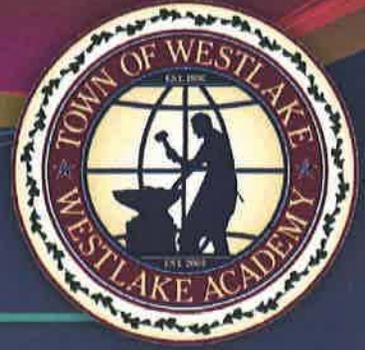


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THE TOWN OF  
**ESTLAKE, TEXAS**



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

PERFORMANCE

LEADERSHIP

TEAMWORK

DEDICATION

INTEGRITY



# TOWN OF WESTLAKE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2013

Prepared by  
Town of Westlake  
Finance Department

3 Village Circle, Suite 202  
Westlake, TX 76262

**TOWN OF WESTLAKE, TEXAS**

**TABLE OF CONTENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<b><u>Page Number</u></b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i – viii
Certificate of Achievement .....	ix
Organizational Chart .....	x
Principal Town Officials .....	xi
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1 – 2
Management’s Discussion and Analysis .....	3 – 15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	16
Statement of Activities .....	17 - 18
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	19 - 20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	21 - 22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Statement of Net Position – Proprietary Funds .....	24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	25
Statement of Cash Flows – Proprietary Funds .....	26

TOWN OF WESTLAKE, TEXAS

TABLE OF CONTENTS  
(Continued)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>Page Number</u>
Discretely Presented Component Units Financial Statements: Discretely Presented Component Units - Combining Statement of Net Position.....	27 - 28
Discretely Presented Component Units - Combining Statement of Activities.....	29 - 30
Notes to Financial Statements .....	31 - 62
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	63
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Visitors Association Fund.....	64
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Westlake Academy.....	65
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Economic Development Fund .....	66
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Lone Star Public Facility Corporation .....	67
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 4B Economic Development Corporation .....	68
Schedule of Funding Progress .....	69
Notes to Required Supplementary Information .....	70

TOWN OF WESTLAKE, TEXAS

TABLE OF CONTENTS  
(Continued)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Page  
Number

Individual Fund Schedule:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund .....	71
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**STATISTICAL SECTION (Unaudited)**

Net Position by Component.....	72
Changes in Net Position.....	73 - 74
Fund Balances – Governmental Funds .....	75
Changes in Fund Balance – Governmental Funds .....	76 – 77
Assessed Value and Estimated Actual Value of Taxable Property .....	78
Principal Property Tax Payers .....	79
Property Tax Levies and Collections.....	80
Direct and Overlapping Property Tax Rates.....	81
Taxable Sales by Industry Type .....	82
Ratios of General Bonded Debt Outstanding .....	83
Ratios of Outstanding Debt by Type .....	84
Direct and Overlapping Governmental Activities Debt.....	85
Demographic and Economic Statistics .....	86
Principal Employers .....	87
Full-time Equivalent Town Government Employees by Function/Program .....	88

**TOWN OF WESTLAKE, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<u>Page Number</u>
Operating Indicators by Function/Program .....	89
Capital Asset Statistics by Function/Program .....	90
 <b>COMPLIANCE SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	91 - 92

## **INTRODUCTORY SECTION**



## Town of Westlake

February 17, 2014

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, 2013, is hereby issued.

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

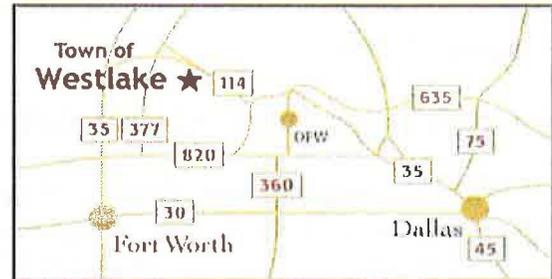
The Town's financial statements have been audited by Pattillo, Brown and Hill LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2013, were free of material 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, 2013, 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 1,100 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 658 students in FY 12-13 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 12-13:

