</u>  | <u>\$ 7,406,029</u>  | <u>\$ 5,587,621</u>  | <u>\$ 5,500,277</u>  |

(Continued)

Table 2

**TOWN OF WESTLAKE, TEXAS**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS**  
*(Accrual basis of accounting - Unaudited)*

|   | Fiscal Year           |                     |                     |                     |                     |                     |                     |                     |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2004                  | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                |
| <b>NET (EXPENSE) REVENUES</b>                     |                       |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities                           | \$( 3,552,346)        | \$( 4,563,527)      | \$( 1,103,114)      | \$( 5,182,831)      | \$( 7,175,257)      | \$( 5,567,188)      | \$( 7,132,066)      | \$( 9,514,842)      |
| Business-type activities                          | ( 501,421)            | 205,146             | ( 275,940)          | ( 549,432)          | ( 215,624)          | ( 349,644)          | ( 441,627)          | 292,329             |
| Total primary government net expense              | <u>( 4,053,767)</u>   | <u>( 4,358,381)</u> | <u>( 1,379,054)</u> | <u>( 5,732,263)</u> | <u>( 7,390,881)</u> | <u>( 5,916,832)</u> | <u>( 7,573,693)</u> | <u>( 9,222,513)</u> |
| <b>GENERAL REVENUES AND OTHER</b>                 |                       |                     |                     |                     |                     |                     |                     |                     |
| <b>CHANGES IN NET ASSETS</b>                      |                       |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:                          |                       |                     |                     |                     |                     |                     |                     |                     |
| Taxes   |                       |                     |                     |                     |                     |                     |                     |                     |
| Sales   | \$ 868,046            | \$ 994,606          | \$ 1,810,706        | \$ 2,197,756        | \$ 3,590,575        | \$ 3,664,409        | \$ 3,790,533        | \$ 4,609,626        |
| Property  | -                     | -                   | -                   | -                   | -                   | -                   | -                   | 1,260,112           |
| Hotel Occupancy                                   | 440,849               | 381,221             | 415,544             | 458,471             | 527,662             | 497,769             | 457,693             | 527,261             |
| Mixed Beverage                                    | 10,511                | 13,846              | 13,674              | 14,066              | 16,177              | 17,869              | 17,902              | 19,721              |
| Franchise   | 337,222               | 352,115             | 457,004             | 560,312             | 649,108             | 624,401             | 603,233             | 586,836             |
| Unrestricted grants and contributions             | 937,187               | 1,722,198           | 1,822,200           | 2,259,643           | 2,500,817           | 2,960,590           | 3,484,141           | 3,744,757           |
| Investment earnings                               | 33,180                | 41,802              | 98,824              | 261,622             | 188,459             | 61,224              | 38,383              | 46,248              |
| Miscellaneous                                     | 134,717               | 64,047              | 448,827             | 466,654             | 564,973             | 568,782             | 676,638             | 691,345             |
| Transfers   | -                     | 71,857              | 45,319              | 33,976              | 220,819             | 61,321              | -                   | 145,216             |
| Extraordinary item - proceeds from insurance, net | -                     | -                   | -                   | -                   | -                   | -                   | -                   | 56,704              |
| Gain on sale of capital assets                    | -                     | -                   | -                   | -                   | -                   | -                   | -                   | 7,000               |
| Total governmental activities                     | <u>2,761,712</u>      | <u>3,641,692</u>    | <u>5,112,098</u>    | <u>6,252,500</u>    | <u>8,258,590</u>    | <u>8,456,365</u>    | <u>9,068,523</u>    | <u>11,694,826</u>   |
| Business-type activities:                         |                       |                     |                     |                     |                     |                     |                     |                     |
| Unrestricted grants                               |                       |                     |                     |                     |                     |                     |                     | 9,929               |
| Investment earnings                               | 3,245                 | 2,416               | 25,604              | 46,158              | 32,103              | 7,858               | 8,334               | 145,666             |
| Miscellaneous                                     | -                     | -                   | 56,025              | 36,936              | 44,071              | 77,266              | 60,070              | ( 145,216)          |
| Transfers   | -                     | ( 71,857)           | ( 45,319)           | ( 33,976)           | ( 220,819)          | ( 61,321)           | -                   | -                   |
| Total business-type activities                    | <u>3,245</u>          | <u>( 69,441)</u>    | <u>36,310</u>       | <u>49,118</u>       | <u>( 144,645)</u>   | <u>23,803</u>       | <u>68,404</u>       | <u>10,379</u>       |
| Total primary government                          | <u>2,764,957</u>      | <u>3,572,251</u>    | <u>5,148,408</u>    | <u>6,301,618</u>    | <u>8,113,945</u>    | <u>8,480,168</u>    | <u>9,136,927</u>    | <u>11,705,205</u>   |
| <b>CHANGE IN NET ASSETS</b>                       |                       |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities                           | ( 790,634)            | ( 921,835)          | 4,008,984           | 1,069,669           | 1,083,333           | 2,889,177           | 1,936,457           | 2,179,984           |
| Business-type activities                          | ( 498,176)            | 135,705             | ( 239,630)          | ( 500,314)          | ( 360,269)          | ( 325,841)          | ( 373,223)          | 302,708             |
| Total primary government                          | <u>\$( 1,288,810)</u> | <u>\$( 786,130)</u> | <u>\$ 3,769,354</u> | <u>\$ 569,355</u>   | <u>\$ 723,064</u>   | <u>\$ 2,563,336</u> | <u>\$ 1,563,234</u> | <u>\$ 2,482,692</u> |

Note: The Town of Westlake applied GASB Statement 34 in fiscal year ended 9/30/2004; government-wide financial information for years prior is not available.

