

Town of Westlake, Texas  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2012

**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, 2012

Prepared by  
Town of Westlake  
Finance Department

3 Village Circle, Suite 202  
Westlake, TX 76262

**TOWN OF WESTLAKE, TEXAS**

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# **INTRODUCTORY SECTION**



## Town of Westlake

February 15, 2013

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, 2012, 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.

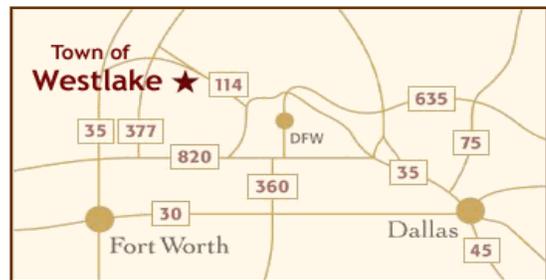
The Town's financial statements have been audited by Patillo, Brown and Hill LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2012, were free of material 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, 2012, 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 complement, 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 1,014 with an average appraised home value of \$1.2 million.



The Town, incorporated in 1956, is considered a Type A general-law municipality. 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 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**

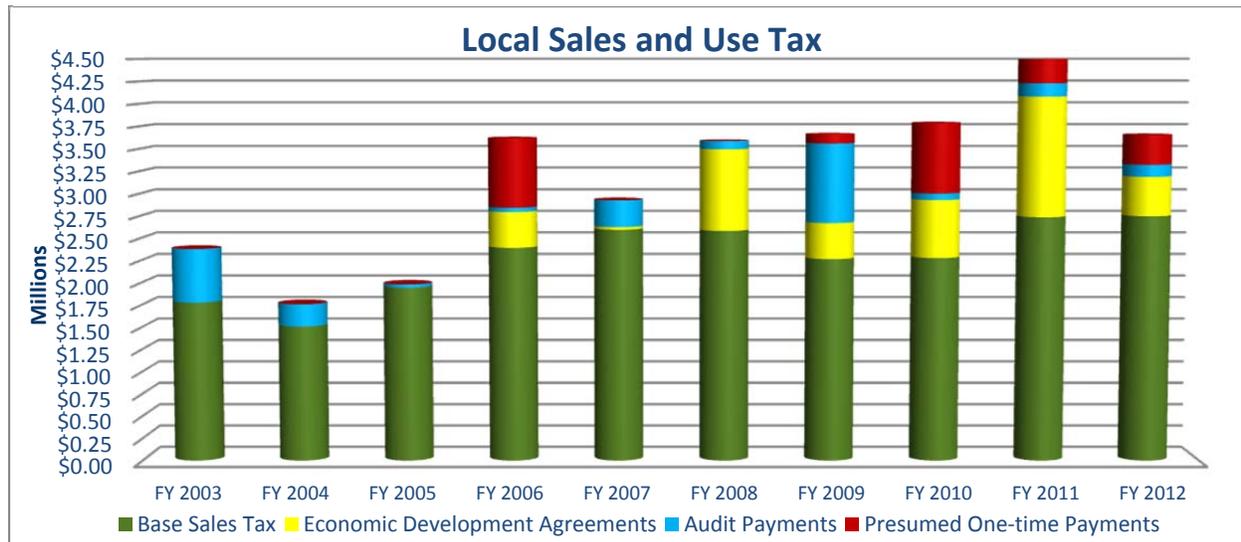
While we clearly understand the nation as a whole continues to try and recover from the economic downturn, the Town remains committed to budgeting and forecasting projections based on a fiscally conservative formula. We have accomplished many great things this past year through our use of partnerships and inventive strategies to govern our community. We have begun the process of reinvesting in our infrastructure and will continue to do so over the next several years – paying special attention to unique cost sharing opportunities, both public and private. Our overall goal is to provide our residents with a living experience that is second-to-none.

The Town staff is aware that the Town of Westlake does not create wealth, but instead, is entrusted with public dollars collected on behalf of our citizens. We are stewards who are fully vested in the success of the Town of Westlake and Westlake Academy. We exist as a municipal corporation for one reason and one reason only: to prioritize and deliver the best services possible with the resources provided to achieve an exceptional quality of life. This is a challenge the Staff takes very seriously, one that we pursue with vigor every day. Below, please find the milestones and strategic priorities that were achieved during FY 11-12:

- ◆ The Westlake Town Council received the award for “**Council of the Year**” from the Texas City Managers Association. This honor recognizes those governing bodies that have a demonstrated commitment to ethical service, put the welfare of the citizens above personal gain, function well as a governance unit, support staff professional development, and positively impact their community. The award nomination outlined the difficult ad valorem property tax decision, the continuing commitment to professional management and development, and the Westlake Town Council’s ability to work together in difficult situations. This is a great honor and recognition for your commitment to Westlake. Congratulations!
- ◆ Received the International City/County Managers Association **Community Sustainability Program Excellence Award** for Westlake Windows: Transparent Government in Focus (TGIF). The category recognizes those communities who have shown a commitment to “innovation, excellence, and success in balancing that community’s social, economic, environmental, and cultural needs”. (ICMA). We submitted the award with an emphasis on our communication efforts as it related to financial sustainability, transparency with capital improvement efforts, neighborhood meetings, Westlake e-Tube, website redevelopment, email newsletters, and other forms of community outreach programs.
- ◆ Completed the first full year of operations for our Communications & Community Affairs office. Additional notifications and a streamlining of our community outreach was completed through the use of electronic email “mini-newsletters” which have allowed us to provide Westlake residents with more timely and relevant Westlake-related material on a bi-weekly (or more often, if needed) basis. Our Communications Office also assisted in preparation of materials for Westlake Academy to enhance our faculty recruitment and prospective parent outreach. These materials included:
  - Teacher recruitment brochures
  - Marketing brochures
  - Parent prospectus covering our school’s three (3) IB curriculums
- ◆ The Town’s previous strategic planning document was restructured from a traditional format to a comprehensive governance system which we call the Strategic Issues-focused Governance System (SIGS). The system follows a Balanced Scorecard format with a four-tiered strategy map, an issues-focused set of staff action items, outcome strategies that align with our community value statements and a program based budget allocation.
- ◆ Continued implementation of the Town Council’s approved Five (5) Year Capital Improvement Plan (CIP). The public / private partnership between Hillwood Properties and the Town for Dove Road improvements will be finalized by mid-August.
- ◆ The Stagecoach Hills roadwork project is now completed, marking the end of a 3 year program to upgrade that subdivisions drainage, water distribution, and street systems.
- ◆ Construction on the State’s \$15 Million Phase 1 FM 1938 (Davis Blvd.) project was completed in the fall of 2012. This completed project provides a section of four-lane and a section of six-lane divided roadway to facilitate north/south mobility. Work has begun on the Town Council-approved streetscaping plan (contained in our CIP) to help identify this new and significant entry point and corridor for our community. We anticipate this phase of enhancements to be completed by mid-summer 2013 with the next phase beginning in fall 2013.

- ◆ Invested significant time and effort in pursuing development of a facility plan for Westlake Academy, a process that is still underway.
- ◆ Deloitte University opened for full operation in October 2011 and has been an overwhelming success. While being built, it was the largest (\$300 million) private construction project in Texas. It serves as Deloitte's state-of-the-art national and international learning center for its employees bringing Deloitte employees to Westlake from all over the world.
- ◆ What began as retail construction in FY10-11 came to fruition in FY11-12 with the opening of the new Quik Trip convenience store and the Centennial Fine Wine and Spirits store. This is Westlake's first retail development outside of Solana. It is located along the Town's western boundary at the northwest corner of SH170 and SH377 and has already had a positive impact on our sales and use tax collection rates.
- ◆ In FY11-12 the Town neared completion of the implementation of a development agreement with Hillwood Properties whereby, as a part of commitments Hillwood had for development of Deloitte University, they invested \$4.6 million in street improvements on Westlake's major roadways- Dove Road and JT Ottinger Road.
- ◆ Westlake was recognized again by Forbes Magazine as one of the wealthiest communities in the United States, with a median household income of \$250,000. Our community shared this spotlight with Chevy Chase, MD, a city of twice our population size. The article mentioned Westlake's small town feel, limited population, and also touched on many of our high-profile residents.
- ◆ Westlake's Historic Preservation Society implemented their historic markers program with the first marker being located at the former Buck King homestead at Aspen and Pearson Lanes. The Society also held their first classic car show which was a major success both in terms of collector participation and attendance.
- ◆ The Town's open enrollment charter school, Westlake Academy, finished its ninth year of operations with another strong showing of academic and extra-curricular results by our students. This year's graduating class had an overall 89% success rate in obtaining the prestigious International Baccalaureate Diploma and the 28 graduates were offered collectively over \$3.5 million in scholarships and grants. The Academy's enrollment continues to grow with a preliminary number of 675 students enrolled for 2012-13 School Year.
- ◆ Westlake Academy was also ranked among the best high schools in America. U.S. News & World Report ranked the school as 37th in the nation, 5th in Texas and 6th in national charter schools. They further designated the Academy as a Gold Medal recipient. Newsweek listed the school as the 18th best high school in the United States and the Washington Post shows them as 36th out of 1,800 schools across the nation.

Sales tax collections decreased by 20% for FY 11-12. This reduction was primarily caused by a 67% decrease (\$900K) in revenues due to collections based on an economic development agreement. The primary source of these funds was due to the construction phase of Deloitte University, which was nearing completion at the end of the prior year. The "base" sales tax revenues remained flat with an increase of \$10K when compared with FY 10-11.



## 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.

Financial forecasts are used by the Town to identify important warning “sign posts” that should not be ignored. 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.

Decisions in FY10-11 led to the FY 2011-12 budget theme of “Investing in Our Future”. This was because assessment of a small property tax has given us the ability to invest in the improvement of roadways and other infrastructure projects that will provide tremendous benefits to our residents and businesses over the next several years. In addition to the Town funded capital projects plan, Staff has worked hard to identify and secure infrastructure funding through public/private and inter-local funding partnerships, along with grant funding, to minimize the impact to our tax rate and General Fund while providing high-quality infrastructure. The results of the utilization of these non-Town resources to the benefit of Westlake can be seen in:

- ◆ Construction of FM 1938/Davis Blvd, a \$15 million dollar project funded primarily by State and Federal dollars
- ◆ Dove Road/Pearson Lane intersection improvements, a new north entrance to Westlake Academy, as well as the Dove and J. T. Ottinger Road upgrades funded primarily by a \$4.6 million dollar development agreement with Hillwood Properties.
- ◆ Landscaping of the medians on the soon to be completed FM 1938/Davis Blvd. project will be funded by a \$670,000 Green Belt grant from TxDOT which helps us offset the associated costs for the streetscaping of this important north/south corridor.

The selection of any budget theme is intended to bring into focus how resources are recommended to be prioritized and used in order to take the next step in achieving or creating our vision, mission and community values for Westlake. Over the history of our Town, budgets have been prepared with an eye toward being fiscally conservative, while providing for the highest quality of customer service that our residential population has come to expect in Westlake.

In that light, the FY 2012-13 theme of “*Driving Service Excellence*” focuses on providing resources that will improve our ability to deliver excellent customer service, something that is integral to maintaining Westlake’s quality of life and its status as a one-of-a-kind community.

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 2012-2013 Budget. The budget details the Town's long-term goals and financial policies, and describes program accomplishments and initiatives.

## **Other Information**

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, 2011. This was the fifth 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, we also received our fifth GFOA Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2011 for our municipal budget and the 3rd year for our educational services budget for Westlake Academy, a component unit of the Town. In order to qualify for the Distinguished Budget Presentation Award, the Town and Academy budget documents had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Westlake Academy has also received recognition from the Association of School Business Officials International as a recipient of the International Award for Budget Excellence for the past three years.

The Finance Department received its first Popular Annual Financial Report (PAFR) converting much of the FY 2010-2011 audit document into an easy-to-read format for our residents. The goal is to encourage resident awareness as it relates to Town finances through the condensed version of the budget. The report provides an “overview of our financial position and policies, and conveys our commitment to delivering responsive services and programs in a fiscally responsible manner.”

### **Acknowledgements**

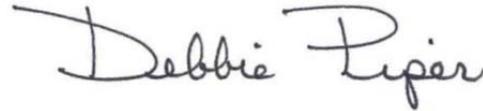
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to Town employees throughout the organization, especially those employees who were instrumental in the successful completion of 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, 2011

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.



*Christopher P. Moirrell*

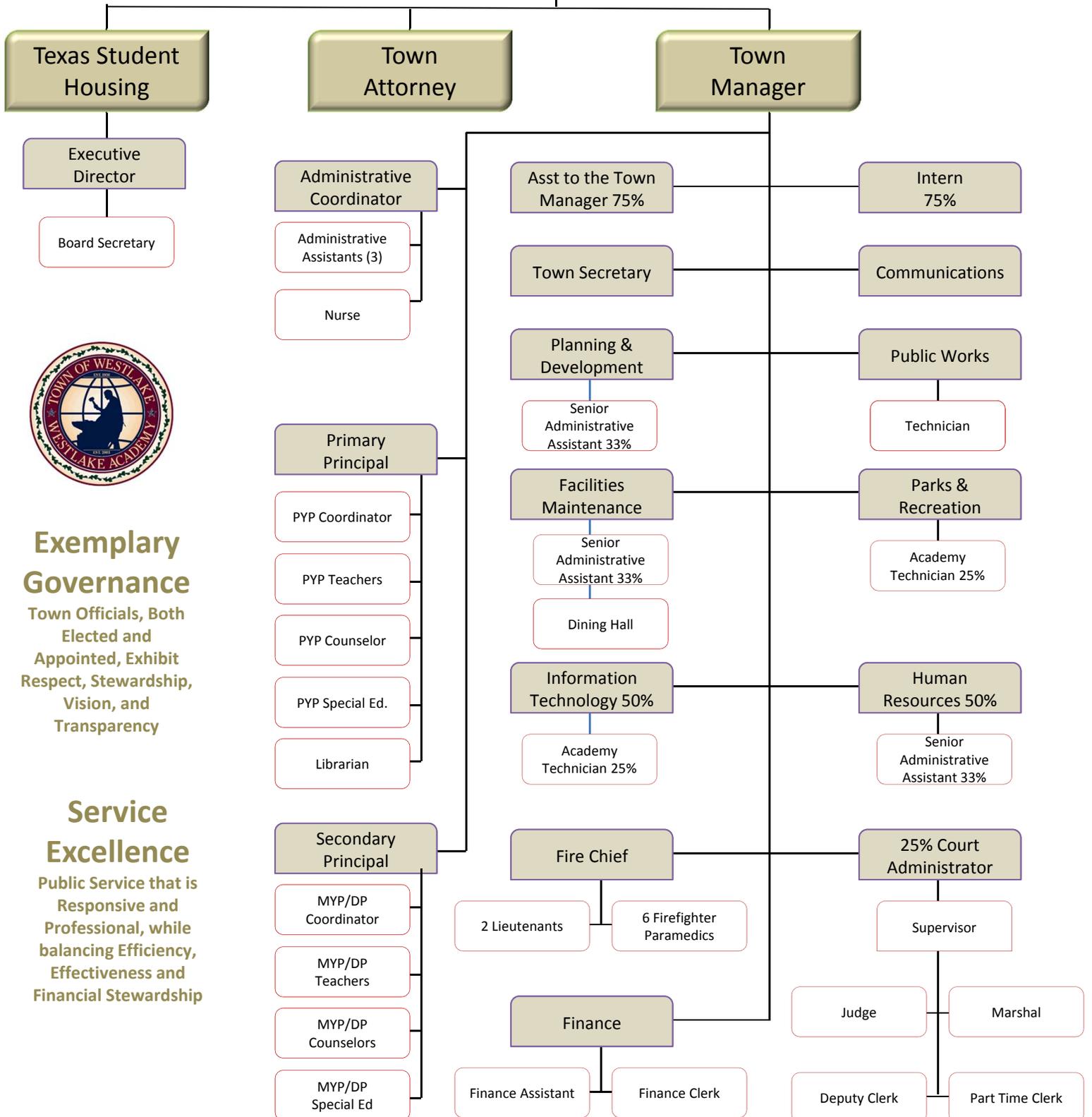
President

*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, 2012



## ELECTED OFFICIALS

Mayor

LAURA WHEAT

Mayor Pro-Tem

CAROL LANGDON

Council Member

MICHAEL BARRETT

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

**JASON POWER**

Director of Information  
Technology

# **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the 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, 2012, 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's 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 the 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 as of September 30, 2012, 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.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over our financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the analysis of funding progress and budgetary comparison information on pages 3 through 14 and 67 through 74 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 schedules 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 schedules are the responsibility of management and were 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 them.