- ◆ Received the International City/County Managers Association 2013 ICMA Strategic Leadership & Governance Award for the Town's Strategic Issues-Focused Governance Systems (SIGS).
- ◆ Continued to receive recognition for the transparency and high quality of its financial reporting by receiving the following:
  - Distinguished Budget Presentation Award from the Governmental Finance Officers Association (GFOA) marking the 6th year in a row that we have received this honor for our municipal budget and the 4th year for our educational services budget (Westlake Academy).
  - International Award for Budget Excellence from the Association of School Business Officials International for the past four years.
  - Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report (CAFR), also known as the annual audit which has also been recognized through GFOA for the last five years.
  - The Town's first Popular Annual Financial Report (PAFR) by converting much of the CAFR document into an easy-to-read format for our residents.
- ◆ The Town's open enrollment charter school, Westlake Academy, completed its 10th year of operations with another strong showing of academic and extra-curricular results by our students.
- ◆ Westlake Academy was also ranked among the best high schools in America.
  - Washington Post shows them as 20th out of 1,900 schools across the nation.
  - Newsweek listed the school as the 52nd best high school in the United States
  - U.S. News & World Report ranked the school as 41st in the nation, 6th in Texas and 11th in national charter schools. They further designated the Academy as a Gold Medal recipient; one of only 2% in the nation to receive this designation of top 500 schools based on highest college readiness.
- ◆ Recognized by the Texas Economic Development Council with an award for Deloitte University being the top economic development project in Texas for cities of Westlake's size.
- ◆ Completed construction on the State's \$15 Million Phase 1 FM 1938 (Davis Blvd.) project
- ◆ Began installation of streetscape improvements on FM 1938 (Davis Blvd) with median plantings.
- ◆ Completed and adopted a facility plan for Westlake Academy, the Town's charter school that is integrated into the Town's 5 Year CIP.
- ◆ Invested a total of \$4.5M in the Town's infrastructure through the Town's CIP (\$3.4M) as well as a public-private partnership with Hillwood Properties (\$1.1M) for improvements to Westlake's major roadways - Dove Road and JT Ottinger Road. This public-private partnership is a multi-year agreement in the amount of \$5.3M.

Following are short term trends of growth and investment in service excellence that we feel "*Move us Forward Together*".

- ◆ Complete the second of a two (2) year program to move municipal employees' compensation closer to market: this will move our municipal employees into the same compensation position per the same compensation policy that we utilize for Westlake Academy employees (i.e. to be within 3% of the market median)

- ◆ **Housing Start Increases:** Westlake is seeing an upswing of single family residential family residential home construction. It can be seen from the side-chart how we are approaching pre-recession (i.e. '05-06) housing starts.

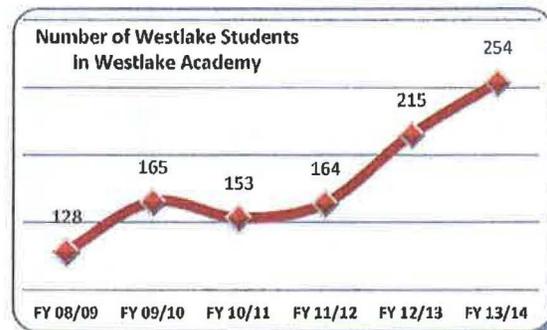


- ◆ **Permanent Population Growth:** The North Central Council of Governments has updated Westlake’s 2010 Census from 992 to 1,040 as of January 1, 2013. Based on the Town’s water accounts, the calculated population is

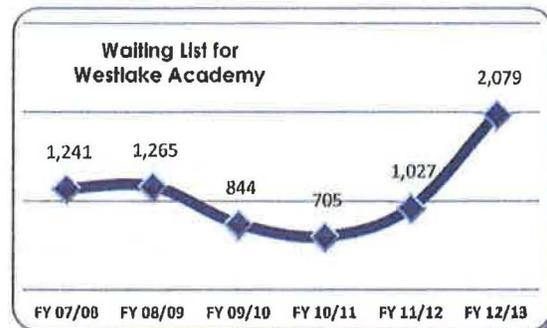
approximately 1,100 at the fiscal year-end. An increase in population of 210 in 1990 to the present estimated of 1,100 represents a 423% increase.

- ◆ **Daytime Population Growth:** Because Westlake is the home of major corporate office campuses, its Monday-Friday 8AM-5PM population is in the 10,000 -12,000 range. These office complexes are comprised of notable corporate clients that include Deloitte LLP, Core Logic and Fidelity Investments. Fidelity Investments expanded their office campus in 2008-09 and is currently populating it.

- ◆ **Impact of Westlake Academy on Westlake’s Residential Growth:** The number of Westlake residents that are sending their students to Westlake Academy has doubled in the past five years. Resident surveys show Westlake Academy as one of the main reasons they have moved to Westlake, and why they plan to remain here.