Source: Annual financial reports

(Concluded)

## TOWN OF WESTLAKE, TEXAS

FUND BALANCES  
GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

*(Modified Accrual Basis of Accounting - unaudited)*

|                                    | Fiscal Year          |                     |                     |                   |                     |                     |                     |                     |                     |                     |
|------------------------------------|----------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | 2002                 | 2003                | 2004                | 2005              | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                |
| General fund                       |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Reserved                           | \$ -                 | \$ -                | \$ 329,608          | \$ 131,657        | \$ 434,375          | \$ 563,176          | \$ 303,639          | \$ 193,105          | \$ 214,750          | \$ -                |
| Unreserved                         | 1,700,025            | 1,608,248           | 670,465             | 805,769           | 2,850,789           | 2,533,123           | 2,503,099           | 2,532,207           | 3,578,235           | -                   |
| Nonspendable:                      |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Prepaid items                      | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 62,020              |
| Restricted for:                    |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Future projects                    | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 219,687             |
| Committed for:                     |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Court security and technology      | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 186,776             |
| Assigned for:                      |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Future equipment                   | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 22,000              |
| Unassigned                         | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 3,524,911           |
| Total general fund                 | <u>\$ 1,700,025</u>  | <u>\$ 1,608,248</u> | <u>\$ 1,000,073</u> | <u>\$ 937,426</u> | <u>\$ 3,285,164</u> | <u>\$ 3,096,299</u> | <u>\$ 2,806,738</u> | <u>\$ 2,725,312</u> | <u>\$ 3,792,985</u> | <u>\$ 4,015,394</u> |
| All other governmental funds       |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Reserved                           |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Special revenue funds              | \$ 5,287,758         | \$ 539,019          | \$ 818,525          | \$ 779,244        | \$ 869,694          | \$ 1,183,020        | \$ 1,527,724        | \$ 1,256,954        | \$ 1,112,941        | \$ -                |
| Unreserved, reported in:           |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Special revenue funds              | -                    | -                   | 12,391              | 181,960           | 427,720             | 846,214             | 1,666,371           | 1,933,564           | 2,693,846           | -                   |
| Nonspendable:                      |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Prepaid items                      | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 33,511              |
| Restricted for:                    |                      |                     |                     |                   |                     |                     |                     |                     |                     |                     |
| Tourism                            | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 1,109,365           |
| Debt service                       | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 7,505               |
| Education                          | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 885,365             |
| Economic development               | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 267,577             |
| Future projects                    | -                    | -                   | -                   | -                 | -                   | -                   | -                   | -                   | -                   | 4,647,863           |
| Capital projects funds             | <u>11,071,320</u>    | <u>2,748,579</u>    | <u>213,297</u>      | <u>-</u>          | <u>102,687</u>      | <u>102,376</u>      | <u>3,233,471</u>    | <u>323,009</u>      | <u>237,177</u>      | <u>-</u>            |
| Total all other governmental funds | <u>\$ 16,359,078</u> | <u>\$ 3,287,598</u> | <u>\$ 1,044,213</u> | <u>\$ 961,204</u> | <u>\$ 1,400,101</u> | <u>\$ 2,131,610</u> | <u>\$ 6,427,566</u> | <u>\$ 3,513,527</u> | <u>\$ 4,043,964</u> | <u>\$ 6,951,186</u> |

Note: Economic Development Funds were classified as special revenue funds through FY 2002 and considered discretely presented component units through FY 2007. Upon further consideration, the 4B Economic Development Corporation and Lone Star Public Facility Corporation funds are now classified as blended component units.