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

February 15, 2013

**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, 2012. 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 \$29,857,712 (Net assets). This number must be viewed within the context that the vast majority of the Town's net assets of \$21,743,854 (73%) 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 \$4,726,376 (16%). The remaining \$3,387,482 (11%) 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 \$10,930,861, which is a decrease of \$35,719 in comparison with the prior year. Within this total, \$5,938,621 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 \$5,263,805, an increase of \$1,248,411 in comparison with the prior year. Of this total fund balance, \$4,992,240 is unassigned. This represents 108% of the total general fund expenditures and is equivalent to 396 operating days.
- The Town's capital assets (net of accumulated depreciation) increased by \$568,550. The major portion of this increase is attributed to the work completed on the Roanoke Road drainage/reconstruction project, Stagecoach Hills water line project, and the purchase of an attack truck and ambulance. A total of \$904 thousand was recorded as construction in progress expenses for several road and water projects, including FM 1938 improvements along with Stagecoach Hills drainage/reconstruction. A small amount was contributed to the beginning of the Academy expansion project. This total amount was offset by \$1,275,215 of depreciation which gave the Town a net increase.
- The Town's bonds payable decreased by \$78,000 in total, due to principal payments and refundings of \$7,453,000 offset by the issuance of General Obligation Refunding bonds in the amount of \$7,375,000.

### 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 26-29 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, 2012.

**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 eight 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, 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 18-22 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 23 - 25 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 30 - 66 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 67 - 75.

## 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 \$29,857,712 at the close of the most recent fiscal year.

The Town's *combined* net assets changed from a year ago, *increasing* \$1,280,390 from \$28,577,322 to \$29,857,712. 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, \$21,743,854 (73%), 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, \$4,726,376 (16%), represents resources that are subject to external or internal restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,387,482 (11%), may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 1**  
**Condensed Statement of Net Assets**  
**At September 30, 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Assets:</u>						
Current and other assets	\$ 12,185,864	\$ 12,449,931	\$ 3,503,989	\$ 3,401,345	\$ 15,689,853	\$ 15,851,276
Capital assets	34,313,615	33,665,877	12,376,223	12,455,411	46,689,838	46,121,288
Total Assets	<u>46,499,479</u>	<u>46,115,808</u>	<u>15,880,212</u>	<u>15,856,756</u>	<u>62,379,691</u>	<u>61,972,564</u>
<u>Liabilities:</u>						
Long-term liabilities outstanding	20,098,829	20,731,060	5,422,434	5,507,172	25,521,263	26,238,232
Other liabilities	1,784,244	2,140,365	5,216,472	5,016,645	7,000,716	7,157,010
Total Liabilities	<u>21,883,073</u>	<u>22,871,425</u>	<u>10,638,906</u>	<u>10,523,817</u>	<u>32,521,979</u>	<u>33,395,242</u>
<u>Net Assets:</u>						
Invested in capital assets, net of related debt	14,866,299	14,188,516	6,877,555	6,875,031	21,743,854	21,063,547
Restricted	4,726,376	5,607,767	-	-	4,726,376	5,607,767
Unrestricted	5,023,731	3,448,100	(1,636,249)	(1,542,092)	3,387,482	1,906,008
Total Net Assets	<u>\$ 24,616,406</u>	<u>\$ 23,244,383</u>	<u>\$ 5,241,306</u>	<u>\$ 5,332,939</u>	<u>\$ 29,857,712</u>	<u>\$ 28,577,322</u>

**Table 2**  
**Changes in Net Assets**  
**At September 30, 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Fees, fines & charge for services	\$ 1,417,879	\$ 1,253,967	\$ 2,939,342	\$ 3,092,168	\$ 4,357,221	\$ 4,346,135
Operating grants & contributions	5,269,841	4,472,999	24,423	-	5,294,264	4,472,999
Capital grants & contributions	-	425,900	-	-	-	425,900
General revenues:						
Taxes						
Sales taxes	3,657,274	4,609,626	-	-	3,657,274	4,609,626
Property taxes	1,441,238	1,260,112	-	-	1,441,238	1,260,112
Hotel occupancy taxes	590,853	527,261	-	-	590,853	527,261
Mixed beverage taxes	38,286	19,721	-	-	38,286	19,721
Franchise taxes	664,991	586,836	-	-	664,991	586,836
Unrestricted grants	-	-	-	-	-	-
Interest on investments	33,353	46,248	10,077	9,929	43,430	56,177
Miscellaneous	1,112,858	691,345	84,780	145,666	1,197,638	837,011
Extraordinary items	(124,346)	56,704	-	-	(124,346)	56,704
Special item	67,760	-	-	-	67,760	-
Gain on sale of capital assets	-	7,000	-	-	-	7,000
Total revenues	<u>\$ 14,169,987</u>	<u>\$ 13,957,719</u>	<u>\$ 3,058,622</u>	<u>\$ 3,247,763</u>	<u>\$ 17,228,609</u>	<u>\$ 17,205,482</u>
Expenses:						
General government	2,518,490	2,478,826	-	-	2,518,490	2,478,826
Public safety	1,883,424	1,801,585	-	-	1,883,424	1,801,585
Culture and recreation	111,765	122,400	-	-	111,765	122,400
Economic development	216,901	680,823	-	-	216,901	680,823
Public works	546,039	470,054	-	-	546,039	470,054
Visitor services	475,719	356,365	-	-	475,719	356,365
Education	6,193,560	4,884,985	-	-	6,193,560	4,884,985
Interest on long-term debt	897,573	1,127,913	-	-	897,573	1,127,913
Water and sewer	-	-	3,098,466	2,794,235	3,098,466	2,794,235
Cemetery	-	-	6,282	5,604	6,282	5,604
Total expenses	<u>12,843,471</u>	<u>11,922,951</u>	<u>3,104,748</u>	<u>2,799,839</u>	<u>15,948,219</u>	<u>14,722,790</u>
Inc (Dec) in net assets before transfers	1,326,516	2,034,768	(46,126)	447,924	1,280,390	2,482,692
Transfers	<u>45,507</u>	<u>145,216</u>	<u>(45,507)</u>	<u>(145,216)</u>	<u>-</u>	<u>-</u>
Change in net assets	1,372,023	2,179,984	(91,633)	302,708	1,280,390	2,482,692
Net assets, beginning	<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>
Net assets, ending	<u>\$ 24,616,406</u>	<u>\$ 23,244,383</u>	<u>\$ 5,241,306</u>	<u>\$ 5,332,939</u>	<u>\$ 29,857,712</u>	<u>\$ 28,577,322</u>

***Governmental activities:*** Governmental activities increased the Town's net assets by \$1,372,023 (5%), increasing net assets from \$23,244,383 to \$24,616,406. 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, increased by \$1,575,631 or 7% of total governmental net assets. The majority of this increase was due to excess revenues over expenditures for the fiscal year with no restrictions on the funds.

Total revenues (including transfers) for governmental activities increased by \$112,559 when compared to the prior year. General revenue had a decrease of \$322,586, while program revenues had an increase of \$534,854.

*Program revenues* - The major contributor to the increase is related to the receipt of state revenues for the additional students at Westlake Academy as well as Westlake Academy Foundation grants given to the Academy.

*General revenues* – Decrease of \$322,586 were primarily made up of the following components:

- Sales tax decreased by \$952,352 due to a reduction in revenues of approximately \$900K based on the conclusion of construction regarding Deloitte in which there was an economic development agreement regarding the taxing of construction and start-up materials.
- Property tax increased by \$181,126
- Miscellaneous increased by \$421,513 – major portion of this increase relates to the reimbursement of indirect costs from Westlake Academy to the Town for services performed by Town personnel

*Expenses* –

- Total expenses for governmental activities increased by \$920,520 or approximately 7%. The major components to this increase were related to a decrease of \$463,922 in economic development based on a contractual obligation reimbursement. The amount received on the construction of the project was primarily completed in the prior year with normal operating sales taxes being received for the majority of FY 11-12 and an increase in education of \$1,308,575 which included expense for the addition of students and staff for Westlake Academy and the transfer of a portion of the indirect operating costs of approximately \$325,000 from Academy budget to the Municipal budget.

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

The net assets of our business-type activities ended fiscal year 2012 at \$5,241,306 compared with \$5,332,939 in 2011. This represents a decrease in net assets of \$91,633, or 2% less than the prior fiscal year.

Revenues of the Town's business-type activities were \$3,058,622 for the fiscal year ending September 30, 2012. Revenues decreased \$189,141 or 6% from the prior year. Operating expenses for the business-type activities were \$3,104,748 for the year, an increase of \$304,909 or 11%. The resulting decrease in net assets is due to several factors, including the following:

- Decrease in Charges for Services was \$152,826. This 5% decrease was primarily realized because FY 10/11 was a drier year than normal resulting in increased water billing revenues and other associated fees in the prior year.

- The Town's increase in expenses of \$304,909 is attributed to interest expense and additional expenses related to the wastewater treatment accounts.

## 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 \$10,930,861; a decrease of \$35,719 in comparison with the prior year. Approximately 46% of this total (\$4,992,240) 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, 2012, and the amount and percentage of increases and decreases in relation to the prior year.

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

Revenues	2011-12 Amount	Percent of Total	Increase (Decrease) from 2010/11	Percent Increase (Decrease)
Taxes	\$		\$	
Sales	3,657,274	25.7%	(952,352)	-20.7%
Property	1,442,068	10.1%	184,822	14.7%
Mixed beverage	38,286	0.3%	18,565	94.1%
Hotel occupancy	590,853	4.2%	63,592	12.1%
Franchise	664,991	4.7%	78,155	13.3%
Subtotal - Taxes	6,393,472	44.9%	(607,218)	-8.7%
State program	4,369,635	30.7%	423,977	10.7%
Federal program	152,351	1.1%	(5,094)	-3.2%
Interest income	33,353	0.2%	(12,895)	-27.9%
Building permits and fees	598,394	4.2%	67,748	12.8%
Fines and penalties	622,338	4.4%	16,633	2.7%
Contributions	732,535	5.1%	552,472	306.8%
Miscellaneous	1,323,237	9.3%	342,421	34.9%
Total Revenues	\$ 14,225,315	100.0%	\$ 778,044	5.8%

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

<u>Expenditures</u>	<u>2011-12</u>	<u>Percent</u>	<u>Increase</u>	<u>Percent</u>
	<u>Amount</u>	<u>of Total</u>	<u>(Decrease)</u>	<u>Increase</u>
			<u>From 2010/11</u>	<u>(Decrease)</u>
General government	\$ 1,878,885	13.0%	\$ 145,561	8.4%
Public safety	2,224,469	15.4%	381,718	20.7%
Culture and recreation	111,765	0.8%	(10,635)	-8.7%
Public works	391,115	2.7%	64,366	19.7%
Economic development	243,939	1.7%	(462,452)	-65.5%
Visitor services	475,719	3.3%	119,354	33.5%
Education	6,193,560	43.0%	1,308,575	26.8%
Capital outlay	1,110,476	7.7%	86,704	8.5%
Debt service	1,768,918	12.3%	94,095	5.6%
Total Expenditures	<u>\$ 14,398,846</u>	<u>100.0%</u>	<u>\$ 1,727,286</u>	<u>13.6%</u>

Below are summaries and explanations of the material increase (decrease) in fund balances from FY 2011 to FY 2012 of the Governmental Funds that are contained in the above totals:

General Fund - Fund balance increased \$1,248,411 (31%)

- Sales tax - FY 11-12 was the first year sales tax payments from the Property Tax Reduction portion of our receipts were recorded in the General Fund versus its own fund. The total amount was \$914K. In addition to these additional receipts, the Town received a contribution of \$325K from the Westlake Academy for indirect costs for services performed by Town staff.

4B Economic Development Corporation Fund - Fund balance decreased \$89,193

- 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 decreased by \$58,734

- Primarily due to a budgeted transfer of funds for the partial payment of the bonds related to the Arts & Sciences Center.

Capital Projects Fund - Fund balance decreased by \$1,053,529 due to the usage of bond funds for various approved capital projects.

*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 \$5,241,306, a decrease of \$91,633. Operating income totaled \$3,048,545 which was offset by a net non-operating revenues (expenses) total of \$704,659.

- Revenues were \$189,141 less than the prior year primarily due to charges for services
- Operating Expenses increased by \$304,909 due to the increase in the purchase of water.

## General Fund Budgetary Highlights

The General Fund budget for fiscal year 2012 was amended in total to increase the net change in fund balance from (\$110,509) to \$1,066,876, a total increase of \$1,177,385.

- The amended budget for net revenues was increased by \$916,674 (18%) with the majority of the increase noted below:
  - Sales Tax - \$582,500– received more taxes than anticipated due to construction at Deloitte University which we thought would be completed in the prior year. Several months of the construction materials sales tax receipts were received in FY 11-12.
  - Property Tax - \$105,211 - original budget was based on September values but then updated
  - Franchise Tax - \$82,375 – additional receipt from a franchisee that we had not anticipated
  - Fines and penalties - \$103,389 – more than anticipated traffic violations
  
- The amended budget for expenditures decreased by \$501,661 (10%). The major components of this decrease are below:
  - General government - \$(288,353)
    - (\$356K) - This is based on a change in how we were booking payroll. We were wanting all payroll expense to be shown in the General Fund and had originally budgeted transfers in from other funds in the “Transfers In” line-item (below the line) but determined it would be best to book as a contra account in the operating portion of the budget.
    - \$52K – Increase in legal expenditures due to 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 denied any liability and obtained a favorable judgment from the Court
  - Public Works – - \$(190,255) – Majority of this is related to how payroll was recorded. See above explanation. In addition, several larger maintenance projects were postponed.

The General Fund actual revenue collections were more than the amended budget by \$25,372 and the final expenditures were \$120,289 less than budgeted (3%).

- General government - \$41,482 – majority of this amount is made up additional legal expenditures based on lawsuit
- Public Safety \$(93,946) – EMS/Fire was understaffed by one position for the fiscal year
- Cultural and recreation – \$(38,569) – mainly related to contract services for landscaping, etc.
- Public Works \$(29,256) – primarily related to street drainage expenditures and the reduction of several maintenance projects.