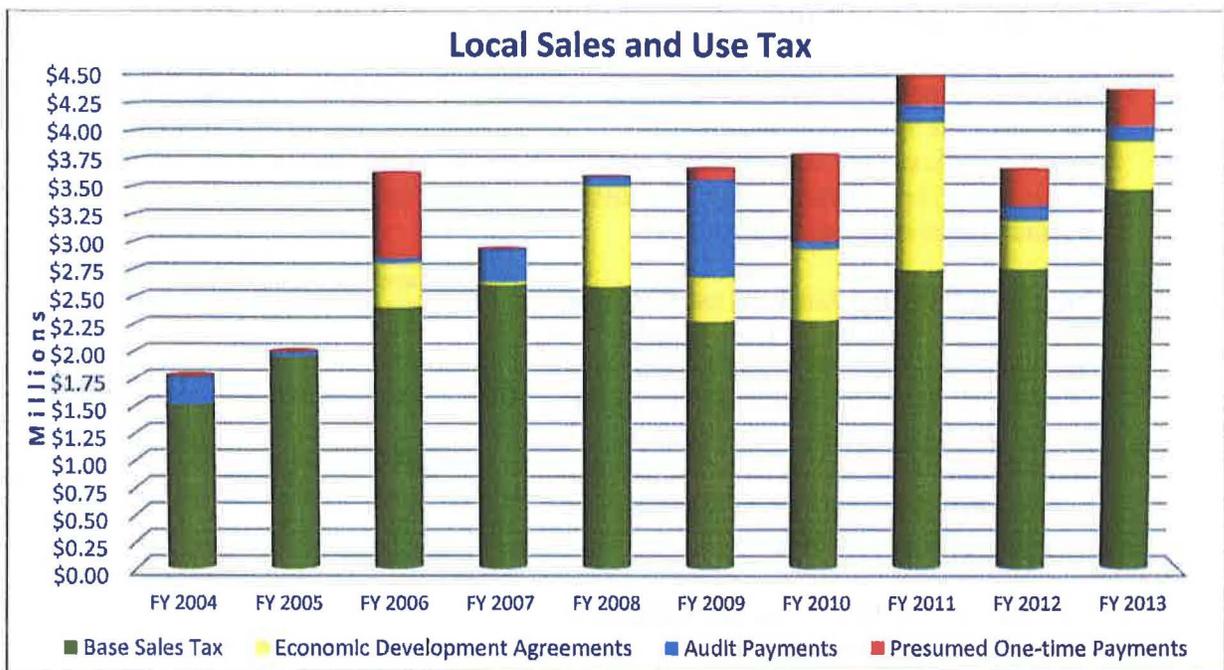


- ◆ **Increase in Westlake Academy Enrollment:** Westlake Academy, the Town’s charter school, has shown a steady total enrollment growth from 491 in FY 2009-10 to a projected 677 in FY 2013-14. The number of these students that live in Westlake has increased as shown in the side-chart. Attendance from the school’s secondary boundaries (i.e. outside Westlake) has increased as well. There has also been a corresponding increase in secondary boundary waiting list students; from 700 in 2010 to over 2,000 students for this past school year.



- ◆ **Beginning Phase I Facility Improvements:** Construction has begun to add approximately 36,000 sq. ft. of new facilities comprised of 3 buildings (a secondary classroom building, field house, and primary years’ multi-use building) for which \$8.5 million in debt was issued in FY 2012-13.

- ◆ **Comprehensive Plan:** The Town's 1992 Comprehensive Plan is in need of total review and consideration for updating. The Comprehensive Plan serves as the "blue print" for planning the Town's growth and for that reason, is of paramount importance for the Town. To date, the current plan has had only had nominal review of the land use portion of the plan. However, a comprehensive plan has many elements and the financial resources proposed for FY 2013-14 will allow for holistic review of the entire plan and all its elements, not just the land use plan element. The total cost of this project (\$338,950) is budgeted in FY 2013-14.
- ◆ **Sales tax collections increased by 19% for FY 12-13.** This increase was primarily caused by a 24% increase in revenues due to collections based on the Town's "base" sales taxes. The remaining portions of the tax remained substantially flat. Bases on the analysis of the payers the Town anticipates this upswing to continue in subsequent years.



### 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.

Over the course of the last several years, we have incorporated a 'theme' into our budget document to help guide and focus our efforts on the critical issues facing us for the coming budget year. This has been an iterative process and can be seen in how we have progressed in our budgeting over the last 5 fiscal years:

- ◆ In FY 2009-10, the budget theme was "*Critical Challenges, Critical Choices*" as we initiated community-wide dialogue on how best to achieve our community's vision for Westlake, ensure our quality of life, as well as begin the task of identifying our challenges as it related to our future financial sustainability.

- ◆ In FY 2010-11, the budget theme was “*Securing the Vision.*” After a lengthy community dialogue and Council discussions, the Council took the important step to institute our first ad valorem property tax to stabilize our revenue stream and shift from a revenue source that relied almost solely on general sales and use tax. The decision reversed the preceding trend of depleting the General Fund.
- ◆ Decisions in FY 2010-11 led to the FY 2011-12 budget theme of “*Investing in Our Future.*” This theme was derived by being able to assess a small property tax which would give us the ability to invest in the improvement of roadways and other infrastructure projects that would provide tremendous benefits to our residents and businesses over the next several years.
- ◆ With our financial situation stabilized and investment in infrastructure occurring, the FY 2012-13 theme of “*Driving Service Excellence.*” focused 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.