Source: Annual financial reports

**TOWN OF WESTLAKE, TEXAS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting - unaudited)**

|                             | Fiscal Year            |                         |                        |                      |                     |                   |                   |                        |                     |                   |
|-----------------------------|------------------------|-------------------------|------------------------|----------------------|---------------------|-------------------|-------------------|------------------------|---------------------|-------------------|
|                             | 2002                   | 2003                    | 2004                   | 2005                 | 2006                | 2007              | 2008              | 2009                   | 2010                | 2011              |
| <b>REVENUES</b>             |                        |                         |                        |                      |                     |                   |                   |                        |                     |                   |
| Taxes                       | \$ 1,863,255           | \$ 1,874,312            | \$ 1,656,628           | \$ 1,741,788         | \$ 2,696,928        | \$ 3,230,605      | \$ 4,783,522      | \$ 4,804,448           | \$ 4,869,361        | \$ 7,000,690      |
| Licenses, fees and permits  | 253,919                | 508,154                 | 802,060                | 740,027              | 748,016             | 900,121           | 1,108,083         | 860,697                | 1,746,954           | 530,646           |
| Fines and penalties         | 401,755                | 548,375                 | 680,794                | 1,007,142            | 751,036             | 651,090           | 554,376           | 523,515                | 647,170             | 605,705           |
| State program revenues      | -                      | 53,309                  | 995,784                | 1,597,362            | 1,925,043           | 2,387,733         | 2,673,680         | 3,163,129              | 3,687,706           | 3,945,658         |
| Federal program revenues    | -                      | 311,298                 | 462,315                | 285,392              | 75,662              | 49,200            | 75,207            | 56,134                 | 199,436             | 157,445           |
| Investment earnings         | 351,243                | 151,591                 | 33,180                 | 41,786               | 98,824              | 261,622           | 188,459           | 61,224                 | 38,383              | 46,248            |
| Contributions               | -                      | -                       | 1,286,611              | 1,324,264            | 4,964,085           | 1,079,768         | 1,048,308         | 1,264,262              | 533,400             | 180,063           |
| Other revenues              | 233,675                | 16,099                  | 184,221                | 292,690              | 547,184             | 552,579           | 607,812           | 673,400                | 779,044             | 980,816           |
| Total revenues              | <u>3,103,847</u>       | <u>3,463,138</u>        | <u>6,101,593</u>       | <u>7,030,451</u>     | <u>11,806,778</u>   | <u>9,112,718</u>  | <u>11,039,447</u> | <u>11,406,809</u>      | <u>12,501,454</u>   | <u>13,447,271</u> |
| <b>EXPENDITURES</b>         |                        |                         |                        |                      |                     |                   |                   |                        |                     |                   |
| General government          | 1,592,597              | 1,087,368               | 1,725,211              | 2,243,162            | 2,542,295           | 1,385,492         | 1,516,346         | 1,519,600              | 1,644,587           | 1,733,324         |
| Public safety               | 1,007,589              | 1,282,112               | 1,547,857              | 1,554,115            | 1,627,641           | 1,665,879         | 1,731,317         | 1,890,469              | 1,634,936           | 1,842,751         |
| Cultural and recreational   | 10,472                 | 14,043                  | 9,099                  | 96,617               | 91,444              | 86,560            | 129,641           | 115,770                | 105,997             | 122,400           |
| Public works                | -                      | 68,979                  | 125,499                | 112,764              | 434,716             | 276,789           | 846,604           | 841,822                | 333,831             | 326,749           |
| Economic development        | 1,093,673              | 56,832                  | 53,006                 | 35,758               | 35,759              | 141,197           | 495,071           | 229,907                | 401,879             | 706,391           |
| Protective inspection       | -                      | 187,922                 | 80,935                 | -                    | -                   | -                 | -                 | -                      | -                   | -                 |
| Visitor services            | -                      | 131,395                 | 172,542                | 448,604              | 393,115             | 226,992           | 312,777           | 341,270                | 420,270             | 356,365           |
| Education                   | -                      | 156,870                 | 1,368,113              | 1,877,398            | 2,249,998           | 2,672,698         | 3,305,220         | 3,722,705              | 4,138,875           | 4,884,985         |
| Debt service                |                        |                         |                        |                      |                     |                   |                   |                        |                     |                   |
| Principal                   | -                      | 1,475,400               | -                      | -                    | 350,000             | 470,000           | 395,000           | 593,937                | 563,703             | 555,000           |
| Interest                    | 78,012                 | 836,533                 | 986,534                | 1,028,104            | 1,028,634           | 1,240,950         | 923,944           | 990,641                | 977,163             | 1,083,377         |
| Bond issuance cost          | -                      | -                       | -                      | -                    | -                   | -                 | 33,000            | -                      | -                   | 36,446            |
| Capital outlay              | <u>1,344,137</u>       | <u>14,096,533</u>       | <u>2,917,185</u>       | <u>263,681</u>       | <u>371,860</u>      | <u>836,787</u>    | <u>463,918</u>    | <u>4,335,114</u>       | <u>682,103</u>      | <u>1,023,772</u>  |
| Total expenditures          | <u>5,126,480</u>       | <u>19,393,987</u>       | <u>8,985,981</u>       | <u>7,660,203</u>     | <u>9,125,462</u>    | <u>9,003,344</u>  | <u>10,152,838</u> | <u>14,581,235</u>      | <u>10,903,344</u>   | <u>12,671,560</u> |
| <b>EXCESS (DEFICIENCY)</b>  |                        |                         |                        |                      |                     |                   |                   |                        |                     |                   |
| <b>OF REVENUES OVER</b>     |                        |                         |                        |                      |                     |                   |                   |                        |                     |                   |
| <b>(UNDER) EXPENDITURES</b> | <u>\$ ( 2,022,633)</u> | <u>\$ ( 15,930,849)</u> | <u>\$ ( 2,884,388)</u> | <u>\$ ( 629,752)</u> | <u>\$ 2,681,316</u> | <u>\$ 109,374</u> | <u>\$ 886,609</u> | <u>\$ ( 3,174,426)</u> | <u>\$ 1,598,110</u> | <u>\$ 775,711</u> |

(Continued)

**TOWN OF WESTLAKE, TEXAS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**  
**(Modified Accrual Basis of Accounting - unaudited)**

|  | Fiscal Year          |                       |                       |                     |                     |                   |                     |                       |                     |                     |
|--|----------------------|-----------------------|-----------------------|---------------------|---------------------|-------------------|---------------------|-----------------------|---------------------|---------------------|
|  | 2002                 | 2003                  | 2004                  | 2005                | 2006                | 2007              | 2008                | 2009                  | 2010                | 2011                |
| <b>OTHER FINANCING</b>   |                      |                       |                       |                     |                     |                   |                     |                       |                     |                     |
| <b>SOURCES (USES):</b>   |                      |                       |                       |                     |                     |                   |                     |                       |                     |                     |
| Proceeds from sale of land                                     | \$ -                 | \$ -                  | \$ -                  | \$ 412,239          | \$ -                | \$ -              | \$ -                | \$ -                  | \$ -                | \$ -                |
| Sale of assets   | -                    | -                     | -                     | -                   | -                   | -                 | -                   | -                     | -                   | 7,000               |
| Issuance of debt   | 12,400,000           | 6,351,613             | -                     | -                   | -                   | -                 | 2,500,000           | 117,640               | -                   | 2,095,000           |
| Refunding bonds issued   | -                    | -                     | -                     | -                   | -                   | 7,465,000         | -                   | -                     | -                   | -                   |
| Payments to bond escrow agent                                  | -                    | -                     | -                     | -                   | -                   | ( 7,088,706)      | -                   | -                     | -                   | -                   |
| Cost to issue debt   | -                    | ( 451,613)            | -                     | -                   | -                   | -                 | -                   | -                     | -                   | -                   |
| Proceeds from capital lease                                    | -                    | -                     | -                     | -                   | -                   | 23,000            | -                   | -                     | -                   | -                   |
| Notes payable issued   | -                    | -                     | -                     | -                   | -                   | -                 | -                   | -                     | -                   | 50,000              |
| Transfer in from comp. unit                                    | -                    | 1,155,912             | -                     | -                   | -                   | -                 | -                   | -                     | -                   | -                   |
| Extraordinary item   | -                    | -                     | -                     | -                   | -                   | -                 | -                   | -                     | -                   | 56,704              |
| Transfers in   | 588,852              | 225,000               | -                     | 172,010             | 704,577             | 1,212,558         | 2,160,174           | 2,435,486             | 1,804,577           | 7,082,163           |
| Transfers out  | ( 588,852)           | ( 225,000)            | -                     | ( 100,153)          | ( 659,258)          | ( 1,178,582)      | ( 1,939,355)        | ( 2,374,165)          | ( 1,804,577)        | ( 6,936,947)        |
| Total other financing sources (uses)                           | <u>12,400,000</u>    | <u>7,055,912</u>      | <u>-</u>              | <u>484,096</u>      | <u>45,319</u>       | <u>433,270</u>    | <u>2,720,819</u>    | <u>178,961</u>        | <u>-</u>            | <u>2,353,920</u>    |
| Prior period adjustment  | -                    | -                     | 32,828                | -                   | 60,000              | -                 | -                   | -                     | -                   | -                   |
| Correction of an error   | ( 327,235)           | -                     | -                     | -                   | -                   | -                 | -                   | -                     | -                   | -                   |
| <b>NET CHANGES IN FUND BALANCES</b>                            | <u>\$ 10,050,132</u> | <u>\$( 8,874,937)</u> | <u>\$( 2,851,560)</u> | <u>\$( 145,656)</u> | <u>\$ 2,786,635</u> | <u>\$ 542,644</u> | <u>\$ 3,607,428</u> | <u>\$( 2,995,465)</u> | <u>\$ 1,598,110</u> | <u>\$ 3,129,631</u> |
| <b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b> | <u>2.1%</u>          | <u>43.6%</u>          | <u>16.3%</u>          | <u>13.9%</u>        | <u>15.7%</u>        | <u>20.9%</u>      | <u>14.0%</u>        | <u>15.4%</u>          | <u>15.0%</u>        | <u>14.4%</u>        |