## 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, 2012, totaled \$46,689,838 (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 \$568,550 or 1%. The major portion of this increase is attributed to the work completed on the Roanoke Road drainage/reconstruction project, Stagecoach Hills water line project, and the purchase of an attack truck and ambulance. A total of \$904 thousand was recorded as construction in progress expenses for several road and water projects, including FM 1938 improvements along with Stagecoach Hills drainage/reconstruction. A small amount was contributed to the beginning of the Academy expansion project. This total amount was offset by \$1,275,215 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 11,896,663	\$ 11,896,663	\$ -	\$ -	\$ 11,896,663	\$ 11,896,663
Capital improvements	2,386,902	2,361,688	9,883,837	9,955,542	12,270,739	12,317,230
Buildings	17,767,343	18,198,192	-	-	17,767,343	18,198,192
Machinery & equipment	710,703	561,394	2,069,390	2,183,855	2,780,093	2,745,249
W/W treatment rights	-	-	248,786	280,546	248,786	280,546
Construction in progress	<u>1,552,004</u>	<u>647,940</u>	<u>174,210</u>	<u>35,468</u>	<u>1,726,214</u>	<u>683,408</u>
Total capital assets	<u>\$ 34,313,615</u>	<u>\$ 33,665,877</u>	<u>\$ 12,376,223</u>	<u>\$ 12,455,411</u>	<u>\$ 46,689,838</u>	<u>\$ 46,121,288</u>

Additional information on the Town's capital assets can be found in Note III on pages 44-45 of this report.

*Long-term debt* - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$26,462,364. Of this amount, \$22,057,938 represents bonded indebtedness, \$124,618 economic development reimbursement, and \$5,498,668 business-type debt. During the fiscal year 2011-2012, the Town's total debt payable decreased by \$577,011. This decrease is primarily attributed to the scheduled repayment of principal and interest on outstanding bonded debt.

Standard & Poor's Ratings Services, a division of the McGraw-Hill, Inc. has just increased the Town's rate from AA- to 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 50-54.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 17,180,938	\$ 9,515,000	\$ -	\$ -	\$ 17,180,938	\$ 9,515,000
Certificates of obligation	4,877,000	12,210,000	-	-	4,877,000	12,210,000
Contractual obligations	124,618	151,656	5,498,668	5,580,380	5,623,286	5,732,036
Notes payable	34,075	50,000	-	-	34,075	50,000
Compensated absences	81,905	75,235	11,428	9,449	93,333	84,684
Deferred amounts	<u>(1,346,268)</u>	<u>(552,344)</u>	<u>-</u>	<u>-</u>	<u>(1,346,268)</u>	<u>(552,344)</u>
Total long-term debt	<u>\$ 20,952,268</u>	<u>\$ 21,449,547</u>	<u>\$ 5,510,096</u>	<u>\$ 5,589,829</u>	<u>\$ 26,462,364</u>	<u>\$ 27,039,376</u>

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

While we clearly understand the nation as a whole continues to try and recover from the economic downturn, the Town remains committed to budgeting and forecasting projections based on a fiscally conservative formula. We have accomplished many great things this past year through our use of partnerships and inventive strategies to govern our community. We have begun the process of reinvesting in our infrastructure and will continue to do so over the next several years – paying special attention to unique cost sharing opportunities, both public and private. Our overall goal is to provide our residents with a living experience that is second-to-none.

In the FY 2012-13 budget, General Fund revenues and transfers are budgeted to decrease by \$684K (11%). The decrease is primarily related to the reduction of the indirect cost reimbursement from the Westlake Academy to the Town for services performed by Town personnel as well as a reduction in permits and fees. Sales tax represents 46% of the total revenue budget with 21% being contributed to property tax and 12% to franchise fees.

Westlake’s assessed valuation increased by 11.2% for FY 12-13; however, the portion of this assessed valuation that we can actually use to levy an ad valorem tax decreased by 8%. This was due largely to tax abatements on Fidelity II and Deloitte University. Fidelity is able to receive these abatements in FY 12-13; however, they were not eligible in FY 11-12 because they did not meet their employment targets required in our economic development agreements with them. Even with these abatements lowering the portion of our assessed valuation on which we can levy our property tax in FY 12-13, we were still able to keep our tax rate the same as the previous year at \$.15684 per \$100 of assessed valuation (\$.141970 maintenance and operations and \$.014870 interest and sinking).

Operating budgeted expenditures in the General Fund are projected to increase by only \$40K (1%). The method for funding a second ground storage water tank for our water system is still under consideration. Because of that, it was budgeted in FY 12-13 to transfer, through an inter-fund loan, funds from the General Fund to the Utility Fund. The amount of \$2M is scheduled to be re-paid over five years with a \$400,000 annual payment. However, if we can work out the ability to issue bonds for this project, that would be the preferred method of financing this needed facility and an inter-fund loan from the General Fund to the Utility Fund will not be necessary. Subsequent to the adoption of the budget, the Town is considering funding a portion of this project with bonds and only transferring \$500K.

The Capital Projects Fund's fund balance will increase due to \$8.5M issuance for Westlake Academy facility expansion. This increase as well as the ongoing implementation of the (5) Year Capital Improvement Program (CIP) will bring the fund balance to \$3.3M. The CIP is reviewed, updated, and approved each year by the Town Council. The FM 1938/ Davis Blvd. streetscape plan will begin in earnest this coming year and the final expenditures for the J. T. Ottinger and Dove Road improvements will wind down. We will also begin to implement the enhancement projects along SH 114/Hwy 170 during the 12-13 fiscal year and start reconstruction and drainage work on Dove Road east of FM 1938.

A transfer from the General Fund to the Major Maintenance and Replacement Fund continues this fiscal year, with transfers out of \$550,000. The expenditures will be used for plant/building maintenance at the Academy, trail repair work, replacement of an existing vehicle, as well as technology upgrades. A portion of the remaining balance will be held for the future replacement of the ladder truck for the Fire Department in FY 2016-17. Internal Service funds show a 23% increase of \$220,205, due to the transfer of funds into the two major maintenance and equipment replacement funds (Utility and General), to accumulate funds for various repair and replacement items.

The net change to Fund balance for Westlake Academy is positive due, in part, to a \$300 thousand contribution from the Westlake Academy Foundation which is intended to help with the negative impact of the reduction in State funding for public schools across Texas.

Special Revenue funds project a 13% decrease in total fund balance in the amount of \$164,923 by the end of FY 2012-13. This reduction is primarily due to the Visitors Association Fund (i.e. Hotel-Motel Occupancy Tax Fund), where debt service payments are budgeted to be transferred for the bond issue payment related to construction of the Westlake Academy Sam and Margaret Lee Arts & Sciences Center.

Total revenues and other sources in for the Utility Fund were budget at \$4.8M with 43% being contributed to water revenue and 42% to a transfer in from the General Fund for the construction of the ground storage tank. As stated above, this amount may be amended during the FY 2012-13. Expenses and other uses are budgeted at \$4.6M with the 47% of this being attributed to capital outlay/projects.

## **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, 2012**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,955,686	\$ 2,587,845	\$ 12,543,531	\$ 6,003,203
Investments	-	-	-	-
Receivables (net of allowance)	1,212,007	847,608	2,059,615	575,547
Internal balances	178,384	( 178,384)	-	-
Inventories	-	97,880	97,880	-
Other assets	81,689	-	81,689	-
Restricted cash and cash equivalents	264,709	149,040	413,749	4,818,871
Deferred charges	493,389	-	493,389	3,553,390
Capital assets:				
Land	11,896,663	-	11,896,663	12,070,678
Buildings and improvements	26,806,318	13,333,561	40,139,879	91,741,792
Wastewater treatment rights	-	635,199	635,199	-
Machinery and equipment	2,844,174	3,466,046	6,310,220	12,052,793
Construction in progress	1,552,004	174,210	1,726,214	-
Less: accumulated depreciation	( 8,785,544)	( 5,232,793)	( 14,018,337)	( 38,575,352)
Total capital assets	<u>34,313,615</u>	<u>12,376,223</u>	<u>46,689,838</u>	<u>77,289,911</u>
Total assets	<u>46,499,479</u>	<u>15,880,212</u>	<u>62,379,691</u>	<u>92,240,922</u>
<b>LIABILITIES</b>				
Accounts payable	622,526	59,604	682,130	1,556,911
Customer deposits payable	-	149,040	149,040	-
Unearned revenue	52,154	385,217	437,371	3,557,642
Accrued interest payable	256,125	4,534,949	4,791,074	21,408,653
Noncurrent liabilities:				
Due within one year	853,439	87,662	941,101	2,349,674
Due in more than one year	20,098,829	5,422,434	25,521,263	111,178,833
Total liabilities	<u>21,883,073</u>	<u>10,638,906</u>	<u>32,521,979</u>	<u>140,051,713</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	14,866,299	6,877,555	21,743,854	( 36,238,596)
Restricted for:				
Tourism	1,052,546	-	1,052,546	-
Future projects	2,714,662	-	2,714,662	-
Debt service	22,657	-	22,657	-
Education	758,127	-	758,127	-
Economic development	178,384	-	178,384	-
Unrestricted	<u>5,023,731</u>	<u>( 1,636,249)</u>	<u>3,387,482</u>	<u>( 11,572,195)</u>
Total net assets	<u>\$ 24,616,406</u>	<u>\$ 5,241,306</u>	<u>\$ 29,857,712</u>	<u>\$( 47,810,791)</u>

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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities				
General government	\$ 2,518,490	\$ 673,090	\$ -	\$ -
Public safety	1,883,424	142,402	-	-
Culture and recreation	111,765	-	-	-
Economic Development	216,901	-	-	-
Public works	546,039	407,328	-	-
Visitor Services	475,719	-	-	-
Education	6,193,560	195,059	5,269,841	-
Interest on long-term debt	897,573	-	-	-
Total governmental activities	<u>12,843,471</u>	<u>1,417,879</u>	<u>5,269,841</u>	<u>-</u>
Business-type activities				
Water utilities	3,098,466	2,934,842	24,423	-
Cemetery	6,282	4,500	-	-
Total business-type activities	<u>3,104,748</u>	<u>2,939,342</u>	<u>24,423</u>	<u>-</u>
Total primary government	<u>\$ 15,948,219</u>	<u>\$ 4,357,221</u>	<u>\$ 5,294,264</u>	<u>\$ -</u>
Component units:				
Business-type activities	<u>\$ 24,427,233</u>	<u>\$ 17,899,141</u>	<u>\$ -</u>	<u>\$ -</u>
Total component units	<u>\$ 24,427,233</u>	<u>\$ 17,899,141</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues:		
		Sales taxes		
		Property taxes		
		Hotel occupancy taxes:		
		Mixed beverage taxes		
		Franchise taxes		
		Interest income		
		Miscellaneous		
		Transfers		
		Extraordinary item		
		Special item		
		Total general revenues and transfers		
		Change in net asset:		
		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 Presented Component Units
Governmental Activities	Business-type Activities	Total	
\$( 1,845,400)	\$ -	\$( 1,845,400)	\$ -
( 1,741,022)	-	( 1,741,022)	-
( 111,765)	-	( 111,765)	-
( 216,901)	-	( 216,901)	-
( 138,711)	-	( 138,711)	-
( 475,719)	-	( 475,719)	-
( 728,660)	-	( 728,660)	-
( 897,573)	-	( 897,573)	-
<u>( 6,155,751)</u>	<u>-</u>	<u>( 6,155,750)</u>	<u>-</u>
-	( 139,201)	( 139,201)	-
-	( 1,782)	( 1,782)	-
<u>-</u>	<u>( 140,983)</u>	<u>( 140,983)</u>	<u>-</u>
<u>( 6,155,751)</u>	<u>( 140,983)</u>	<u>( 6,296,733)</u>	<u>-</u>
			\$( <u>6,528,092</u> )
			\$( <u>6,528,092</u> )
3,657,274	-	3,657,274	-
1,441,238	-	1,441,238	-
590,853	-	590,853	-
38,286	-	38,286	-
664,991	-	664,991	-
33,353	10,077	43,430	22,770
1,112,858	84,780	1,197,638	1
45,507	( 45,507)	-	-
( 124,346)	-	( 124,346)	-
67,760	-	67,760	-
<u>7,527,774</u>	<u>49,350</u>	<u>7,577,124</u>	<u>22,771</u>
1,372,023	( 91,633)	1,280,390	( 6,505,321)
<u>23,244,383</u>	<u>5,332,939</u>	<u>28,577,322</u>	<u>( 42,405,726)</u>
<u>\$ 24,616,406</u>	<u>\$ 5,241,306</u>	<u>\$ 29,857,712</u>	<u>\$( 47,810,791)</u>

**TOWN OF WESTLAKE, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2012**

	General	Visitors Association	Westlake Academy	Debt Service Fund
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 4,637,252	\$ 977,700	\$ 681,617	\$ 22,657
Receivables				
Property taxes	1,796	-	-	240
Accounts receivable	557,579	88,164	225,459	-
Due from other funds	149,641	-	-	-
Other assets	6,856	-	74,833	-
Restricted cash and investments	264,709	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,617,833</b>	<b>\$ 1,065,864</b>	<b>\$ 981,909</b>	<b>\$ 22,897</b>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Accounts payable	352,232	11,818	112,165	-
Deferred revenue	1,796	1,500	50,654	240
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>354,028</b>	<b>13,318</b>	<b>162,819</b>	<b>240</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	6,856	-	60,963	-
<b>Restricted for:</b>				
Tourism	-	1,052,546	-	-
Future projects	49,941	-	-	-
Debt service	-	-	-	22,657
Education	-	-	758,127	-
Economic development	-	-	-	-
<b>Committed for:</b>				
Court security and technology	192,768	-	-	-
<b>Assigned for:</b>				
Future equipment purchase	22,000	-	-	-
Unassigned	4,992,240	-	-	-
<b>Total fund balances</b>	<b>5,263,805</b>	<b>1,052,546</b>	<b>819,090</b>	<b>22,657</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,617,833</b>	<b>\$ 1,065,864</b>	<b>\$ 981,909</b>	<b>\$ 22,897</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 Projects</u>	<u>Economic Development Fund</u>	<u>Lone Star Public Facility Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total Governmental Funds</u>
\$ 3,622,884	\$ -	\$ 13,576	\$ -	\$ 9,955,686
-	-	-	-	2,036
-	104,230	-	149,641	1,125,073
-	-	-	178,384	328,025
-	-	-	-	81,689
-	-	-	-	264,709
<u>\$ 3,622,884</u>	<u>\$ 104,230</u>	<u>\$ 13,576</u>	<u>\$ 328,025</u>	<u>\$ 11,757,218</u>

42,081	104,230	-	-	622,526
-	-	-	-	54,190
-	-	-	149,641	149,641
<u>42,081</u>	<u>104,230</u>	<u>-</u>	<u>149,641</u>	<u>826,357</u>

-	-	-	-	67,819
-	-	-	-	1,052,546
3,580,803	-	13,576	-	3,644,320
-	-	-	-	22,657
-	-	-	-	758,127
-	-	-	178,384	178,384
-	-	-	-	192,768
-	-	-	-	22,000
-	-	-	-	4,992,240
<u>3,580,803</u>	<u>-</u>	<u>13,576</u>	<u>178,384</u>	<u>10,930,861</u>
<u>\$ 3,622,884</u>	<u>\$ 104,230</u>	<u>\$ 13,576</u>	<u>\$ 328,025</u>	