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 towards 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 2013-14 theme of “*Moving Forward Together: A Growing Community, A Growing School.*” is relating to the Town’s attention to growth related issues both in Westlake as a municipality and at our Town owned charter school.

At this juncture, the short-term trends identified above appear to be the trend for the foreseeable future, thus becoming long term trends. The long term factors that will shape Westlake appear at this point to be:

- ◆ Continued Westlake Permanent Population Growth: Housing starts do not appear to be slowing down any time soon. This is for two reasons.
  - First, existing lot inventory in developed Westlake subdivisions continues to be reduced through purchase by prospective Westlake residents. These include potential residents who are building in Westlake in order for their children to attend Westlake Academy.
  - Second, there are 2 developments slated to begin in the next 12-24 months. The first is Granada, an 84 lot single family residential subdivision. The second is Entrada, an 84 acre mixed-use development that will be comprised of various types of residential development as well as commercial development.
- ◆ Completion of Phase 1 of Westlake Academy Facility Improvements: When these improvements are complete (scheduled for SY 2014-15), Westlake Academy’s enrollment will go from approximately 700 to 800.

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 2013-2014 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, 2012. This was the sixth 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 sixth GFOA Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2012 for our municipal budget and the 4th 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 four years.

The Finance Department received its second Popular Annual Financial Report (PAFR) converting much of the FY 2012-2013 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

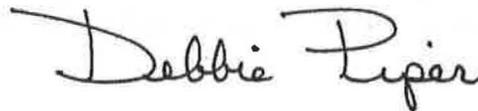
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to Town employees throughout the organization, especially those employees who were instrumental in the successful completion of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



**Government Finance Officers Association**

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

**Presented to**

**Town of Westlake  
Texas**

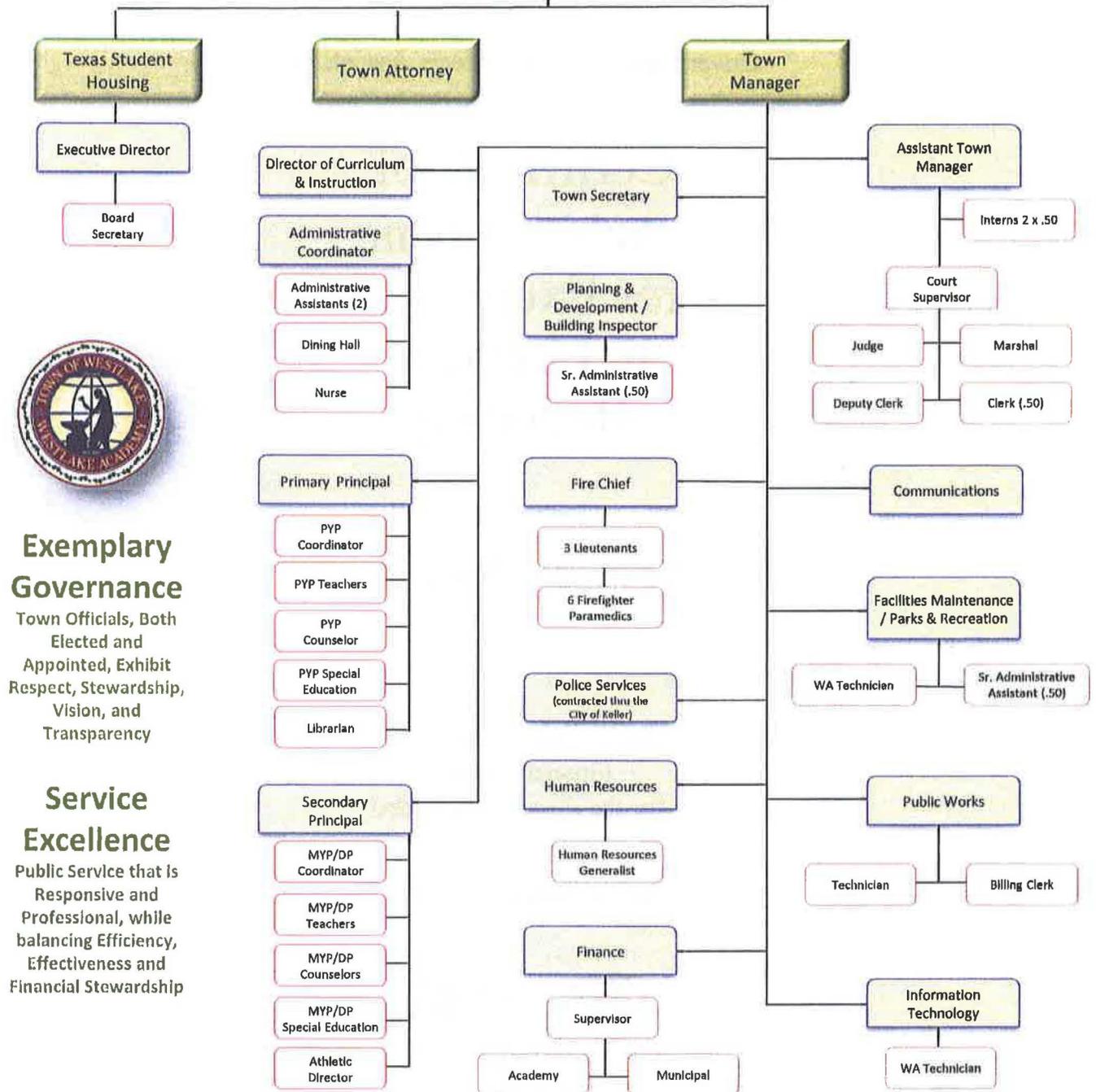
**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended**