Note: Economic Development Funds were classified as special revenue funds through FY 2002 and considered discretely presented component units through FY 2007. Upon further consideration, the 4B Economic Development Corporation and Lone Star Public Facility Corporation funds are now classified as blended component units.

Source: Annual Financial Reports

(Concluded)

**TOWN OF WESTLAKE, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**CURRENT FISCAL YEAR**  
*(Modified Accrual Basis of Accounting - unaudited)*

| Fiscal<br>Year | Appraised Value  |                      | Less:<br>Tax-Exempt<br>Property | Total Taxable<br>Assessed<br>Value | Total<br>Direct<br>Tax Rate |
|----------------|------------------|----------------------|---------------------------------|------------------------------------|-----------------------------|
|                | Real<br>Property | Personal<br>Property |                                 |                                    |                             |
| 2011           | \$ 953,568,803   | \$ 73,601,266        | \$ 146,497,994                  | \$ 880,672,075                     | 0.1601                      |

Note: Prior to fiscal year ended September 30, 2011, the Town of Westlake did not assess an ad valorem tax.

Source: Tarrant County Appraisal District  
Denton Central Appraisal District

**TOWN OF WESTLAKE, TEXAS**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**CURRENT FISCAL YEAR**  
*(Unaudited)*

| Tax payer                          | 2011                   |      |   |
|------------------------------------|------------------------|------|---|
|                                    | Taxable Assessed Value | Rank | Percentage of Total Town Taxable Assessed Value |
| Maguire Thomas Partners, etal      | \$ 155,957,365         | 1    | 17.71%  |
| FMR Texas, LLC/LTD Partnership     | 154,220,911            | 2    | 17.51%  |
| Lexington TNI Westlake LP          | 18,249,200             | 3    | 2.07%   |
| First American Leasing/Real Estate | 17,636,457             | 4    | 2.00%   |
| DCLI, LLC                          | 13,234,691             | 5    | 1.50%   |
| Fidelity Investments               | 12,277,810             | 6    | 1.39%   |
| Levi Strauss & Co.                 | 8,215,271              | 7    | 0.93%   |
| Westlake Terra, LLC                | 7,400,002              | 8    | 0.84%   |
| EMC Corp                           | 6,418,484              | 9    | 0.73%   |
| Vaquero Club, Inc.                 | 5,383,415              | 10   | 0.61%   |
| Total                              | \$ 398,993,606         |      | 45.31%  |

Note: Prior to fiscal year ended September 30, 2011, the Town of Westlake did not assess an ad valorem tax.

Source: Tarrant County Appraisal District

**TOWN OF WESTLAKE, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**

**CURRENT FISCAL YEAR**  
*(Unaudited)*

| <u>Fiscal Year</u> | <u>Taxes Levied for the Fiscal Year</u> | <u>Adjustments to Levy</u> | <u>Adjusted Taxes Levied for Fiscal Year</u> | <u>Collected within the Fiscal Year of the Levy</u> |                        | <u>Collections in Subsequent Years</u> | <u>Total Collections to Date</u> |                           |
|--------------------|---|----------------------------|--|---|------------------------|--|----------------------------------|---------------------------|
|                    |   |                            |  | <u>Amount</u>                                       | <u>Percent of Levy</u> |  | <u>Amount</u>                    | <u>Percentage of Levy</u> |
| 2011 \$            | 1,409,956                               | \$ 47,560                  | \$ 1,362,396                                 | \$ 1,356,050  | 99.53%                 | -                                      | \$ 1,356,050                     | 99.53%                    |

Note: Prior to fiscal year ended September 30, 2011, the Town of Westlake did not assess an ad valorem tax.

Source: Tarrant County Appraisal District  
Denton Central Appraisal District

**TOWN OF WESTLAKE, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**(PER \$100 OF ASSESSED VALUE)**

CURRENT FISCAL YEAR  
*(Unaudited)*

| Fiscal Year | City Direct Rates       |                   |                  | Overlapping Rates |               |            |               |                |                             |                               |                    | Total Direct and Overlapping |
|-------------|-------------------------|-------------------|------------------|-------------------|---------------|------------|---------------|----------------|-----------------------------|-------------------------------|--------------------|------------------------------|
|             | Operating/ General Fund | Debt Service Fund | Total (A) Direct | School Districts  |               |            | Counties      |                | Tarrant County College Dist | Tarrant County Hospital Dist. | Trophy Club MUD #1 |                              |
|             |                         |                   |                  | Carroll ISD       | Northwest ISD | Keller ISD | Denton County | Tarrant County |                             |                               |                    |                              |
| 2011        | 0.1562                  | 0.0039            | 0.1601           | 1.415000          | 1.375000      | 1.530600   | 0.273900      | 0.264000       | 0.137640                    | 0.227897                      | 0.195000           | 5.57914                      |

Notes: Prior to fiscal year ended September 30, 2011, the Town of Westlake did not assess an advalorem tax.