34,313,615  
( 20,715,004)  
86,934  
\$ 24,616,406

**TOWN OF WESTLAKE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>General</u>	<u>Visitors Association</u>	<u>Westlake Academy</u>	<u>Debt Service Fund</u>
<b>REVENUES:</b>				
Taxes				
Sales	\$ 2,534,774	\$ -	\$ -	\$ -
Property	1,271,975	-	-	170,093
Mixed beverage	38,286	-	-	-
Hotel occupancy	-	590,853	-	-
Franchise	664,991	-	-	-
State program revenues	-	-	4,369,635	-
Federal program revenues	-	-	152,351	-
Interest income	14,060	3,438	2,417	-
Building permits and fees	598,394	-	-	-
Fines and penalties	622,338	-	-	-
Contributions	325,520	7,015	-	-
Miscellaneous	80,936	6,425	1,227,872	-
Total revenues	<u>6,151,274</u>	<u>607,731</u>	<u>5,752,275</u>	<u>170,093</u>
<b>EXPENDITURES:</b>				
Current				
General government	1,878,885	-	-	-
Public safety	2,224,469	-	-	-
Culture and recreation	111,765	-	-	-
Public works	391,115	-	-	-
Economic Development	-	-	-	-
Visitor services	-	475,719	-	-
Education	-	-	5,793,560	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	-	-	668,000
Interest and other fiscal charges	-	-	-	952,027
Bond issuance costs	-	-	-	148,891
Total expenditures	<u>4,606,234</u>	<u>475,719</u>	<u>5,793,560</u>	<u>1,768,918</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,545,040</u>	<u>132,012</u>	<u>( 41,285)</u>	<u>( 1,598,825)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	583,857	-	-	1,465,086
Transfers out	( 880,486)	( 190,746)	-	-
Bonds issued	-	-	-	7,799,196
Payment to escrow agent	-	-	-	( 7,650,305)
Special item	-	-	67,760	-
Extraordinary item	-	-	( 124,346)	-
Total other financing sources (uses)	<u>( 296,629)</u>	<u>( 190,746)</u>	<u>( 56,586)</u>	<u>1,613,977</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,248,411	( 58,734)	( 97,871)	15,152
<b>FUND BALANCES, BEGINNING</b>	<u>4,015,394</u>	<u>1,111,280</u>	<u>916,961</u>	<u>7,505</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 5,263,805</u>	<u>\$ 1,052,546</u>	<u>\$ 819,090</u>	<u>\$ 22,657</u>

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

<u>Capital Projects</u>	<u>Economic Development Fund</u>	<u>Lone Star Public Facility Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total Governmental Funds</u>
\$ -	\$ 208,181	\$ -	\$ 914,319	\$ 3,657,274
-	-	-	-	1,442,068
-	-	-	-	38,286
-	-	-	-	590,853
-	-	-	-	664,991
-	-	-	-	4,369,635
-	-	-	-	152,351
12,545	-	45	848	33,353
-	-	-	-	598,394
-	-	-	-	622,338
400,000	-	-	-	732,535
8,004	-	-	-	1,323,237
<u>420,549</u>	<u>208,181</u>	<u>45</u>	<u>915,167</u>	<u>14,225,315</u>
-	-	-	-	1,878,885
-	-	-	-	2,224,469
-	-	-	-	111,765
-	-	-	-	391,115
-	243,939	-	-	243,939
-	-	-	-	475,719
400,000	-	-	-	6,193,560
1,110,476	-	-	-	1,110,476
-	-	-	-	668,000
-	-	-	-	952,027
-	-	-	-	148,891
<u>1,510,476</u>	<u>243,939</u>	<u>-</u>	<u>-</u>	<u>14,398,846</u>
( 1,089,927)	( 35,758)	45	915,167	( 173,531)
36,398	35,758	-	-	2,121,099
-	-	-	( 1,004,360)	( 2,075,592)
-	-	-	-	7,799,196
-	-	-	-	( 7,650,305)
-	-	-	-	67,760
-	-	-	-	( 124,346)
<u>36,398</u>	<u>35,758</u>	<u>-</u>	<u>( 1,004,360)</u>	<u>137,812</u>
( 1,053,529)	-	45	( 89,193)	( 35,719)
<u>4,634,332</u>	<u>-</u>	<u>13,531</u>	<u>267,577</u>	<u>10,966,580</u>
\$ <u>3,580,803</u>	\$ <u>-</u>	\$ <u>13,576</u>	\$ <u>178,384</u>	\$ <u>10,930,861</u>

**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, 2012**

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

Net change in fund balance - total governmental funds \$( 35,719)

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. 647,738

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,258

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. 710,963

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. 47,783

Change in net assets of governmental activities \$ 1,372,023

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

**TOWN OF WESTLAKE, TEXAS**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

**SEPTEMBER 30, 2012**

**Business-type Activities-Enterprise Funds**

	<u>Utility Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,537,706	\$ 50,139	\$ 2,587,845
Investments	-	-	-
Accounts receivable (net of allowance)	847,608	-	847,608
Inventories	-	97,880	97,880
Other assets	-	-	-
Restricted cash and investments	149,040	-	149,040
Total current assets	<u>3,534,354</u>	<u>148,019</u>	<u>3,682,373</u>
Noncurrent assets			
Capital assets:			
Construction in progress	174,210	-	174,210
Buildings and improvements	13,333,561	-	13,333,561
Wastewater treatment rights	635,199	-	635,199
Machinery and equipment	3,466,046	-	3,466,046
Less: accumulated depreciation	( 5,232,793)	-	( 5,232,793)
Total capital assets	<u>12,376,223</u>	<u>-</u>	<u>12,376,223</u>
Total noncurrent assets	<u>12,376,223</u>	<u>-</u>	<u>12,376,223</u>
Total assets	<u>15,910,577</u>	<u>148,019</u>	<u>16,058,596</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	58,937	667	59,604
Customer deposits payable	149,040	-	149,040
Accrued interest payable	4,534,949	-	4,534,949
Due to other funds	178,384	-	178,384
Deferred revenue	385,217	-	385,217
Compensated absences	1,143	-	1,143
Contractual obligations	86,519	-	86,519
Total current liabilities	<u>5,394,189</u>	<u>667</u>	<u>5,394,856</u>
Long-term liabilities:			
Compensated absences	10,285	-	10,285
Contractual obligations	5,412,149	-	5,412,149
Total long-term liabilities	<u>5,422,434</u>	<u>-</u>	<u>5,422,434</u>
Total liabilities	<u>10,816,623</u>	<u>667</u>	<u>10,817,290</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,877,555	-	6,877,555
Unrestricted	( 1,783,601)	147,352	( 1,636,249)
Total net assets	<u>\$ 5,093,954</u>	<u>\$ 147,352</u>	<u>\$ 5,241,306</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, 2012**

<b>Business-type Activities-Enterprise Funds</b>			
	<b>Utility Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 2,934,842	\$ 4,500	\$ 2,939,342
Contributions	24,423	-	24,423
Miscellaneous revenue	84,780	-	84,780
Total operating revenue	<u>3,044,045</u>	<u>4,500</u>	<u>3,048,545</u>
<b>OPERATING EXPENSES:</b>			
Payroll costs	253,673	-	253,673
Professional and contract services	30,187	5,984	36,171
Depreciation	426,775	-	426,775
Amortization of wastewater treatment rights	31,760	-	31,760
Water purchases	980,212	-	980,212
Cost of cemetery lots sold	-	298	298
Other operating costs	661,123	-	661,123
Total operating expenses	<u>2,383,730</u>	<u>6,282</u>	<u>2,390,012</u>
<b>OPERATING INCOME</b>	660,315	( 1,782)	658,533
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	9,906	171	10,077
Interest expense	( 714,736)	-	( 714,736)
Total non-operating revenues (expenses)	<u>( 704,830)</u>	<u>171</u>	<u>( 704,659)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>			
	( 44,515)	( 1,611)	( 46,126)
Transfer in	50,000	-	50,000
Transfer out	( 95,507)	-	( 95,507)
Total transfers and capital contributions	<u>( 45,507)</u>	<u>-</u>	<u>( 45,507)</u>
<b>CHANGE IN NET ASSETS</b>	( 90,022)	( 1,611)	( 91,633)
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>5,183,976</u>	<u>148,963</u>	<u>5,332,939</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 5,093,954</u>	<u>\$ 147,352</u>	<u>\$ 5,241,306</u>

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, 2012**

**Business-type Activities-Enterprise Funds**

	<u>Utility Fund</u>	<u>Cemetery Fund</u>	<u>Total Current Year</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 3,333,070	\$ 4,500	\$ 3,337,570
Cash payments to employees/retirees	( 251,694)	-	( 251,694)
Cash payments for goods and services	( 2,041,740)	( 5,316)	( 2,047,056)
Net cash provided by operating activities	<u>1,039,636</u>	<u>( 816)</u>	<u>1,038,820</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer from other funds	50,000	-	50,000
Transfer to other funds	( 95,507)	-	( 95,507)
Advances to other funds	( 29,731)	-	( 29,731)
Net cash provided by noncapital financing activities	<u>( 75,238)</u>	<u>-</u>	<u>( 75,238)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on debt	( 81,712)	-	( 81,712)
Interest paid on debt	( 123,081)	-	( 123,081)
Purchase of property and equipment	( 379,348)	-	( 379,348)
Net cash used by capital and related financing activities	<u>( 584,141)</u>	<u>-</u>	<u>( 584,141)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	<u>9,906</u>	<u>171</u>	<u>10,077</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	390,163	( 645)	389,518
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>2,296,583</u>	<u>50,784</u>	<u>2,347,367</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 2,686,746</u>	<u>\$ 50,139</u>	<u>\$ 2,736,885</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	\$ 2,537,706	\$ 50,139	\$ 2,587,845
Restricted cash and cash equivalents	149,040	-	149,040
Total cash and cash equivalents	<u>\$ 2,686,746</u>	<u>\$ 50,139</u>	<u>\$ 2,736,885</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 660,315	\$( 1,782)	\$ 658,533
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	458,536	-	458,536
Changes in operating assets and liabilities:			
Receivables	313,717	-	313,717
Other assets	2,589	299	2,888
Accounts payable	( 372,807)	667	( 372,140)
Compensated absences	1,979	-	1,979
Customer deposits payable	5,260	-	5,260
Deferred revenue	( 29,953)	-	( 29,953)
Net cash provided by operating activities	<u>\$ 1,039,636</u>	<u>\$( 816)</u>	<u>\$ 1,038,820</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, 2012**

	<u>Texas Student Housing Authority - Ballpark Austin Project</u>	<u>Texas Student Housing Corporation - The Ridge at North Texas</u>	<u>Texas Student Housing Authority - Town Lake Austin Project</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 590,771	\$ 676,602	\$ 275,717
Accounts receivables (net of allowance)	19,151	110,360	56,173
Restricted assets:			
Cash and cash equivalents	518,794	2,002,044	108,046
Deferred charges	2,265,605	639,311	648,474
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	( 11,698,625)	( 10,946,544)	( 6,186,177)
Total assets	<u>24,822,329</u>	<u>21,640,614</u>	<u>15,259,975</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	713,128	414,003	259,749
Unearned revenue	252,276	418,739	128,194
Accrued interest payable	7,254,284	4,627,379	1,951,612
Noncurrent liabilities:			
Due within one year	985,000	647,515	307,159
Due in more than one year	33,518,348	27,050,161	20,300,324
Total liabilities	<u>42,723,036</u>	<u>33,157,797</u>	<u>22,947,038</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	( 13,075,340)	( 9,485,379)	( 6,435,918)
Unrestricted	( 4,825,367)	( 2,031,804)	( 1,251,145)
Total net assets	<u>\$( 17,900,707)</u>	<u>\$( 11,517,183)</u>	<u>\$( 7,687,063)</u>

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

Texas Student Housing Authority - College Station Project	Texas Student Housing Authority	Total
\$ 4,142,293	\$ 317,820	\$ 6,003,203
388,890	973	575,547
2,189,987	-	4,818,871
-	-	3,553,390
2,899,597	-	12,070,678
27,727,646	-	91,741,792
2,594,804	-	12,052,793
( 9,744,006)	-	( 38,575,352)
<u>30,199,211</u>	<u>318,793</u>	<u>92,240,922</u>
170,031	-	1,556,911
2,726,546	31,887	3,557,642
7,575,378	-	21,408,653
410,000	-	2,349,674
30,310,000	-	111,178,833
<u>41,191,955</u>	<u>31,887</u>	<u>140,051,713</u>
( 7,241,959)	-	( 36,238,596)
( 3,750,785)	286,906	( 11,572,195)
<u>\$( 10,992,744)</u>	<u>\$ 286,906</u>	<u>\$( 47,810,791)</u>

**TOWN OF WESTLAKE, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-type activities:				
Texas Student Housing Authority	\$ 1,150,106	\$ 852,277	\$ -	\$ -
Texas Student Housing Authority:				
College Station Project	7,821,953	5,818,085	-	-
Ballpark Austin Project	5,448,817	3,782,426	-	-
Town Lake Austin Project	4,215,434	2,811,775	-	-
Texas Student Housing Corporation:				
The Ridge at North Texas	<u>5,790,923</u>	<u>4,634,578</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>24,427,233</u>	<u>17,899,141</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,427,233</u>	<u>\$ 17,899,141</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues:		
		Interest income		
		Miscellaneous		
		Total general revenues and transfers		
		Change in net assets		
		Net assets, beginning		
		Prior Period Adjustment		
		Net assets, ending		

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

Net (Expense) Revenue and Changes in Net Assets					
Texas Student Housing Authority - Ballpark Austin Project	Texas Student Housing Corporation - The Ridge at North Texas	Texas Student Housing Authority - Town Lake Austin Project	Texas Student Housing Authority - College Station Project	Texas Student Housing Authority	Total
\$ -	\$ -	\$ -	\$ -	\$ ( 297,829)	\$ ( 297,829)
-	-	-	( 2,003,868)	-	( 2,003,868)
( 1,666,391)	-	-	-	-	( 1,666,391)
-	-	( 1,403,659)	-	-	( 1,403,659)
-	( 1,156,345)	-	-	-	( 1,156,345)
( 1,666,391)	( 1,156,345)	( 1,403,659)	( 2,003,868)	( 297,829)	( 6,528,092)
( 1,666,391)	( 1,156,345)	( 1,403,659)	( 2,003,868)	( 297,829)	( 6,528,092)
-	22,433	-	306	31	22,770
-	-	-	-	1	1
-	22,433	-	306	32	22,771
( 1,666,391)	( 1,133,912)	( 1,403,659)	( 2,003,562)	( 297,797)	( 6,505,321)
( 17,334,572)	( 10,383,271)	( 6,283,404)	( 8,989,182)	584,703	( 42,405,726)
1,100,256	-	-	-	-	1,100,256
<u>\$ ( 17,900,707)</u>	<u>\$ ( 11,517,183)</u>	<u>\$ ( 7,687,063)</u>	<u>\$ ( 10,992,744)</u>	<u>\$ 286,906</u>	<u>\$ ( 47,810,791)</u>

## TOWN OF WESTLAKE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

#### 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.

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.