**September 30, 2012**

**Executive Director/CEO**

# 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

Personnel staffing levels for the Town of Westlake are presented in full-time equivalents (FTE) positions. For example, a position staffed for 40 hours per week for 52 weeks per year equals one full-time equivalent position with a total of 2,080 hours. Therefore an FTE position of .50 refers to a position that is funded for 1,040 hours per year.

# TOWN OF WESTLAKE

ELECTED AND APPOINTED OFFICIALS

September 30, 2013



**Laura  
Wheat**



**Carol  
Langdon**



**Michael  
Barrett**



**Rick  
Rennhack**



**Cliff  
Cox**



**Wayne  
Stoltenberg**

## ELECTED OFFICIALS

Mayor

LAURA WHEAT

Mayor Pro-Tem

CAROL LANGDON

Council Member

MICHAEL BARRETT

Council Member

RICK RENNHANK

Council Member

CLIF COX

Council Member

WAYNE STOLTENBERG

## APPOINTED OFFICIALS

**TOM BRYMER**

Town Manager

**AMANDA DEGAN, MPA**

Assistant Town Manager

**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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Westlake, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–15 and 63–70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Westlake, Texas's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic 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 14, 2014

**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, 2013. 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 \$37,817,033 (Net position). This number must be viewed within the context that the vast majority of the Town's net position of \$27,779,375 (73.5%) 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. The net position restricted for specific purposes totaled \$4,243,239 (11.2%). The remaining \$5,794,419 (15.3%) is unrestricted net position 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 \$19,443,647, which is an increase of \$8,512,786 in comparison with the prior year. Within this total, \$12,692,285 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 \$7,051,631, an increase of \$1,787,826 in comparison with the prior year. Of this total fund balance, \$6,751,362 is unassigned. This represents 148% of the total general fund expenditures and is equivalent to 539 operating days.
- The Town's capital assets (net of accumulated depreciation) increased by \$6,555,286. Eighty-four percent (84%) of this increase (\$5,444,623) is attributed to the completion of the Town's multi-year, public-private partnership with Hillwood Properties. Hillwood contributed materials and workmanship in the amount of \$4,665,818 to help with the completion of the improvements to Dove and JT Ottinger Road. An additional \$1.8M was added to construction in progress expense for the Westlake Academy Expansion and several road projects. In addition, three new portable buildings and three lease/purchased portable buildings located at the Westlake Academy campus totaling \$379,404 were capitalized during the current year.
- The Town's bonds payable increased by \$8,565,000 in total, due to the issuance of Certificates of Obligation bonds in the amount of \$9,320,000 for various projects, and the issuance of General Obligation Refunding Bonds in the amount of \$2,200,000 offset by scheduled principal payments and bond refundings of \$2,955,000.

### 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 position* presents information on all of the Town's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in the Town's net position serves 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 position 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 27 - 30 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, 2013.

**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 nine 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, Westlake Academy Expansion, 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 and Westlake Academy Expansion funds which are project-length based budgets. 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 19 - 23 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 24 - 26 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 31 - 62 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 63-70.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the Town, assets exceeded liabilities by \$37,817,033 at the close of the most recent fiscal year.

The Town's *combined* net position changed from a year ago, *increasing* \$7,959,321 from \$29,857,712 to \$37,817,033. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