Overlapping rates are those of local and county governments that apply to property owners within the Town of Westlake. Not all overlapping rates apply to all Town's property owners (e.g., the rates for the counties and school districts apply only to the proportion of the Town's property owners whose property is located within the geographic boundaries of the county and school district)

Source: Tarrant County Appraisal District  
 Denton Central Appraisal District

**TOWN OF WESTLAKE, TEXAS**  
**TAXABLE SALES BY INDUSTRY TYPE**

LAST SIX FISCAL YEARS  
*(Unaudited)*

| NAICS | Industry Type                                    | Fiscal Year         |                     |                     |                     |                     |                     |
|-------|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|       |  | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                |
| 11    | Agriculture, Forestry, Fishing and Hunting       | \$ 31               | \$ 67               | \$ 54               | \$ 210              | \$ -                | \$ 60               |
| 21    | Mining   | 2,321               | -                   | 1,012               | 20                  | 400                 | 4,420               |
| 22    | Utilities  | 463,222             | 212,336             | 194,359             | 185,819             | 178,693             | 178,529             |
| 23    | Construction                                     | 81,542              | 200,791             | 635,134             | 411,718             | 68,306              | 117,283             |
| 31-33 | Manufacturing                                    | 1,120,328           | 360,010             | 186,128             | 95,395              | 386,492             | 322,085             |
| 42    | Wholesale Trade                                  | 248,702             | 284,082             | 178,003             | 72,034              | 105,557             | 153,392             |
| 44-45 | Retail   | 408,556             | 253,293             | 493,309             | 445,839             | 1,097,007           | 1,089,059           |
| 48-49 | Transportation and Warehousing                   | 63                  | 491                 | -                   | 2,784               | 556                 | 680                 |
| 51    | Information                                      | 538,210             | 223,672             | 246,591             | 355,603             | 159,513             | 514,501             |
| 52    | Financial and Insurance                          | 10,162              | 343,446             | 120,187             | 64,994              | 87,188              | 73,529              |
| 53    | Real Estate and Rental and Leasing               | 178,047             | 204,398             | 102,515             | 123,191             | 327,207             | 204,973             |
| 54    | Professional, Scientific, and Technical Services | 111,746             | 452,018             | 180,288             | 156,385             | 202,263             | 232,023             |
| 56    | Admin and Support and Waste Mgmt & Rem Srv       | 245,562             | 45,809              | 105,811             | 15,102              | 39,539              | 90,473              |
| 61    | Education Services                               | 895                 | 317                 | 85                  | 2,984               | 619,228             | 1,584,025           |
| 62    | Health Care and Social Assistance                | 10                  | -                   | 109                 | -                   | -                   | 167                 |
| 71    | Arts, Entertainment and Recreation               | 49,474              | 224,101             | 177,446             | 175,517             | 158,996             | 208,578             |
| 72    | Accommodation and Food Services                  | 34,021              | 57,084              | 65,779              | 54,416              | 140,996             | 182,903             |
| 81    | Other Services (except Public Administration)    | 130,476             | 130,392             | 32,621              | 1,490               | 4,462               | 4,675               |
| 92    | Public Administration                            | 170                 | -                   | -                   | -                   | 11                  | 1                   |
|       |  | <u>\$ 3,623,538</u> | <u>\$ 2,992,308</u> | <u>\$ 2,719,431</u> | <u>\$ 2,163,501</u> | <u>\$ 3,576,414</u> | <u>\$ 4,961,365</u> |
|       | Town direct sales tax rate                       | <u>2.00%</u>        | <u>2.00%</u>        | <u>2.00%</u>        | <u>2.00%</u>        | <u>2.00%</u>        | <u>2.00%</u>        |

Note: Information on sales tax by NAICS was not available prior to 2006. Comparison will be made to the prior year until ten-year prior comparison can be made.

Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the Town's sales tax revenue

Source: Texas State Comptroller reports

**TOWN OF WESTLAKE, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

| Fiscal Year | General Bonded Debt Outstanding |                            |               | Percentage of Actual Taxable Sales | Per Capita   |
|-------------|---------------------------------|----------------------------|---------------|------------------------------------|--------------|
|             | General Obligation Bonds        | Certificates of Obligation | Total         |                                    |              |
| 2002        | \$ -                            | \$ 12,400,000              | \$ 12,400,000 | 21.00%                             | \$ 42,906.57 |
| 2003        | -                               | 18,810,000                 | 18,810,000    | 15.77%                             | 62,079       |
| 2004        | -                               | 18,810,000                 | 18,810,000    | 21.31%                             | 57,348       |
| 2005        | -                               | 18,810,000                 | 18,810,000    | 18.91%                             | 52,986       |
| 2006        | -                               | 18,460,000                 | 18,460,000    | 10.19%                             | 26,447       |
| 2007        | 7,365,000                       | 11,755,000                 | 19,120,000    | 13.05%                             | 27,198       |
| 2008        | 9,850,000                       | 11,375,000                 | 21,225,000    | 11.82%                             | 27,038       |
| 2009        | 9,735,000                       | 10,975,000                 | 20,710,000    | 11.30%                             | 25,791       |
| 2010        | 9,630,000                       | 10,555,000                 | 20,185,000    | 10.65%                             | 23,831       |
| 2011        | 9,515,000                       | 12,210,000                 | 21,725,000    | 9.43%                              | 21,900       |

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

There was no debt issued until fiscal year 2002.