(continued)

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

### 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.

*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.

(continued)

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

### B. Component Units (Continued)

#### **Blended** (Continued)

*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.

### 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.

(continued)

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

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

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.

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 agreements.

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 funds:

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.

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.

(continued)

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

### **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.

#### **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 property tax receivables are shown net of an allowance for uncollectibles. The net property tax receivable allowance is equal to 25 percent of outstanding property taxes at September 30, 2012.

(continued)

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

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

#### **Receivables and Payables (Continued)**

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.

#### **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.

(continued)

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

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

**Capital Assets (Continued)**

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

**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.

(continued)

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

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

#### 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.

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.

(continued)

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

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

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

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.

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	\$	1,052,546
Restricted for Future projects		2,714,662
Restricted for Debt Service		22,657
Restricted for Education		758,127
Restricted for Economic Development		<u>178,384</u>
Total	\$	<u>4,726,376</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 \$20,715,004 difference are as follows:

(continued)

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

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)**

Certificates of obligation bonds	\$ 22,182,556
Notes payable	34,075
Deferred charges for issuance costs (to be amortized over life of debt)	(1,839,657)
Compensated absences	81,905
Accrued interest payable	<u>256,125</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 20,715,004</u>

**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 \$647,738 difference are as follows:

Capital outlay (\$45,680 reclassified to expense repairs and \$369,746 capitalized from public safety and \$29,875 capitalized from public works)	\$ 1,464,417
Depreciation expense	<u>(816,679)</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>\$ 647,738</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 \$710,963 difference are as follows:

**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)**

Principal repayments:	
General obligation debt	\$ 7,453,000
Note payments	15,925
Deferred rebates	<u>27,038</u>
Debt issuance:	
General obligation debt	(7,375,000)
Bond issuance costs	148,891
Deferred loss on refunding	865,305
Premium on bonds	<u>(424,196)</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>\$ 710,963</u>

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 \$47,783 difference are as follows:

Accrued interest	\$ 135,434
Compensated absences	(6,670)
Amortization of premium	13,258
Amortization of deferred charge on refunding	(71,381)
Amortization of issuance costs	<u>(22,858)</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>\$ 47,783</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.

(continued)

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

**Deposits and Investments** (Continued)

During the year ended September 30, 2012, 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.

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, 2012, 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:

(continued)

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

**Deposits and Investments** (Continued)

<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	\$ 350	\$ 350	N/A	AAA-m
Cash	<u>12,956,930</u>	<u>12,956,930</u>	N/A	N/A
Total cash and investments	\$ <u>12,957,280</u>	\$ <u>12,957,280</u>		

Reconciliation of total cash and investments at September 30, 2012, are as follows:

Cash and cash equivalents	\$ 12,543,531
Restricted cash and investments	<u>413,749</u>
Total cash and investments	\$ <u>12,957,280</u>

The Town's entire cash deposits in the bank of \$13,587,597 on September 30, 2012, 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>10,822,074</u>	\$ <u>10,822,074</u>	N/A
Total	\$ <u>10,822,074</u>	\$ <u>10,822,074</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.

(continued)

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

**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.

#### Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

##### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 11,896,663	\$ -	\$ -	\$ 11,896,663
Construction in progress	647,940	904,064	-	1,552,004
Total assets not being depreciated	<u>12,544,603</u>	<u>904,064</u>	<u>-</u>	<u>13,448,667</u>
Capital assets, being depreciated:				
Capital improvements	5,222,819	185,031	-	5,407,850
Buildings	21,398,468	-	-	21,398,468
Machinery and equipment	2,416,422	375,322	-	2,791,744
Information systems and software	52,430	-	-	52,430
Total capital assets being depreciated	<u>29,090,139</u>	<u>560,353</u>	<u>-</u>	<u>29,650,492</u>
Less accumulated depreciation:				
Capital improvements	2,861,131	159,817	-	3,020,948
Buildings	3,200,276	430,849	-	3,631,125
Machinery and equipment	1,855,028	226,013	-	2,081,041
Information systems and software	52,430	-	-	52,430
Total accumulated depreciation	<u>7,968,865</u>	<u>816,679</u>	<u>-</u>	<u>8,785,544</u>
Total capital assets being depreciated, net	<u>21,121,274</u>	<u>( 256,326)</u>	<u>-</u>	<u>20,864,948</u>
Governmental activities capital assets, net	<u>\$ 33,665,877</u>	<u>\$ 647,738</u>	<u>\$ -</u>	<u>\$ 34,313,615</u>

(continued)

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

#### Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 35,468	\$ 138,742	\$ -	\$ 174,210
Total assets not being depreciated	<u>35,468</u>	<u>138,742</u>	<u>-</u>	<u>174,210</u>
Capital assets, being depreciated:				
Capital improvements	13,099,180	234,381	-	13,333,561
Wastewater treatment rights	635,199	-	-	635,199
Machinery and equipment	<u>3,459,821</u>	<u>6,225</u>	<u>-</u>	<u>3,466,046</u>
Total capital assets being depreciated	<u>17,194,200</u>	<u>240,606</u>	<u>-</u>	<u>17,434,806</u>
Less accumulated depreciation:				
Capital improvements	3,143,638	306,086	-	3,449,724
Wastewater treatment rights	354,653	31,760	-	386,413
Machinery and equipment	<u>1,275,966</u>	<u>120,690</u>	<u>-</u>	<u>1,396,656</u>
Total accumulated depreciation	<u>4,774,257</u>	<u>458,536</u>	<u>-</u>	<u>5,232,793</u>
Total capital assets being depreciated, net	<u>12,419,943</u>	<u>( 217,930)</u>	<u>-</u>	<u>12,202,013</u>
Business-type activities capital assets, net	<u>\$ 12,455,411</u>	<u>\$ ( 79,188)</u>	<u>\$ -</u>	<u>\$ 12,376,223</u>

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

Governmental activities:	
General government	\$ 635,136
Public safety	42,758
Public works	<u>138,785</u>
Total depreciation expense - governmental activities	<u>\$ 816,679</u>

(continued)

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

#### Capital Assets (Continued)

A summary of discretely presented component units' capital assets at September 30, 2012, follows:

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,788,265	\$ -	\$ -	\$ 4,788,265
Total capital assets, 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, being depreciated	<u>28,338,368</u>	<u>-</u>	<u>-</u>	<u>28,338,368</u>
Less accumulated depreciation for:				
Building	6,877,931	711,510	-	7,589,441
Furniture and fixtures	<u>3,960,018</u>	<u>149,166</u>	<u>-</u>	<u>4,109,184</u>
Total accumulated depreciation	<u>10,837,949</u>	<u>860,676</u>	<u>-</u>	<u>11,698,625</u>
Total capital assets, being depreciated, net	<u>17,500,419</u>	<u>( 860,676)</u>	<u>-</u>	<u>16,639,743</u>
Capital assets, net	<u>\$ 22,288,684</u>	<u>\$ ( 860,676)</u>	<u>\$ -</u>	<u>\$ 21,428,008</u>

(continued)

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

**Capital Assets** (Continued)

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
Total capital assets, 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	1,253,841	-	-	1,253,841
Total capital assets, being depreciated	<u>26,958,841</u>	<u>-</u>	<u>-</u>	<u>26,958,841</u>
Less accumulated depreciation for:				
Building	6,477,733	856,833	( 2,447,615)	9,782,181
Furniture and fixtures	3,603,449	8,529	2,447,615	1,164,363
Total accumulated depreciation	<u>10,081,182</u>	<u>865,362</u>	<u>-</u>	<u>10,946,544</u>
Total capital assets, being depreciated, net	<u>16,877,659</u>	<u>( 865,362)</u>	<u>-</u>	<u>16,012,297</u>
Capital assets, net	<u>\$ 19,077,659</u>	<u>\$ ( 865,362)</u>	<u>\$ -</u>	<u>\$ 18,212,297</u>

(continued)

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

**Capital Assets (Continued)**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,182,816	\$ -	\$ -	\$ 2,182,816
Total capital assets, 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	<u>915,951</u>	<u>-</u>	<u>-</u>	<u>915,951</u>
Total capital assets, being depreciated	<u>18,174,926</u>	<u>-</u>	<u>-</u>	<u>18,174,926</u>
Less accumulated depreciation for:				
Building and improvements	4,236,208	627,487	-	4,863,695
Capitalized purchase costs	227,872	28,484	-	256,356
Land improvements	374,212	-	-	374,212
Unit appliances	168,648	-	-	168,648
Furniture and fixtures	<u>523,266</u>	<u>-</u>	<u>-</u>	<u>523,266</u>
Total accumulated depreciation	<u>5,530,206</u>	<u>655,971</u>	<u>-</u>	<u>6,186,177</u>
Total capital assets, being depreciated, net	<u>12,644,720</u>	<u>( 655,971)</u>	<u>-</u>	<u>11,988,749</u>
Capital assets, net	<u>\$ 14,827,536</u>	<u>\$ ( 655,971)</u>	<u>\$ -</u>	<u>\$ 14,171,565</u>

(continued)

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

#### Capital Assets (Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,899,597	\$ -	\$ -	\$ 2,899,597
Total capital assets, not being depreciated	<u>2,899,597</u>	<u>-</u>	<u>-</u>	<u>2,899,597</u>
Capital assets, being depreciated:				
Building	27,727,646	-	-	27,727,646
Furniture and fixtures	<u>2,594,804</u>	<u>-</u>	<u>-</u>	<u>2,594,804</u>
Total capital assets, being depreciated	<u>30,322,450</u>	<u>-</u>	<u>-</u>	<u>30,322,450</u>
Less accumulated depreciation for:				
Building	6,163,885	896,177	-	7,060,062
Furniture and fixtures	<u>2,595,383</u>	<u>88,561</u>	<u>-</u>	<u>2,683,944</u>
Total accumulated depreciation	<u>8,759,268</u>	<u>984,738</u>	<u>-</u>	<u>9,744,006</u>
Total capital assets, being depreciated, net	<u>21,563,182</u>	<u>( 984,738)</u>	<u>-</u>	<u>20,578,444</u>
Capital assets, net	<u>\$ 24,462,779</u>	<u>\$( 984,738)</u>	<u>\$ -</u>	<u>\$ 23,478,041</u>

#### Restricted Cash

##### **General Fund**

Within the governmental funds, \$264,709 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, \$149,040 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, \$4,818,871 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 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, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Combination tax and limited Pledge Revenue Certificates of Obligation, Series 2002	\$ 4,600,000	\$ -	\$ 3,955,000	\$ 645,000	\$ 315,000
Combination tax and limited Pledge Revenue Certificates of Obligation, Series 2003	5,515,000	-	3,290,000	2,225,000	170,000
General Obligation Refunding Bonds, Series 2007	7,285,000	-	25,000	7,260,000	25,000
Less deferred amounts on refunding	( 552,344)	-	( 44,336)	( 508,008)	-
General Obligation Bonds, Series 2008	2,230,000	-	95,000	2,135,000	100,000
Combination tax and Revenue Certificates of Obligation, Series 2011	2,095,000	-	88,000	2,007,000	90,000
General Obligation Refunding Bonds, Series 2011	-	7,375,000		7,375,000	100,000
General Obligation Refunding Bonds, Series 2011 Premium	-	424,196	13,258	410,938	-
Less deferred amounts on refunding	-	( 865,305)	( 27,045)	( 838,260)	-
Notes payable	50,000	-	15,925	34,075	16,655
Compensated absences	75,235	48,364	41,694	81,905	8,191
Fidelity Tax Reimbursement	<u>151,656</u>	<u>-</u>	<u>27,038</u>	<u>124,618</u>	<u>28,593</u>
	<u>\$ 21,449,547</u>	<u>\$ 6,982,255</u>	<u>\$ 7,479,534</u>	<u>\$ 20,952,268</u>	<u>\$ 853,439</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.

#### **Advance Refunding**

The government issued \$7,375,000 in general obligation bonds with interest rates ranging from 2.0% to 4.0%. The proceeds were used to advance refund \$6,785,000 of outstanding 2002 and 2003 general obligation bonds which had interest rates ranging from 3.65% to 6.50%. The net proceeds of \$7,650,305 (including a \$424,196 premium and after payment of \$148,891 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, this portion of the 2002 and 2003 general obligation bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$865,305. This amount is being netted against the new debt and amortized over the life of the refunding debt. The government advance refunded this portion of the 2002 and 2003 general obligation bonds to reduce its total debt service payments over 17 years by \$893,302 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$704,497.

(continued)

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

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 800,000	\$ 813,828	\$ 1,613,828
2014	833,000	777,232	1,610,232
2015	862,000	735,281	1,597,281
2016	910,000	713,851	1,623,851
2017	890,000	706,032	1,596,032
2018-2022	4,981,000	3,004,793	7,985,793
2023-2027	5,883,000	2,089,868	7,972,868
2028-2032	<u>6,488,000</u>	<u>847,528</u>	<u>7,335,528</u>
Total	<u>\$ 21,647,000</u>	<u>\$ 9,688,413</u>	<u>\$ 31,335,413</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 September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 16,655	\$ 1,565	\$ 18,220
2014	<u>17,420</u>	<u>800</u>	<u>18,220</u>
Total	<u>\$ 34,075</u>	<u>\$ 2,365</u>	<u>\$ 36,440</u>

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.

(continued)

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

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 28,593	\$ 7,165	\$ 35,758
2014	30,237	5,521	35,758
2015	31,975	3,783	35,758
2016	<u>33,814</u>	<u>1,944</u>	<u>35,758</u>
Total	<u>\$ 124,619</u>	<u>\$ 18,413</u>	<u>\$ 143,032</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, 2012, is as follows:

<u>Description</u>	<u>Outstanding 9/30/2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 9/30/2012</u>	<u>Current Portion</u>
Contractual obligations:					
Elevated water storage	\$ 900,436	\$ -	\$ 81,712	\$ 818,724	\$ 86,519
Limited pledge contractual obligation:					
Dove Road Water Line and West Pump Station	4,679,944	-	-	4,679,944	-
Compensated absences	<u>9,449</u>	<u>4,680</u>	<u>2,701</u>	<u>11,428</u>	<u>1,143</u>
	<u>\$ 5,589,829</u>	<u>\$ 4,680</u>	<u>\$ 84,413</u>	<u>\$ 5,510,096</u>	<u>\$ 87,662</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> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2013	\$ 86,519	\$ 627,225	\$ 713,744
2014	91,325	718,334	809,659
2015	94,530	763,362	857,892
2016	99,336	813,910	913,246
2017	104,143	863,557	967,700
2018-2022	342,871	3,767,983	4,110,854
2023-2027	<u>4,679,944</u>	<u>-</u>	<u>4,679,944</u>
Total	<u>\$ 5,498,668</u>	<u>\$ 7,554,371</u>	<u>\$ 13,053,039</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>Rate</u>	<u>Balance</u>
Cambridge Student Housing Financing Company, L.P.; substantially all assets and assignment of rents; due November 1, 2039	8.00%	\$ <u>30,720,000</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, 2012:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
\$ <u>31,095,000</u>	\$ <u>-</u>	\$ <u>375,000</u>	\$ <u>30,720,000</u>	\$ <u>410,000</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	\$ 16,530,000
B	3,990,000
C	4,820,000
D	<u>5,380,000</u>
Total	\$ <u>30,720,000</u>

Class C and D bonds are in default and the property does not generate enough revenue to pay the debt obligations so the maturity schedules are not included. All of the Class C and D bonds issued remain outstanding as of August 31, 2012.