The largest portion of the Town's net position, \$27,779,375 (73.5%), 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 position, \$4,243,239 (11.2%), represents resources that are subject to external or internal restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,794,419 (15.3%), may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 1**  
**Condensed Statement of Net Position**  
**At September 30, 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Assets:</u>						
Current and other assets	\$ 21,781,962	\$ 12,185,864	\$ 5,987,119	\$ 3,503,989	\$ 27,769,081	\$ 15,689,853
Capital assets	41,121,883	34,313,615	12,123,241	12,376,223	53,245,124	46,689,838
Total Assets	<u>62,903,845</u>	<u>46,499,479</u>	<u>18,110,360</u>	<u>15,880,212</u>	<u>81,014,205</u>	<u>62,379,691</u>
<u>Liabilities:</u>						
Long-term liabilities outstanding	27,874,090	20,098,829	6,381,767	5,422,434	34,255,857	25,521,263
Other liabilities	2,972,214	1,784,244	5,969,101	5,216,472	8,941,315	7,000,716
Total Liabilities	<u>30,846,304</u>	<u>21,883,073</u>	<u>12,350,868</u>	<u>10,638,906</u>	<u>43,197,172</u>	<u>32,521,979</u>
<u>Net Position:</u>						
Net investment in capital assets	21,177,426	14,866,299	6,601,949	6,877,555	27,779,375	21,743,854
Restricted	4,243,239	4,726,376	-	-	4,243,239	4,726,376
Unrestricted	6,636,876	5,023,731	(842,457)	(1,636,249)	5,794,419	3,387,482
Total Net Position	<u>\$ 32,057,541</u>	<u>\$ 24,616,406</u>	<u>\$ 5,759,492</u>	<u>\$ 5,241,306</u>	<u>\$ 37,817,033</u>	<u>\$ 29,857,712</u>

**Table 2**  
**Changes in Net Position**  
**At September 30, 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Fees, fines & charges for services	\$ 1,798,529	\$ 1,417,879	\$ 3,162,842	\$ 2,939,342	\$ 4,961,371	\$ 4,357,221
Operating grants & contributions	4,907,472	5,269,841	-	24,423	4,907,472	5,294,264
Capital grants & contributions	5,897,456	-	-	-	5,897,456	-
General revenues:						
Taxes						
Sales taxes	4,375,397	3,657,274	-	-	4,375,397	3,657,274
Property taxes	1,366,633	1,441,238	-	-	1,366,633	1,441,238
Hotel occupancy taxes	709,578	590,853	-	-	709,578	590,853
Mixed beverage taxes	39,727	38,286	-	-	39,727	38,286
Franchise taxes	734,935	664,991	-	-	734,935	664,991
Interest on investments	24,218	33,353	6,552	10,077	30,770	43,430
Miscellaneous	1,023,149	1,112,858	224,995	84,780	1,248,144	1,197,638
Extraordinary items	-	(124,346)	-	-	-	(124,346)
Special item	-	67,760	-	-	-	67,760
Total revenues	<u>\$ 20,877,094</u>	<u>\$ 14,169,987</u>	<u>\$ 3,394,389</u>	<u>\$ 3,058,622</u>	<u>\$ 24,271,483</u>	<u>\$ 17,228,609</u>
Expenses:						
General government	2,606,785	2,518,490	-	-	2,606,785	2,518,490
Public safety	1,978,803	1,883,424	-	-	1,978,803	1,883,424
Culture and recreation	113,924	111,765	-	-	113,924	111,765
Economic development	267,973	216,901	-	-	267,973	216,901
Public works	626,423	546,039	-	-	626,423	546,039
Visitor services	521,521	475,719	-	-	521,521	475,719
Education	5,803,611	6,193,560	-	-	5,803,611	6,193,560
Interest on long-term debt	1,031,328	897,573	-	-	1,031,328	897,573
Water and sewer	-	-	3,356,466	3,098,466	3,356,466	3,098,466
Cemetery	-	-	5,328	6,282	5,328	6,282
Total expenses	<u>12,950,368</u>	<u>12,843,471</u>	<u>3,361,794</u>	<u>3,104,748</u>	<u>16,312,162</u>	<u>15,948,219</u>
Inc (Dec) in net position before transfers	7,926,726	1,326,516	32,595	(46,126)	7,959,321	1,280,390
Transfers	<u>(485,591)</u>	<u>45,507</u>	<u>485,591</u>	<u>(45,507)</u>	<u>-</u>	<u>-</u>
Change in net position	7,441,135	1,372,023	518,186	(91,633)	7,959,321	1,280,390
Net position, beginning	<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>
Net position, ending	<u>\$ 32,057,541</u>	<u>\$ 24,616,406</u>	<u>\$ 5,759,492</u>	<u>\$ 5,241,306</u>	<u>\$ 37,817,033</u>	<u>\$ 29,857,712</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$7,441,135 (30%), increasing net position from \$24,616,406 to \$32,057,541. Unrestricted net position, the part of net position 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 \$1,613,145 or 6.6% of total governmental net position. The majority of the total increase was due to the completion of the work to Dove and JT Ottinger Road which was supplemented by the materials and work connected to the Town's multi-year public private agreement with Hillwood Properties. The Town's fees, fines & charges for services increased \$380K (26%) primarily due to the increase of building permits/fees plus an increase (\$718K) in sales tax revenues.

Total revenues (including transfers) for governmental activities increased by \$6,135,050 when compared to the prior year. General revenue had an increase of \$791,370, while program revenues had an increase of \$5,915,737.