See Table 13 for population data.

**TOWN OF WESTLAKE, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**

LAST TEN FISCAL YEARS  
*(Unaudited)*

| Fiscal Year | Governmental Activities  |                            |                |        | Business-Type                 | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|----------------------------|----------------|--------|-------------------------------|--------------------------|-------------------------------|------------|
|             | General Obligation Bonds | Certificates of Obligation | Capital Leases | Loans  | Other Contractual Obligations |                          |                               |            |
| 2002        | -                        | 12,400,000                 | -              | -      | \$ 6,113,904                  | \$ 18,513,904            | 146%                          | 64,062     |
| 2003        | -                        | 6,410,000                  | -              | -      | 6,100,577                     | 12,510,577               | 92%                           | 41,289     |
| 2004        | -                        | 12,400,000                 | -              | -      | 6,027,387                     | 18,427,387               | 123%                          | 56,181     |
| 2005        | -                        | 18,810,000                 | -              | -      | 5,980,921                     | 24,790,921               | 150%                          | 69,834     |
| 2006        | -                        | 18,460,000                 | -              | -      | 5,878,381                     | 24,338,381               | 73%                           | 34,869     |
| 2007        | 7,365,000                | 11,755,000                 | 23,000         | -      | 5,822,299                     | 24,965,299               | 73%                           | 35,513     |
| 2008        | 9,850,000                | 11,375,000                 | 15,264         | -      | 5,763,022                     | 27,003,286               | 70%                           | 34,399     |
| 2009        | 9,735,000                | 10,975,000                 | 46,559         | -      | 5,734,191                     | 26,490,750               | 65%                           | 32,990     |
| 2010        | 9,630,000                | 10,555,000                 | -              | -      | 5,658,888                     | 25,843,888               | 59%                           | 30,512     |
| 2011        | 9,515,000                | 12,210,000                 | -              | 50,000 | 5,580,380                     | 27,355,380               | 49%                           | 27,576     |

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements. No debt was issued until fiscal year 2000.

See Table 13 for personal income and population data.

**TOWN OF WESTLAKE, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

AS OF SEPTEMBER 30, 2011  
(Unaudited)

| <u>Taxing Body</u>                            | <u>Amount of<br/>Debt Outstanding</u> | <u>As of</u> | <u>Percent (1)</u> | <u>Overlapping</u>   |
|---|---------------------------------------|--------------|--------------------|----------------------|
|   |                                       |              |                    | <u>Amount</u>        |
| Carroll ISD (gross debt)                      | \$ 248,700,040                        | 8/31/2011    | 5.72%              | \$ 14,225,642        |
| Denton County (net debt)                      | 477,705,000                           | 9/30/2011    | 0.02%              | 95,541               |
| Keller ISD (net debt)                         | 712,856,753                           | 8/31/2011    | 4.57%              | 32,577,554           |
| Northwest ISD (net debt)                      | 552,386,901                           | 8/31/2011    | 0.50%              | 2,761,935            |
| Tarrant County (gross debt)                   | 335,050,000                           | 9/30/2011    | 0.72%              | 2,412,360            |
| Tarrant County College District (gross debt)  | 29,780,000                            | 9/30/2011    | 0.72%              | 214,416              |
| Tarrant County Hospital District (gross debt) | 27,160,000                            | 9/30/2011    | 0.72%              | 195,552              |
| Trophy Club MUD #1 (gross debt)               | 7,120,000                             | 9/30/2011    | 18.35%             | <u>1,306,520</u>     |
| Total Overlapping Debt                        |                                       |              |                    | 53,789,519           |
| Town of Westlake Outstanding Debt             |                                       |              |                    | <u>21,725,000</u>    |
| Total Direct & Overlapping Debt               |                                       |              |                    | <u>\$ 75,514,519</u> |

Source: Texas Municipal Report prepared by employees of the Municipal Advisory Council of Texas ("MAC")

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Westlake. This process recognized that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the resident and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the entity's taxable assessed value that is within the Town's boundaries and dividing it by the entities' total taxable assessed value.

**TOWN OF WESTLAKE, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**  
*(Unaudited)*

| <b>Calendar<br/>Year</b> | <b>Estimated<br/>Population</b> | <b>Personal<br/>Income</b> | <b>Per Capita<br/>Personal<br/>Income</b> | <b>Tarrant County<br/>Unemployment<br/>Rate</b> |
|--------------------------|---------------------------------|----------------------------|---|---|
| 2002                     | 289                             | \$ 12,699,635              | \$ 43,943                                 | 6.1%  |
| 2003                     | 303                             | 13,581,139                 | 44,822                                    | 6.3%  |
| 2004                     | 328                             | 14,995,729                 | 45,719                                    | 5.6%  |
| 2005                     | 355                             | 16,554,737                 | 46,633                                    | 5.1%  |
| 2006                     | 698                             | 33,200,874                 | 47,566                                    | 4.7%  |
| 2007                     | 703                             | 34,107,477                 | 48,517                                    | 4.3%  |
| 2008                     | 785                             | 38,847,591                 | 49,487                                    | 4.9%  |
| 2009                     | 803                             | 40,533,131                 | 50,477                                    | 7.7%  |
| 2010                     | 847                             | 43,609,207                 | 51,487                                    | 8.2%  |
| 2011                     | 992                             | 55,503,392                 | 55,951                                    | 8.2%  |

Sources: Population for 2000 is from the 2000 census. Fiscal Years 2001 through 2003 are estimated. The Town took over the utility billing in 2004 and estimated the population by using number of residential water accounts and assuming a 2.5 average household size. 2010 Census shows median household income at \$250,000

Tarrant County Unemployment Rate information taken from Texas Workforce Commission.

American Community Survey (ACS)

Note: Due to the size of the Town, per capita personal income was not available except for information taken from the 2000 census. Estimates have been made based on a 2% annual increase in cost of living through 2010. Census was used for 2011.