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.

(continued)

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

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

**Texas Student Housing Authority - College Station Project (Continued)**

At August 31, 2012, the Project was 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.

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds:					
2002 A-1 Bonds	\$ 15,797,516	\$ -	\$ 279,275	\$ 15,518,241	\$ 307,159
2002 A-2 Bonds	<u>5,089,241</u>	<u>-</u>	<u>-</u>	<u>5,089,241</u>	<u>-</u>
Total	<u>\$ 20,886,757</u>	<u>\$ -</u>	<u>\$ 279,275</u>	<u>\$ 20,607,482</u>	<u>\$ 307,159</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 August 31,	Principal	Interest	Total
2013	\$ 307,159	\$ 1,587,954	\$ 1,895,113
2014	328,105	1,563,532	1,891,637
2015	354,491	1,537,146	1,891,637
2016	382,998	1,508,639	1,891,637
2017	413,797	1,477,840	1,891,637
2018-2022	2,624,986	6,833,199	9,458,185
2023-2027	3,864,419	5,593,766	9,458,185
2028-2032	5,689,073	3,769,112	9,458,185
2033-2036	<u>6,642,454</u>	<u>466,006</u>	<u>7,108,460</u>
Totals	<u>\$ 20,607,482</u>	<u>\$ 24,337,194</u>	<u>\$ 44,944,676</u>

(continued)

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

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

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

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds:					
2001A Bonds	\$ 29,510,000	\$ -	\$ 670,000	\$ 28,840,000	\$ 705,000
2001B Bonds	2,365,000	-	-	2,365,000	280,000
2001C Bonds	3,000,000	-	-	3,000,000	-
Deferred purchase price	1,460,000	-	-	1,460,000	-
Less discounts	( 1,221,736)	-	( 60,084)	( 1,161,652)	-
<b>Total</b>	<b>\$ 35,113,264</b>	<b>\$ -</b>	<b>\$ 609,916</b>	<b>\$ 34,503,348</b>	<b>\$ 985,000</b>

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:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 985,000	\$ 2,047,544	\$ 3,032,544
2014	795,000	2,006,275	2,801,275
2015	840,000	1,962,856	2,802,856
2016	885,000	1,916,950	2,801,950
2017	935,000	1,868,556	2,803,556
2018-2022	5,485,000	8,518,463	14,003,463
2032-2027	7,175,000	6,832,888	14,007,888
2028-2032	9,420,000	4,589,488	14,009,488
2033-2036	7,685,000	589,925	8,274,925
<b>Totals</b>	<b>\$ 34,205,000</b>	<b>\$ 30,332,945</b>	<b>\$ 64,537,945</b>

At August 31, 2012, 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.

(continued)

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

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

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

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds:					
2001A Bonds	\$ 25,775,000	\$ -	\$ 645,000	\$ 25,130,000	\$ 685,000
2001B Bonds	3,240,000	-	-	3,240,000	-
Less discounts	<u>( 709,809)</u>	<u>-</u>	<u>( 37,485)</u>	<u>( 672,324)</u>	<u>( 37,485)</u>
Total	<u>\$ 28,305,191</u>	<u>\$ -</u>	<u>\$ 607,515</u>	<u>\$ 27,697,676</u>	<u>\$ 647,515</u>

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, 2012, are as follows and have not been adjusted for the default of the bonds. Under the original terms of the Indenture, a total of \$645,000 in principal and \$1,976,793 in interest is due in fiscal 2012. The total interest to be paid will depend on the ultimate maturities of the bonds.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 28,370,000</u>	<u>\$ 23,542,340</u>	<u>\$ 51,912,340</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 \$385,217 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.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (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, 2012, were as follows:

<u>Source</u>	<u>Academy</u>	<u>Total</u>
Federal program revenues:		
U. S. Department of Education - Passed through State Department of Education	\$ <u>152,351</u>	\$ <u>152,351</u>
Total federal program revenues:	\$ <u>152,351</u>	\$ <u>152,351</u>
State program revenues:		
State Department of Education	\$ <u>4,369,635</u>	\$ <u>4,369,635</u>

(continued)

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

#### Interfund Balances and Transactions

Interfund receivables and payables at September 30, 2012, were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund:		
4B Economic Development Corporation fund	\$ 149,641	\$ -
4B Economic Development Corporation fund:		
General Fund	-	149,641
Utility fund	178,384	-
Utility fund:		
4B Economic Development Corporation fund	<u>-</u>	<u>178,384</u>
	<u>\$ 328,025</u>	<u>\$ 328,025</u>

The 4B Economic Development Corporation fund (4B) amount of \$149,641 payable to the General Fund is related to debt service payment reimbursement. 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.

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

<b>Primary Government</b>	<u>Transfers To Funds</u>	<u>Transfers From Funds</u>
General fund:		
Visitors Association fund	\$ -	\$ 8,350
Economic Development fund	35,758	-
Capital Projects fund	36,398	-
Debt Service fund	278,330	-
Utility fund	-	45,507
General maintenance	530,000	530,000
Visitors Association fund:		
General fund	8,350	-
Debt service fund	182,396	-
Debt Service fund:		
General fund	-	278,330
Visitors Association fund	-	182,396
4B Economic Development Corporation fund	-	1,004,360
Capital Projects fund:		
General fund	-	36,398
Economic Development fund:		
General fund	-	35,758
4B Economic Development Corporation fund:		
Debt Service fund	1,004,360	-
Utility fund:		
General fund	45,507	-
Utility PCM fund	<u>50,000</u>	<u>50,000</u>
Totals	<u>\$ 2,171,099</u>	<u>\$ 2,171,099</u>

(continued)

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

#### Interfund Balances and Transactions (Continued)

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.

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 revenues to Capital Project fund as determined by the Council for capital projects, and (5) 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	Economic Development Fund	Westlake 4B Corporation	Utility Fund	
Receivables:								
Sales tax	\$ 344,692	\$ -	\$ -	\$ -	\$ 104,230	\$ 149,641	\$ -	\$ 598,563
Property tax	2,395	-	-	320	-	-	-	2,715
Other taxes	10,234	88,164	-	-	-	-	-	98,398
Franchise fees	146,608	-	-	-	-	-	-	146,608
Accounts	-	-	-	-	-	-	847,608	847,608
Other	56,045	-	225,459	-	-	-	-	281,504
Gross receivables	559,974	88,164	225,459	320	104,230	149,641	847,608	1,975,396
Less: Allowance for uncollectibles	599	-	-	80	-	-	-	679
Net total receivables	<u>\$ 559,375</u>	<u>\$ 88,164</u>	<u>\$ 225,459</u>	<u>\$ 240</u>	<u>\$ 104,230</u>	<u>\$ 149,641</u>	<u>\$ 847,608</u>	<u>\$ 1,974,717</u>

#### 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, 2012 was \$980,212.

(continued)

#### 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.

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 from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	<u>Plan Year 2011</u>	<u>Plan Year 2012</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 (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	0% of CPI repeating	0% of CPI 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.

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.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### Retirement Plan (Continued)

##### Contributions (Continued)

Accounting Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
09/30/10	130,590	130,590	100%	\$ -
09/30/11	151,868	151,868	100%	-
09/30/12	132,882	132,882	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	23.4 years; closed period	21.6 years; closed period	21.3 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0% 0.0%	3.0% 0.0%	3.0% 0.0%

The funded status as of December 31, 2011, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2011	\$ 2,226,028	\$ 2,631,416	84.6%	\$ 405,388	\$ 1,759,432	23.0%

(continued)

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

##### **Retirement Plan** (Continued)

##### **Contributions** (Continued)

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.

##### **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.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### Other Postemployment Benefits (Continued)

##### **Contributions** (Continued)

The city's contributions to the TMRS SDBF for the years ended 2012 and 2011 were \$2,240 and \$2,582, respectively.

Schedule of Contribution Rates (RETIREE-only portion of the rate)			
<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2010	0.00%	0.00%	100%
2011	0.00%	0.00%	100%
2012	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 was 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. The Town obtained a favorable judgment from the Court. The lawsuit is over and non-appealable.

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.

###### **Subsequent Events**

At the Council meeting on January 28, 2013, the Council adopted a resolution authorizing the Town's consultants and staff to prepare for the issuance of certificates of obligation in the amount of \$9.5 million. The Town would likely receive bond proceeds in April, 2013. The funds are to be used as follows: (1) \$1,000,000 to fund a portion of a ground storage tank and (2) \$8,500,000 for the expansion of Westlake Academy to include a cafetorium, classroom building and a field house.

The Council also adopted an ordinance authorizing the issuance of general obligation refunding bonds at the January 28, 2013 meeting. Subsequent to year-end, the Town issued \$2.2 million GO Refunding Bonds, Series 2013 for the purpose of refunding the Town's GO Bonds, Series 2008 which have a 3.92% interest rate and an outstanding principal balance of \$2,135,000. Total savings over the next 15 years equals \$255,176, or approximately \$17,000 per year. The present value of such savings, using the yield on the 2013 Bonds, is \$218,480, or 10.2% of the principal retired.

**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, 2012**

	General Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Amended		
<b>REVENUES</b>				
Taxes				
Sales	\$ 2,062,500	\$ 2,645,000	\$ 2,534,774	\$( 110,226)
Property	1,156,842	1,262,053	1,271,975	9,922
Mixed beverages	17,750	32,750	38,286	5,536
Franchise	582,550	664,925	664,991	66
Interest income	15,285	16,095	14,060	( 2,035)
Building permits and fees	480,890	476,150	598,394	122,244
Fines and penalties	536,611	640,000	622,338	( 17,662)
Contributions from others	304,100	325,550	325,520	( 30)
Other miscellaneous income	<u>52,700</u>	<u>63,379</u>	<u>80,936</u>	<u>17,557</u>
Total revenues	<u>5,209,228</u>	<u>6,125,902</u>	<u>6,151,274</u>	<u>25,372</u>
<b>EXPENDITURES</b>				
Current				
General government and administration	2,125,756	1,837,403	1,878,885	( 41,482)
Public safety	2,329,521	2,318,415	2,224,469	93,946
Cultural and recreational	162,281	150,334	111,765	38,569
Public works	<u>610,626</u>	<u>420,371</u>	<u>391,115</u>	<u>29,256</u>
Total expenditures	<u>5,228,184</u>	<u>4,726,523</u>	<u>4,606,234</u>	<u>120,289</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 18,956)</u>	<u>1,399,379</u>	<u>1,545,040</u>	<u>145,661</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,075,383	575,850	583,857	8,007
Transfers out	<u>( 1,166,936)</u>	<u>( 908,353)</u>	<u>( 880,486)</u>	<u>27,867</u>
Total other financing sources (uses)	<u>( 91,553)</u>	<u>( 332,503)</u>	<u>( 296,629)</u>	<u>35,874</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 110,509)	1,066,876	1,248,411	181,535
<b>FUND BALANCE, BEGINNING</b>	<u>4,015,394</u>	<u>4,015,394</u>	<u>4,015,394</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,904,885</u>	<u>\$ 5,082,270</u>	<u>\$ 5,263,805</u>	<u>\$ 181,535</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, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
Taxes				
Hotel occupancy	\$ 535,000	\$ 535,000	\$ 590,853	\$ 55,853
Interest income	2,900	2,900	3,438	538
Contributions	500	6,610	7,015	405
Other miscellaneous income	18,775	12,040	6,425	( 5,615)
Total revenues	557,175	556,550	607,731	51,181
 <b>EXPENDITURES</b>				
Visitors services	221,102	479,766	475,719	4,047
Total expenditures	221,102	479,766	475,719	4,047
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	336,073	76,784	132,012	55,228
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(445,434)	( 190,746)	( 190,746)	-
Total other financing sources (uses)	( 445,434)	( 190,746)	( 190,746)	-
 <b>NET CHANGE IN FUND BALANCE</b>	( 109,361)	( 113,962)	( 58,734)	55,228
 <b>FUND BALANCE, BEGINNING</b>	1,111,280	1,111,280	1,111,280	-
 <b>FUND BALANCE, ENDING</b>	\$ 1,001,919	\$ 997,318	\$ 1,052,546	\$ 55,228

**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, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
<b>REVENUES</b>				
State program revenues	\$ 4,494,586	\$ 4,380,317	\$ 4,369,635	\$( 10,682)
Federal program revenues	150,844	163,919	152,351	( 11,568)
Interest income	1,500	1,278	2,417	1,139
Other miscellaneous income	837,912	1,237,407	1,227,872	( 9,535)
Total revenues	5,484,842	5,782,921	5,752,275	( 30,646)
<b>EXPENDITURES</b>				
Education	5,575,220	5,947,147	5,793,560	153,587
Total expenditures	5,575,220	5,947,147	5,793,560	153,587
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	( 90,378)	( 164,226)	( 41,285)	122,941
<b>OTHER FINANCING SOURCES (USES)</b>				
Extraordinary item	-	( 124,464)	( 124,346)	118
Special item	-	-	67,760	67,760
Transfers in	36,967	104,844	26,124	( 78,720)
Transfers out	( 49,807)	( 49,807)	( 26,124)	23,683
Total other financing sources (uses)	( 12,840)	( 69,427)	( 56,586)	12,841
<b>NET CHANGE IN FUND BALANCE</b>				
	( 103,218)	( 233,653)	( 97,871)	135,782
<b>FUND BALANCE, BEGINNING</b>				
	916,961	916,961	916,961	-
<b>FUND BALANCE, ENDING</b>				
	\$ 813,743	\$ 683,308	\$ 819,090	\$ 135,782

**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, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
Taxes				
Sales	\$ 150,000	\$ 205,000	\$ 208,181	\$ 3,181
Total revenues	150,000	205,000	208,181	3,181
<b>EXPENDITURES</b>				
Economic Development	185,758	240,758	243,939	( 3,181)
Total expenditures	185,758	240,758	243,939	( 3,181)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 35,758)	( 35,758)	( 35,758)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	35,758	35,758	35,758	-
Total other financing sources (uses)	35,758	35,758	35,758	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, BEGINNING</b>	-	-	-	-
<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, 2012**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
Interest income	\$ 30	\$ 45	\$ 45	\$ -
Total revenues	30	45	45	-
<b>EXPENDITURES</b>				
General government	-	-	-	-
Total expenditures	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	30	45	45	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	30	45	45	-
<b>FUND BALANCE, BEGINNING</b>	13,531	13,531	13,531	-
<b>FUND BALANCE, ENDING</b>	\$ 13,561	\$ 13,576	\$ 13,576	\$ -

**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, 2012**

	Budgeted Amounts		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes				
Sales	\$ 687,500	\$ 950,000	\$ 914,319	\$( 35,681)
Interest income	500	500	848	348
Total revenues	<u>688,000</u>	<u>950,500</u>	<u>915,167</u>	<u>( 35,333)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>688,000</u>	<u>950,500</u>	<u>915,167</u>	<u>( 35,333)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 717,730)	( 980,230)	( 1,004,360)	( 24,130)
Total other financing sources (uses)	<u>( 717,730)</u>	<u>( 980,230)</u>	<u>( 1,004,360)</u>	<u>( 24,130)</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 29,730)	( 29,730)	( 89,193)	( 59,463)
<b>FUND BALANCE, BEGINNING</b>	<u>267,577</u>	<u>267,577</u>	<u>267,577</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 237,847</u>	<u>\$ 237,847</u>	<u>\$ 178,384</u>	<u>\$( 59,463)</u>

**TOWN OF WESTLAKE, TEXAS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**  
**(unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2009	\$ 1,337,183	\$ 1,810,429	73.9%	\$ 473,246	\$ 1,658,452	28.5%
12/31/2010	1,863,399	2,197,161	84.8%	333,762	1,534,927	21.7%
12/31/2011	2,226,028	2,631,416	84.6%	405,388	1,759,432	23.0%

TOWN OF WESTLAKE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2012

(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 re-appropriated and honored during the subsequent year.
8. Expenditures exceeded appropriations in the general government and administration department of the General Fund and in the 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 4B Economic Development Corporation Fund. This excess was covered by available fund balance.