*Program revenues –*

- Charges for services increased by \$380,650 which was primarily due to an increase of building permits/fees (twice as many as previous year)
- Operating Grants and Contributions decreased by \$362,369
- Capital Grants and Contributions increased by \$5,897,456
  - \$4,665,818 materials/work contribution from Hillwood Properties related to Dove and JT Ottinger Road
  - \$1,000,000 contribution for the Westlake Academy Expansion Project
  - \$149,622 from Roanoke and Trophy Club for Hwy 114/170 enhancements
  - \$82,016 from Fidelity for FM 1938 landscape enhancements (median)

*General revenues –* Increase of \$791,370 was primarily made up of the following components:

- Sales tax increased by \$718,123 which appears to be attributed to the continued improvement in the local economy as well as several new technology and professional related companies and several one-time payments related to purchases and/or construction
- Hotel occupancy taxes increased by \$118,725 – includes an additional \$82K receipt from Deloitte University in the current year
- Transfers decreased by \$531,098– represents the transfer of \$500K to the Utility Fund for the ground storage tank

*Expenses –*

- Total expenses for governmental activities increased by \$106,897 or approximately 0.8%. The increase is made up of several components including the purchase of Laserfiche software for archiving purposes, increase in payroll and related expenditures due to Phase 2 market increases, increase in the Keller Police Contract and fire fighter equipment. In addition Economic Development increased due to the payment based on an economic development agreement related to hotel/motel tax receipts. Public works expenditures increased because of the growth in right-of-way irrigation costs. All these expenditures were offset by a reduction of approximately \$350K due to the elimination of the contribution from the Town to Westlake Academy.

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

The net position of our business-type activities ended fiscal year 2013 at \$5,759,492 compared with \$5,241,306 in 2012. This represents an increase in net position of \$518,186, or 10% more than the prior fiscal year.

Revenues of the Town's business-type activities were \$3,394,389 for the fiscal year ending September 30, 2013. Revenues increased \$335,767 or 11% more than the prior year. Operating expenses for the business-type activities were \$3,361,794 for the year, an increase of \$257,046 or 8%. The business-type activities also had net transfers in of \$485,591 in 2013 compared to net transfers out of \$45,507 in the prior year. The resulting increase in net position is due to several factors, including the following:

- Increase in Charges for Services was \$223,500. This 7.6% increase was primarily realized because FY 12/13 was a drier year than normal resulting in increased water billing revenues and other associated fees in addition to a utility rate increase effective 1/1/13.
- The Town's increase in expenses of \$257,046 is attributed to the additional water purchases experienced during the dry weather months.
- The General Fund transferred \$500K to the Utility Fund to supplement the \$1M bond proceeds received for the construction of the Town's second water storage tank.

### **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, unassigned 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 \$19,443,647; an increase of \$8,512,786 in comparison with the prior year. Approximately 34.7% of this total (\$6,751,362) 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, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

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

<u>Revenues</u>	<u>2012-13 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011/12</u>	<u>Percent Increase (Decrease)</u>
Taxes				
Sales	\$ 4,375,397	20.9%	\$ 718,123	19.6%
Property	1,366,543	6.6%	(75,525)	-5.2%
Mixed beverage	39,727	0.2%	1,441	3.8%
Hotel occupancy	709,578	3.4%	118,725	20.1%
Franchise	734,935	3.5%	69,944	10.5%
Subtotal - Taxes	7,226,180	34.6%	832,708	13.0%
State program	4,696,540	22.5%	326,905	7.5%
Federal program	81,958	0.4%	(70,393)	-46.2%
Interest income	24,218	0.1%	(9,135)	-27.4%
Building permits and fees	969,735	4.6%	371,341	62.1%
Fines and penalties	695,167	3.3%	72,829	11.7%
Intergovernmental	10,331	0.1%	10,331	100.0%
Contributions	5,916,014	28.3%	5,183,479	707.6%
Miscellaneous	1,280,454	6.1%	(42,783)	-3.2%
Total Revenues	\$ 20,900,597	100.0%	\$ 6,675,282	46.9%

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

<u>Expenditures</u>	<u>2012-13 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2011/12</u>	<u>Percent Increase (Decrease)</u>
General government	\$ 1,910,545	8.4%	\$ 31,660	1.7%
Public safety	1,967,584	8.7%	(256,885)	-11.5%
Culture and recreation	113,924	0.5%	2,159	1.9%
Public works	532,675	2.3%	141,560	36.2%
Economic development	296,565	1.3%	52,626	21.6%
Visitor services	521,521	2.3%	45,802	9.6%
Education	5,803,611	25.5%	(389,949)	-6.3%
Capital outlay	7,601,631	33.5%	6,491,155	584.5%
Debt service	3,971,124	17.5%	2,202,206	124.5%
Total Expenditures	\$ 22,719,180	100.0%	\$ 8,320,334	57.8%

Below are summaries and explanations of the changes in fund balances from FY 2012 to FY 2013 of the *Governmental Funds* that are contained in the above totals:

General Fund - Fund balance increased \$1,787,826 (34%). Most General Fund revenue categories realized increases over the prior year and many surpassed budget estimates as well. Sales tax receipts, fines and fees, and building permits exceeded both budget and prior year. Sales taxes grew as a result of continued improvement in the local economy. Fines and fees increases as a result of increased collections in municipal court fines and fees and there were double the number of housing permits/fees issued in the current year.