## TOWN OF WESTLAKE, TEXAS

## PRINCIPAL EMPLOYERS

## CURRENT FISCAL YEAR

*(Unaudited)*

| Employer                          | 2007      |   | 2011      |   |
|-----------------------------------|-----------|---|-----------|---|
|                                   | Employees | Percentage of Estimated Total Town Employment | Employees | Percentage of Estimated Total Town Employment |
| Fidelity Investments              | 3,100     | 37.15%  | 3,580     | 45.20%  |
| Core Logic                        | 3,000     | 35.95%  | 1,500     | 18.94%  |
| Wells Fargo                       | 790       | 9.47%   | 600       | 7.58%   |
| Chrysler Financial                | 325       | 3.89%   | 950       | 11.99%  |
| McKesson Corporation              | 215       | 2.58%   | 225       | 2.84%   |
| Sonitrol/World Factory            | 165       | 1.98%   | 25        | 0.32%   |
| Marriott Solana Hotel             | 120       | 1.44%   | 115       | 1.45%   |
| Walco                             | 150       | 1.80%   | 159       | 2.01%   |
| Verizon                           | -         | - %   | 122       | 1.54%   |
| Vaquero Club                      | 140       | 1.68%   | 135       | 1.70%   |
| Levi Strauss                      | -         | - %   | 90        | 1.14%   |
| Town of Westlake/Westlake Academy | 73        | 0.87%   | 87        | 1.10%   |
| Total                             | 8,078     | 97%   | 7,588     | 96%   |

Note: Information on the Principal Employers from 1999 is not available. Information will be accumulated over the next ten years. Comparisons will be made to the first available data until ten years can be compared.

Source: Maguire Partner's tenant records and contact with employers of the Town

**TOWN OF WESTLAKE, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

| Function/Program               | 2002        | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         |
|--------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government             |             |              |              |              |              |              |              |              |              |              |
| Town manager                   | 1.00        | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| Assistant to town manager      | 1.00        | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 0.75         |
| Administrative                 | 1.50        | 1.50         | 0.50         | 0.50         | 0.50         | 0.00         | 0.00         | 0.75         | 0.50         | 0.75         |
| Building official              | 0.00        | 0.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.33         | 1.33         | 1.33         |
| Town secretary                 | 1.00        | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| Facilities/Grounds maintenance | 0.00        | 0.00         | 0.50         | 0.50         | 0.50         | 0.50         | 0.75         | 1.08         | 0.92         | 0.83         |
| Municipal                      | 2.00        | 2.00         | 3.50         | 3.75         | 3.75         | 4.00         | 4.00         | 4.25         | 4.50         | 4.75         |
| Finance                        | 1.00        | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         | 3.00         |
| Payroll/Human Resources/IT     | 0.00        | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         | 1.00         | 1.33         | 1.33         | 1.58         |
| Public safety (EMS)            | 1.00        | 10.00        | 10.00        | 10.00        | 11.00        | 11.00        | 11.00        | 9.00         | 9.00         | 9.00         |
| Culture and recreation         | 0.00        | 0.00         | 0.50         | 0.50         | 0.50         | 0.50         | 0.75         | 0.75         | 0.92         | 0.75         |
| Public works                   | 0.00        | 0.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.50         | 1.50         | 1.50         | 2.00         |
| Marketing and public affairs   | 0.00        | 0.00         | 1.00         | 1.00         | 1.00         | 0.00         | 0.00         | 0.00         | 0.00         | 1.00         |
| Education                      | 0.00        | 0.00         | 20.50        | 25.15        | 32.40        | 36.40        | 43.00        | 48.10        | 55.62        | 59.45        |
| Total                          | <u>8.50</u> | <u>19.50</u> | <u>44.50</u> | <u>49.40</u> | <u>57.65</u> | <u>60.40</u> | <u>69.00</u> | <u>74.09</u> | <u>81.62</u> | <u>87.19</u> |

Source: Prior Town budgets and Academy personnel records

Note: A full time municipal employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Fulltime equivalent employment is calculated by dividing total labor hours by 2,080. A full time education employee is scheduled to work 1,122 hours per year.

TOWN OF WESTLAKE, TEXAS

OPERATING INDICATORS  
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS  
(Unaudited)