# **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, 2012**

	<u>Final Budgeted</u> Amounts	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes			
Property	\$ 172,098	\$ 170,093	\$( 2,005)
Total revenues	<u>172,098</u>	<u>170,093</u>	<u>( 2,005)</u>
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	668,000	668,000	-
Interest and other fiscal charges	952,028	1,100,918	( 148,890)
Total expenditures	<u>1,620,028</u>	<u>1,768,918</u>	<u>( 148,890)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 1,447,930)</u>	<u>( 1,598,825)</u>	<u>( 150,895)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,470,222	1,465,086	( 5,136)
Bonds issued	-	7,799,196	7,799,196
Payment to escrow agent	-	( 7,650,305)	( 7,650,305)
Total other financing sources (uses)	<u>1,470,222</u>	<u>1,613,977</u>	<u>143,755</u>
<b>NET CHANGE IN FUND BALANCE</b>	22,292	15,152	( 7,140)
<b>FUND BALANCE, BEGINNING</b>	<u>7,505</u>	<u>7,505</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 29,797</u>	<u>\$ 22,657</u>	<u>\$( 7,140)</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>
Financial Trends <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>	76 - 81
Revenue Capacity <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>	82 - 86
Debt Capacity <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>	87 - 89
Demographic and Economic Information <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>	90 - 91
Operating Information <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>	92 - 94

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 NINE FISCAL YEARS

*(Accrual Basis of Accounting - unaudited)*

	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 14,188,516	\$ 14,866,299
Restricted	124,185	-	1,406,756	1,719,771	2,004,763	1,761,067	1,564,868	5,607,767	4,726,376
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>	<u>5,023,731</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>	<u>\$ 24,616,406</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	\$ 6,877,555
Unrestricted	<u>( 1,462,451)</u>	<u>( 1,621,273)</u>	<u>( 1,846,851)</u>	<u>( 2,008,243)</u>	<u>( 1,997,281)</u>	<u>( 1,945,578)</u>	<u>( 2,003,600)</u>	<u>( 1,542,092)</u>	<u>( 1,636,249)</u>
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>	<u>\$ 5,241,306</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	\$ 21,063,547	\$ 21,743,854
Restricted	124,185	-	1,406,756	1,719,771	2,004,763	1,761,067	1,564,868	5,607,767	4,726,376
Unrestricted	<u>( 216,100)</u>	<u>( 63,879)</u>	<u>1,177,024</u>	<u>1,297,299</u>	<u>1,838,470</u>	<u>2,176,607</u>	<u>3,862,446</u>	<u>1,906,008</u>	<u>3,387,482</u>
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>	<u>\$ 29,857,712</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 NINE FISCAL YEARS**  
*(Accrual Basis of Accounting - unaudited)*

	<i>Fiscal Year</i>								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<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	\$ 2,518,490
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	1,883,424
Cultural and Recreational	84,557	96,617	91,444	86,560	129,641	115,770	105,997	122,400	111,765
Public Works	533,290	342,500	613,956	455,481	1,013,804	1,028,934	594,705	470,054	216,901
Economic Development	53,006	349,208	35,759	120,753	473,451	207,044	309,653	680,823	546,039
Visitor Services	172,542	448,604	393,115	217,992	312,777	341,270	420,270	356,365	475,719
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	6,193,560
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	897,573
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>	<u>12,843,471</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	3,098,466
Cemetery	-	-	-	-	13,299	473	27,822	5,604	6,282
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>	<u>3,104,748</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>	<u>\$ 15,948,219</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	\$ 673,090
Public Safety	20,752	45,213	136,870	165,255	113,755	107,634	80,665	140,600	142,402
Public Works	784,546	711,655	699,753	625,340	902,875	594,338	1,597,655	292,572	407,328
Education	38,947	39,430	98,357	85,925	42,839	98,314	102,406	99,638	195,059
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	5,269,841
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>	<u>6,687,720</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	2,934,842
Cemetery	-	-	-	-	2,100	-	5,550	13,300	4,500
Operating grants and contributions	-	370,551	19,653	-	-	-	46,810	-	24,423
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>	<u>2,963,765</u>
Total primary government program revenue	<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>	<u>\$ 9,651,485</u>

(Continued)

**TOWN OF WESTLAKE, TEXAS**  
**CHANGES IN NET ASSETS**  
**LAST NINE FISCAL YEARS**  
*(Accrual Basis of Accounting - unaudited)*

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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)	\$( 6,155,751)
Business-type activities	( 501,421)	205,146	( 275,940)	( 549,432)	( 215,624)	( 349,644)	( 441,627)	292,329	( 140,983)
Total primary government net expense	( 4,053,767)	( 4,358,381)	( 1,379,054)	( 5,732,263)	( 7,390,881)	( 5,916,832)	( 7,573,693)	( 9,222,513)	( 6,296,734)
<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	\$ 3,657,274
Property								1,260,112	1,441,238
Hotel Occupancy	440,849	381,221	415,544	458,471	527,662	497,769	457,693	527,261	590,853
Mixed Beverage	10,511	13,846	13,674	14,066	16,177	17,869	17,902	19,721	38,286
Franchise	337,222	352,115	457,004	560,312	649,108	624,401	603,233	586,836	664,991
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	33,353
Miscellaneous	134,717	64,047	448,827	466,654	564,973	568,782	676,638	691,345	1,112,858
Transfers	-	71,857	45,319	33,976	220,819	61,321	-	145,216	45,507
Extraordinary item - proceeds from insurance, net								56,704	( 124,346)
Special item								-	67,760
Gain on sale of capital assets	-	-	-	-	-	-	-	7,000	-
Total governmental activities	2,761,712	3,641,692	5,112,098	6,252,500	8,258,590	8,456,365	9,068,523	11,694,826	7,527,774
Business-type activities:									
Investment earnings	3,245	2,416	25,604	46,158	32,103	7,858	8,334	9,929	10,077
Miscellaneous	-	-	56,025	36,936	44,071	77,266	60,070	145,666	84,780
Transfers	-	( 71,857)	( 45,319)	( 33,976)	( 220,819)	( 61,321)	-	( 145,216)	( 45,507)
Total business-type activities	3,245	( 69,441)	36,310	49,118	( 144,645)	23,803	68,404	10,379	49,350
Total primary government	2,764,957	3,572,251	5,148,408	6,301,618	8,113,945	8,480,168	9,136,927	11,705,205	7,577,124
<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	1,372,023
Business-type activities	( 498,176)	135,705	( 239,630)	( 500,314)	( 360,269)	( 325,841)	( 373,223)	302,708	( 91,633)
Total primary government	\$( 1,288,810)	\$( 786,130)	\$ 3,769,354	\$ 569,355	\$ 723,064	\$ 2,563,336	\$ 1,563,234	\$ 2,482,692	\$ 1,280,390

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ -	\$ 329,608	\$ 131,657	\$ 434,375	\$ 563,176	\$ 303,639	\$ 193,105	\$ 214,750	\$ -	\$ -
Unreserved	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	6,856
Restricted for:										
Future projects									219,687	49,941
Committed for:										
Court security and technology									186,776	192,768
Assigned for:										
Future equipment									22,000	22,000
Unassigned	-	-	-	-	-	-	-	-	3,524,911	4,992,240
Total general fund	<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>	<u>\$ 5,263,805</u>
All other governmental funds										
Reserved										
Special revenue funds	\$ 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	60,963
Restricted for:										
Tourism									1,109,365	1,052,546
Future projects									4,647,863	3,594,379
Debt service									7,505	22,657
Education									885,365	758,127
Economic development									267,577	178,384
Capital projects funds	<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>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 5,667,056</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 BALANCE, GOVERNMENTAL FUNDS**

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES</b>										
Taxes	\$ 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	\$ 6,393,472
Licenses, fees and permits	508,154	802,060	740,027	748,016	900,121	1,108,083	860,697	1,746,954	530,646	598,394
Fines and penalties	548,375	680,794	1,007,142	751,036	651,090	554,376	523,515	647,170	605,705	622,338
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	4,369,635
Federal program revenues	311,298	462,315	285,392	75,662	49,200	75,207	56,134	199,436	337,508	152,351
Investment earnings	151,591	33,180	41,786	98,824	261,622	188,459	61,224	38,383	46,248	33,353
Contributions		1,286,611	1,324,264	4,964,085	1,079,768	1,048,308	1,264,262	533,400	-	732,535
Other revenues	16,099	184,221	292,690	547,184	552,579	607,812	673,400	779,044	980,816	1,323,237
Total revenues	<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>	<u>14,225,315</u>
<b>EXPENDITURES</b>										
General government	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	1,878,885
Public safety	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	2,224,469
Cultural and recreational	14,043	9,099	96,617	91,444	86,560	129,641	115,770	105,997	122,400	111,765
Public works	68,979	125,499	112,764	434,716	276,789	846,604	841,822	333,831	326,749	391,115
Economic development	56,832	53,006	35,758	35,759	141,197	495,071	229,907	401,879	706,391	243,939
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	475,719
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	6,193,560
Capital Outlay	14,096,533	2,917,185	263,681	371,860	836,787	463,918	4,335,114	682,103	1,023,772	1,110,476
Debt service										
Principal	1,475,400	-	-	350,000	470,000	395,000	593,937	563,703	555,000	668,000
Interest	836,533	986,534	1,028,104	1,028,634	1,240,950	923,944	990,641	977,163	1,083,377	952,027
Bond issuance cost	-	-	-	-	-	33,000	-	-	36,446	148,891
Total expenditures	<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>	<u>14,398,846</u>
<b>EXCESS (DEFICIENCY)</b>										
<b>OF REVENUES OVER</b>										
<b>(UNDER) EXPENDITURES</b>	<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>	<u>\$ ( 173,531)</u>

(Continued)

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>OTHER FINANCING</b>										
<b>SOURCES (USES):</b>										
Proceeds from sale of land	\$ -	\$ -	\$ 412,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of assets	-	-	-	-	-	-	-	-	7,000	-
Issuance of debt	6,351,613	-	-	-	-	2,500,000	117,640	-	2,095,000	-
Refunding bonds issued					7,465,000	-	-	-	-	7,799,196
Payments to bond escrow agent					( 7,088,706)	-	-	-	-	( 7,650,305)
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	-	-	-	-	-	-	-	-	-
Special item									-	67,760
Extraordinary item									56,704	( 124,346)
Transfers in	225,000	-	172,010	704,577	1,212,558	2,160,174	2,435,486	1,804,577	7,082,163	2,121,099
Transfers out	( 225,000)	-	( 100,153)	( 659,258)	( 1,178,582)	( 1,939,355)	( 2,374,165)	( 1,804,577)	( 6,936,947)	( 2,075,592)
<b>Total other financing sources (uses)</b>	<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>	<u>137,812</u>
Prior period adjustment		32,828		60,000		-	-	-	-	-
Correction of an error										
<b>NET CHANGES IN FUND BALANCES</b>										
	<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>	<u>\$ ( 35,719)</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>										
	<u>43.6%</u>	<u>16.3%</u>	<u>13.9%</u>	<u>15.7%</u>	<u>20.9%</u>	<u>13.6%</u>	<u>15.4%</u>	<u>15.0%</u>	<u>14.1%</u>	<u>12.5%</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**  
**LAST TWO FISCAL YEARS**  
*(Modified Accrual Basis of Accounting - unaudited)*

<b>Fiscal Year</b>	<b>Appraised Value</b>		<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
	<b>Real Property</b>	<b>Personal Property</b>			
2011	\$ 953,568,803	\$ 73,601,266	\$ 146,497,994	\$ 880,672,075	0.1601
2012	1,016,142,945	90,060,445	158,124,036	948,079,354	0.15684

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 AND PRIOR FISCAL YEAR**  
*(Unaudited)*

2012				2011			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Maguire Thomas Partners, etal	\$ 150,235,546	1	15.85%	Maguire Thomas Partners, etal	\$ 116,839,380	1	13.27%
FMR Texas, LLC/LTD Partnership	77,754,274	2	8.20%	FMR Texas, LLC/LTD Partnership	154,220,911	2	17.51%
DCLI, LLC	76,847,119	5	8.11%	Maguire Partners	39,117,985	3	4.44%
Corelogic Real Estate	18,050,838		1.90%	Lexington TNI Westlake LP	18,249,200	4	2.07%
Lexington TNI Westlake LP	16,560,450	3	1.75%	First American Leasing/Real Estate	17,636,457	5	2.00%
Marsh USA, Inc.	10,030,377	6	1.06%	DCLI, LLC	13,234,691	6	1.50%
First American Leasing	8,804,230	4	0.93%	Fidelity Investments	12,277,810	7	1.39%
Levi Strauss & Co.	8,637,483	7	0.91%	Levi Strauss & Co.	8,215,271	8	0.93%
Westlake Terra, LLC	6,808,002	8	0.72%	Westlake Terra, LLC	7,400,002	9	0.84%
Louco Investment Partners LP	6,467,500	10	0.68%	EMC Corp	6,418,484	10	0.73%
Total	\$ 380,195,819		40.10%	Total	\$ 393,610,191		44.69%

Source: Tarrant County Appraisal District

Note: (1) Prior to fiscal year ended September 30, 2011, the Town of Westlake did not assess an ad valorem tax.