| Function/Program                                     | 2001         | 2002          | 2003          | 2004          | 2005          | 2006          | 2007          | 2008    | 2009          | 2010          | 2011          |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------|---------------|---------------|---------------|
| General government                                   |              |               |               |               |               |               |               |         |               |               |               |
| Building permits issued                              | 13           | 19            | 27            | 54            | 53            | 36            | 64            | 60      | 49            | 21            | 15            |
| Building permit values                               | \$ 8,684,000 | \$ 12,495,020 | \$ 23,620,817 | \$ 46,698,935 | \$ 56,415,093 | \$ 42,910,780 | \$ 46,923,814 | # ##### | \$ 39,278,318 | \$ 27,575,445 | \$ 59,749,048 |
| Police (Contract with Keller PD)                     |              |               |               |               |               |               |               |         |               |               |               |
| Motor vehicle stops                                  | 3,968        | 3,968         | 9,993         | 9,237         | 9,586         | 8,992         | 10,045        | 10,357  | 9,247         | 9,763         | 9,829         |
| Traffic accident investigations                      | 86           | 86            | 91            | 180           | 163           | 164           | 225           | 208     | 266           | 273           | 348           |
| Part I crimes  | 16           | 16            | 46            | 19            | 26            | 30            | 25            | 26      | 23            | 19            | 30            |
| DWI arrests  | 55           | 55            | 117           | 70            | 86            | 56            | 53            | 45      | 24            | 32            | 80            |
| Fire/EMS   |              |               |               |               |               |               |               |         |               |               |               |
| Fire runs  | N/A          | N/A           | 108           | 78            | 148           | 136           | 153           | 169     | 118           | 172           | 191           |
| Ambulance runs                                       | N/A          | N/A           | 150           | 115           | 135           | 207           | 251           | 159     | 184           | 187           | 264           |
| Inspections  | N/A          | N/A           | N/A           | N/A           | 89            | 161           | 96            | 132     | 15            | 71            | 71            |
| Public Works - General                               |              |               |               |               |               |               |               |         |               |               |               |
| Street resurfacing (sq. footage)                     | 0.00         | 0.00          | 1.65          | 1.30          | 0.00          | 1.35          | 1.01          | 0.00    | 0.00          | 0.00          | 3800.00       |
| Potholes repaired                                    | 0.00         | 0.00          | 0.00          | 40.00         | 40.00         | 20.00         | 0.00          | 20.00   | 10.00         | 5.00          | 36.00         |
| Public Works - Utility                               |              |               |               |               |               |               |               |         |               |               |               |
| Number of water accounts                             | 67           | 102           | 130           | 177           | 271           | 338           | 386           | 419     | 437           | 478           | 500           |
| Water main breaks                                    | N/A          | N/A           | N/A           | 1             | 3             | 3             | 2             | 4       | 5             | 6             | 4             |
| Avg daily consumption MG (water)                     | 0.269        | 0.404         | 0.382         | 0.501         | 0.817         | 1.031         | 0.729         | 0.999   | 1.020         | 0.889         | 1.200         |
| Peak daily consumption MG (water)                    | 2.203        | 1.820         | 1.244         | 1.423         | 2.198         | 2.677         | 1.978         | 2.060   | 2.740         | 2.460         | 2.540         |
| System capacity - MG (water)                         | 0.685        | 0.685         | 0.685         | 1.685         | 1.685         | 1.685         | 1.685         | 1.685   | 1.685         | 1.685         | 1.685         |
| Water purchased (in gallons x 000)                   | 98,229       | 147,423       | 138,288       | 183,356       | 298,124       | 376,264       | 266,158       | 364,764 | 372,933       | 324,843       | 443,222       |
| Water sold (in gallons x 1000)                       | N/A          | 154,702       | 127,998       | 150,869       | 230,657       | 338,085       | 246,280       | 340,743 | 313,495       | 290,000       | 385,320       |
| Wastewater   |              |               |               |               |               |               |               |         |               |               |               |
| Number of new sewer connections                      | 40           | 75            | 105           | 139           | 179           | 211           | 235           | 240     | 251           | 254           | 245           |
| Avg daily sewage treatment<br>(thousands of gallons) | 0.0630       | 0.0610        | 0.0710        | 0.0950        | 0.1270        | 0.1320        | 0.1370        | 0.124   | 0.101         | 0.063         | 0.163         |

Source: Various Town departments

Notes: N/A represents information that is unavailable.

## TOWN OF WESTLAKE, TEXAS

CAPITAL ASSET STATISTICS  
BY FUNCTION/PROGRAMLAST TEN FISCAL YEARS  
(Unaudited)

| Function/Program                       | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011     |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| Fire                                   |        |        |        |        |        |        |        |        |        |        |          |
| Stations                               | -      | -      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1        |
| Public Works - Utility                 |        |        |        |        |        |        |        |        |        |        |          |
| Pump station                           | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1        |
| Lift station                           | -      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 3      | 3        |
| Telecommunications Duct Bank (LF)      |        | 21,573 | 24,073 | 36,703 | 38,303 | 38,303 | 38,303 | 43,703 | 49,103 | 51,803 | 57,783   |
| Telecommunications Duct Bank Manhole   | 0      | 53     | 58     | 91     | 95     | 95     | 95     | 104    | 113    | 122    | 122      |
| Water                                  |        |        |        |        |        |        |        |        |        |        |          |
| Water mains (LF)                       | 24,000 | 34,000 | 48,000 | 52,000 | 57,500 | 58,300 | 59,200 | 64,600 | 70,000 | 79,000 | 130,000  |
| Fire hydrants                          | 10     | 24     | 55     | 76     | 95     | 119    | 119    | 130    | 130    | 154    | 188      |
| Storage capacity MG                    | 1,685  | 1,685  | 1,685  | 1,685  | 1,685  | 1,685  | 1,685  | 1,685  | 1,685  | 1,685  | 1,685    |
| Wastewater                             |        |        |        |        |        |        |        |        |        |        |          |
| Sanitary sewers (LF)                   | 8,700  | 15,300 | 18,100 | 20,000 | 15,000 | 35,000 | 35,000 | 39,300 | 39,300 | 49,900 | 94,000   |
| Manholes                               | 20     | 50     | 115    | 160    | 200    | 250    | 250    | 267    | 284    | 304    | 304      |
| Public Works - Utility                 |        |        |        |        |        |        |        |        |        |        |          |
| Streets (miles)                        | 10.50  | 10.80  | 10.80  | 10.80  | 10.80  | 10.80  | 10.80  | 10.80  | 10.80  | 10.80  | 1,080.00 |
| Highways (miles)                       | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      | -        |
| Streetlights                           | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      | -        |
| Traffic signals (school zone flashers) | -      | -      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2        |
| Parks and recreation                   |        |        |        |        |        |        |        |        |        |        |          |
| Acreage                                | 13.50  | 14     | 14     | 14     | 14     | 19     | 19     | 25     | 25     | 25     | 25       |
| Playgrounds                            | 0.00   | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2      | 2        |
| Softball/soccer field                  | 0.00   | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1        |
| Football field                         | 0.00   | -      | -      | -      | -      | -      | -      | 1      | 1      | 1      | 1        |

Source: Various Town departments

Note: No capital asset indicators are available for the general government.

# **COMPLIANCE SECTION**

**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**

Town Council  
Town of Westlake, Texas  
3 Village Circle, Suite 202  
Westlake, Texas 76262

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Westlake, Texas, (the “Town”) as of and for the year ended September 30, 2011, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated February 20, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town’s internal control over financial reporting as a basis for designing our auditing procedures 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 Town’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of management, the Town Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Patillo, Brown & Hill, L.L.P.*

February 20, 2012