(2) Total Taxable Assessed Value including real and personal property for tax year 2010 (fiscal year 2011) is \$880,672,075

(3) Total Taxable Assessed Value including real and personal property for tax year 2011 (fiscal year 2012) is \$948,079,354

**TOWN OF WESTLAKE, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TWO FISCAL YEARS**  
*(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%	4,930	\$ 1,360,980	99.90%
2012	1,486,968	47,220	1,439,748	1,437,908	99.87%		1,437,908	99.87%

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)**  
**LAST TWO FISCAL YEARS**  
*(Unaudited)*

Fiscal Year	City Direct Rates			Overlapping Rates								
	Operating/ General Fund	Debt Service Fund	Total (A) Direct	School Districts			Counties		Tarrant County College Dist	Tarrant County Hospital Dist.	Trophy Club MUD #1	Total Direct and Overlapping
				Carroll ISD	Northwest ISD	Keller ISD	Denton County	Tarrant County				
2011	0.15620	0.00390	0.16010	1.41500	1.37500	1.53060	0.27736	0.26400	0.13764	0.22790	0.19500	5.58259
2012	0.13835	0.01849	0.15684	1.41500	1.37500	1.54000	0.28287	0.26400	0.14897	0.22790	0.17500	5.58557

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 SEVEN FISCAL YEARS**

*(Unaudited)*

NAICS	Industry Type	Fiscal Year						
		2006	2007	2008	2009	2010	2011	2012
11	Agriculture, Forestry, Fishing and Hunting	\$ 31	\$ 67	\$ 54	\$ 210	\$ -	\$ 60	\$ 38
21	Mining	2,321	-	1,012	20	400	4,420	3,050
22	Utilities	463,222	212,336	194,359	185,819	178,693	178,529	171,131
23	Construction	81,542	200,791	635,134	411,718	68,306	117,283	139,000
31-33	Manufacturing	1,120,328	360,010	186,128	95,395	386,492	322,085	526,755
42	Wholesale Trade	248,702	284,082	178,003	72,034	105,557	153,392	134,466
44-45	Retail	408,556	253,293	493,309	445,839	1,097,007	1,089,059	1,062,197
48-49	Transportation and Warehousing	63	491	-	2,784	556	680	1,156
51	Information	538,210	223,672	246,591	355,603	159,513	514,501	367,298
52	Financial and Insurance	10,162	343,446	120,187	64,994	87,188	73,529	27,857
53	Real Estate and Rental and Leasing	178,047	204,398	102,515	123,191	327,207	204,973	215,754
54	Professional, Scientific, and Technical Services	111,746	452,018	180,288	156,385	202,263	232,023	491,383
56	Admin and Support and Waste Mgmt & Rem Srv	245,562	45,809	105,811	15,102	39,539	90,473	39,027
61	Education Services	895	317	85	2,984	619,228	1,584,025	356,689
62	Health Care and Social Assistance	10	-	109	-	-	167	106
71	Arts, Entertainment and Recreation	49,474	224,101	177,446	175,517	158,996	208,578	204,456
72	Accommodation and Food Services	34,021	57,084	65,779	54,416	140,996	182,903	93,123
81	Other Services (except Public Administration)	130,476	130,392	32,621	1,490	4,462	4,675	9,805
92	Public Administration	170	-	-	-	11	1	135
		<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>\$ 4,961,356</u>	<u>\$ 3,843,426</u>
	Town direct sales tax rate	<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

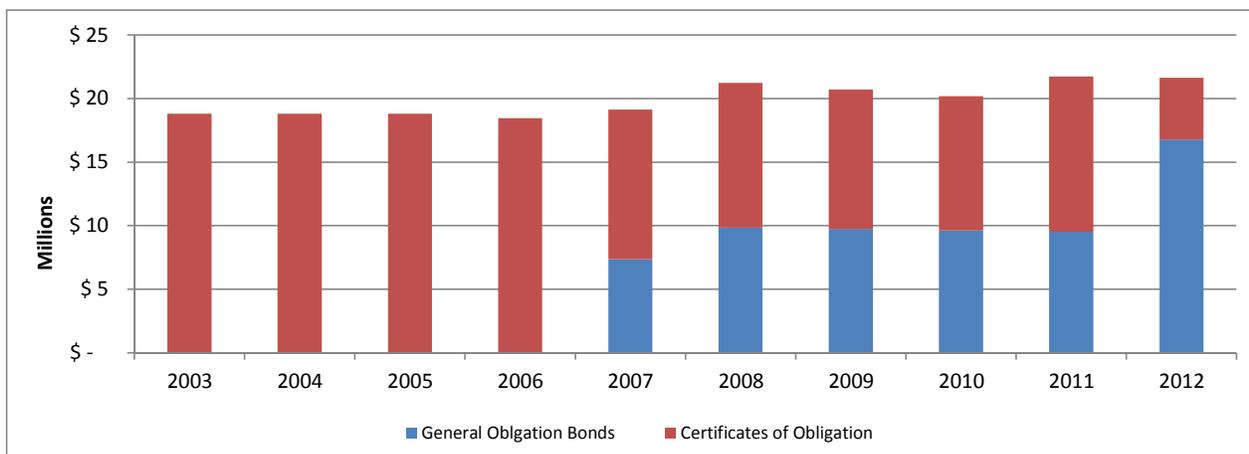
**TOWN OF WESTLAKE, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Sales	Per Capita
	General Obligation Bonds	Certificates of Obligation	Total		
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
2012	16,770,000	4,877,000	21,647,000	11.84%	21,348

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.



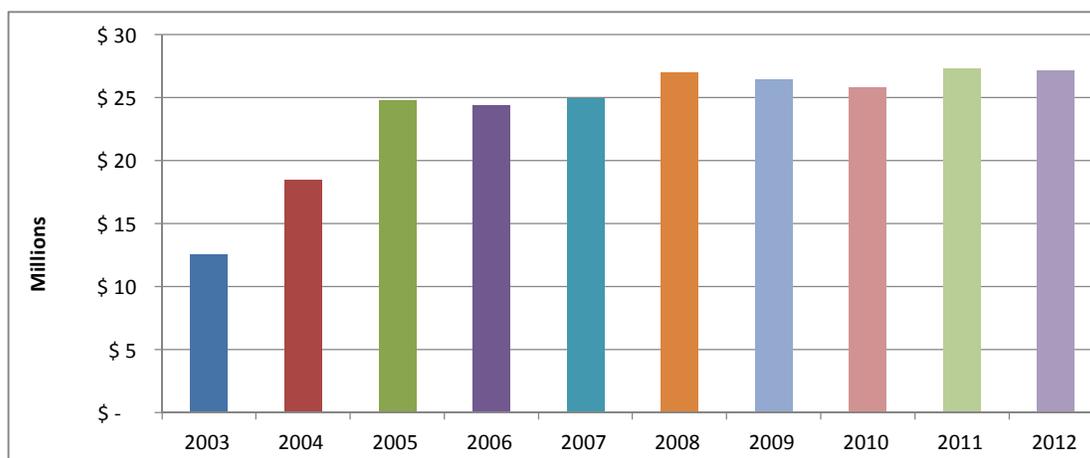
**TOWN OF WESTLAKE, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**

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

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Loans	Other Contractual Obligations				
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	
2012	16,770,000	4,877,000	-	34,075	5,498,668	27,179,743	47%	26,804	

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, 2012**  
*(Unaudited)*

<u>Taxing Body</u>	<u>Amount of Debt Outstanding</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent (1)</u>	<u>Amount</u>
Carroll ISD	\$ 241,860,039	12/31/2012	5.72%	\$ 13,834,394
Denton County	553,915,000	12/31/2012	0.02%	110,783
Keller ISD	700,087,009	12/31/2012	4.57%	31,993,976
Northwest ISD	629,986,474	12/31/2012	0.50%	3,149,932
Tarrant County	317,725,000	12/31/2012	0.72%	2,287,620
Tarrant County College District	22,705,000	12/31/2012	0.72%	163,476
Tarrant County Hospital District	26,285,000	12/31/2012	0.72%	189,252
Trophy Club MUD#1	12,059,000	12/31/2012	18.35%	<u>2,212,827</u>
Total Overlapping Debt				53,942,260
Town of Westlake Outstanding Debt				<u>21,647,000</u>
Total Direct & Overlapping Debt				<u>\$ 75,589,260</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)*

Calendar Year	Estimated Population	Personal Income	Per Capita Personal Income	Tarrant County Unemployment Rate
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%
2012	1,014	57,869,000	57,070	5.8%

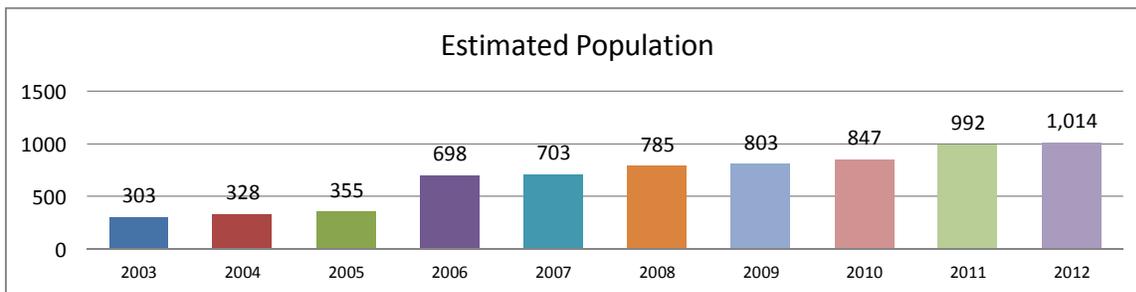
Sources:

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. Due to the influx of residents coming to Westlake Academy, surveys have shown that there is approximately 1.13 school-age children in each household; therefore, we will use a 3.13 average household size to calculate population.

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 and subsequent to the census. Census was used for 2011.



**TOWN OF WESTLAKE, TEXAS**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND FIVE YEARS AGO**  
*(Unaudited)*

<b>2012</b>			<b>2007</b>		
<b>Employer</b>	<b>Employees</b>	<b>Percentage of Estimated Total Town Employment</b>	<b>Employer</b>	<b>Employees</b>	<b>Percentage of Estimated Total Town Employment</b>
Fidelity Investments	4,724	52.04%	Fidelity Investments	3,100	37.15%
First American/Core Logic	1,790	19.72%	First American/Core Logic	3,000	35.95%
Chrysler Financial/TD Auto Finance	595	6.55%	Chrysler Financial/TD Auto Finance	325	3.89%
Wells Fargo	580	6.39%	Wells Fargo	790	9.47%
McKesson Corporation	208	2.29%	McKesson Corporation	215	2.58%
Verizon	312	3.44%	Sonitrol/World Factory	165	1.98%
Sabre JLL Facilities	196	2.16%	Walco	150	1.80%
Vaquero Club	135	1.49%	Vaquero Club	140	1.68%
Marriott Solana Hotel	124	1.37%	Marriott Solana Hotel	120	1.44%
Pfizer, Inc	32	0.35%	Pfizer, Inc.	115	1.38%
Town of Westlake/Westlake Academy	94	1.04%	Town of Westlake/Westlake Academy	73	0.87%
Solera	50	0.55%	Premier Academy	34	0.41%
Levi Strauss	66	0.73%	Solara Healthcare	28	0.34%
Total	<u>8,906</u>	<u>98%</u>	Total	<u>8,255</u>	<u>99%</u>

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: Cassidy Turley 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	0.50	0.50	0.50	0.00	0.00	0.75	0.50	0.75	0.75
Building official	0.00	1.00	1.00	1.00	1.00	1.00	1.33	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	0.50	0.50	0.50	0.50	0.75	1.08	1.08	1.08	0.83
Municipal	2.00	3.50	3.75	3.75	4.00	4.00	4.25	4.50	4.50	3.75
Finance	3.00	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	1.00	1.33	1.33	1.33	1.33
Public safety (EMS)	10.00	10.00	10.00	11.00	11.00	11.00	9.00	9.00	9.00	9.00
Culture and recreation	0.00	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.50
Public works	0.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	2.00
Marketing and public affairs	0.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	1.00
Education	0.00	18.85	25.15	32.40	36.40	43.00	48.10	55.62	59.44	67.48
Total	19.50	42.85	49.40	57.65	60.40	69.00	74.09	81.61	85.68	93.72

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/PROGRAMLAST TEN FISCAL YEARS  
(Unaudited)

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	27	54	53	36	64	60	49	21	15	14
Building permit values	\$ 23,620,817	\$ 46,698,935	\$ 56,415,093	\$ 42,910,780	\$ 46,923,814	\$ 180,707,159	\$ 39,278,318	\$ 27,575,445	\$ 59,749,048	\$ 29,031,556
Police (Contract with Keller PD)										
Motor vehicle stops	9,993	9,237	9,586	8,992	10,045	10,357	9,247	9,763	9,829	12,221
Traffic accident investigations	91	180	163	164	225	208	266	273	348	343
Part I crimes	46	19	26	30	25	26	23	19	30	39
DWI arrests	117	70	86	56	53	45	24	32	80	50
Fire/EMS										
Fire runs	108	78	148	136	153	169	118	172	191	181
Ambulance runs	150	115	135	207	251	159	184	187	264	266
Inspections	N/A	N/A	89	161	96	132	15	71	71	54
Public Works - General										
Street resurfacing (sq. footage)	1.65	1.30	0.00	1.35	1.01	0.00	0.00	0.00	3800.00	30,000.00
Potholes repaired	0.00	40.00	40.00	20.00	0.00	20.00	10.00	5.00	36.00	6.00
Public Works - Utility										
Number of water accounts	130	177	271	338	386	419	437	478	500	573
Water main breaks	N/A	1	3	3	2	4	5	6	4	4
Avg daily consumption MG (water)	0.382	0.501	0.817	1.031	0.729	0.999	1.020	0.889	1.200	1.100
Peak daily consumption MG (water)	1.244	1.423	2.198	2.677	1.978	2.060	2.740	2.460	2.540	2.600
System capacity - MG (water)	0.685	1.685	1.685	1.685	1.685	1.685	1.685	1.685	1.685	1.685
Water purchased (in gallons x 000)	138,288	183,356	298,124	376,264	266,158	364,764	372,933	324,843	443,222	407,305
Water sold (in gallons x 1000)	127,998	150,869	230,657	338,085	246,280	340,743	313,495	290,000	385,320	376,496
Wastewater										
Number of new sewer connections	105	139	179	211	235	240	251	254	245	292
Avg daily sewage treatment (thousands of gallons)	0.0710	0.0950	0.1270	0.1320	0.1370	0.124	0.101	0.063	0.163	0.136

Source: Various Town departments

Notes: N/A represents information that is unavailable.

**TOWN OF WESTLAKE, TEXAS**

**CAPITAL ASSET STATISTICS  
BY FUNCTION/PROGRAM**

**LAST TEN FISCAL YEARS  
(Unaudited)**

<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works - Utility										
Pump station	1	1	1	1	1	1	1	1	1	1
Lift station	2	2	2	2	2	2	2	3	3	3
Telecommunications Duct Bank (LF)	24,073	36,703	38,303	38,303	38,303	43,703	49,103	51,803	57,783	57,783
Telecommunications Duct Bank Manholes	58	91	95	95	95	104	113	122	122	122
Water										
Water mains (LF)	48,000	52,000	57,500	58,300	59,200	64,600	70,000	79,000	130,000	137,891
Fire hydrants	55	76	95	119	119	130	130	154	188	191
Storage capacity MG	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685	1,685
Wastewater										
Sanitary sewers (LF)	18,100	20,000	15,000	35,000	35,000	39,300	39,300	49,900	94,000	94,000
Manholes	115	160	200	250	250	267	284	304	304	304
Public Works - Utility										
Streets (miles)	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.25
Highways (miles)	-	-	-	-	-	-	-	-	-	-
Streetlights	-	-	-	-	-	-	-	-	-	-
Traffic signals (school zone flashers)	2	2	2	2	2	2	2	2	2	2
Parks and recreation										
Acreage	14	14	14	19	19	25	25	25	25	25
Playgrounds	2	2	2	2	2	2	2	2	2	2
Softball/soccer field	1	1	1	1	1	1	1	1	1	1
Football field	-	-	-	-	-	1	1	1	1	1

Source: Various Town departments

Note: No capital asset indicators are available for the general government.  
The amount of roads decreased in FY 2011-2012 due to a portion of road being dedicated to TxDot

# **COMPLIANCE SECTION**



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable Mayor and  
Members of the Town Council  
Town of Westlake, Texas  
3 Village Circle, Suite 202  
Westlake, Texas 76262

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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 15, 2013. 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the audit committee, management, others within the Town, and appropriate 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.

Pattillo, Brown & Hill, L.L.P.

February 15, 2013