4B Economic Development Corporation Fund - Fund balance decreased \$178,384 due to the final reduction which was made related to 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 \$25,907 primarily due to a budgeted transfer of funds for the partial payment of the bonds related to the Arts and Sciences Center.

Debt Service Fund - Fund balance decreased \$21,175 because property tax receipts were in excess of the debt serviced in the prior year and taken into consideration when setting tax rate for FY 2012-2013.

Capital Projects Fund - Fund balance decreased by \$941,968 was largely due to the continuation of several street projects (FM 1938 and SH 114/Hwy 170) and the completion of the Dove and JT Ottinger Road project.

Westlake Academy Expansion Fund - Fund balance increased by \$7,718,480 because bond proceeds of \$8.2M were received in the current year for the expansion to the campus which was offset by project expenses through year-end

*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 position of the Proprietary Funds amounted to \$5,759,492, an increase of \$518,186. Operating income totaled \$736,004 which was offset by a net non-operating revenues (expenses) total of \$703,409. A transfer in the amount of \$500K from the General Fund to supplement the construction costs of the ground storage tank constitutes the increase.

### **General Fund Budgetary Highlights**

The General Fund budget for fiscal year 2013 was amended in total to increase the net change in fund balance from (\$1,506,069) to \$1,020,783, a total increase of \$2,526,852.

- The amended budget for net revenues was increased by \$697,040 (13%)
  - Sales Tax - \$393,750 – received more taxes than anticipated
  - Property Tax - \$41,486 - original budget was based on September values but then updated
  - Building permits and fees - \$243,710 – the Town had more housing starts/permits than anticipated
- The amended budget for expenditures increased by \$1,088

- Transfers In budget was amended to increase by \$36,398 which represents the reimbursement of funds used for the Westlake Academy Expansion project that was repaid upon receipt of the bond proceeds.
- Amended budget for Transfers Out was decreased by \$1,794,504 - originally budgeted to transfer \$2M to Utility Fund for the construction of ground storage tank. Budget was amended to only transfer \$500K due to receipt of bond proceeds.

The General Fund actual revenue collections were more than the amended budget by \$672,258 which can be attributed to the unanticipated increase in sales tax, building permits and fees, and municipal fines and penalties received. The final expenditures were \$58,451 less than budgeted (1%).

### 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, 2013, totaled \$53,245,124 (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 \$6,555,286 or 14%. Eighty-four percent (84%) of this increase (\$5,444,623) is attributed to the completion of the Town's multi-year, public-private partnership with Hillwood Properties. Hillwood contributed materials and workmanship in the amount of \$4,665,818 to help with the completion of the improvements to Dove and JT Ottinger Road. An additional \$1.8M was added to construction in progress expense for the Westlake Academy Expansion and several road projects. In addition, three new portable buildings and three lease/purchased portable buildings located at the Westlake Academy campus totaling \$379,404 were capitalized during the current year.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 11,896,663	\$ 11,896,663	\$ -	\$ -	\$ 11,896,663	\$ 11,896,663
Capital improvements	8,184,522	2,386,902	9,614,902	9,883,837	17,799,424	12,270,739
Buildings	17,611,891	17,767,343	-	-	17,611,891	17,767,343
Machinery & equipment	594,715	710,703	1,948,389	2,069,390	2,543,104	2,780,093
W/W treatment rights	-	-	217,026	248,786	217,026	248,786
Construction in progress	2,834,092	1,552,004	342,924	174,210	3,177,016	1,726,214
Total capital assets	<u>\$ 41,121,883</u>	<u>\$ 34,313,615</u>	<u>\$ 12,123,241</u>	<u>\$ 12,376,223</u>	<u>\$ 53,245,124</u>	<u>\$ 46,689,838</u>

Additional information on the Town's capital assets can be found in Note III on pages 43 - 44 of this report.

**Long-term debt** - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$35,344,832. Of this amount, \$30,947,157 represents bonded indebtedness, \$96,026 economic development reimbursement, and \$5,412,149 business-type debt. During the fiscal year 2012-2013, the Town's total debt payable increased by \$8,882,468. This increase is primarily attributed to the issuance of Certificates of Obligation bonds in the amount of \$9.32M for the Westlake Academy expansion project and the ground storage tank. This amount was offset by the scheduled repayment of principal and interest on outstanding bonded debt.

Standard & Poor's Ratings Services, a division of the McGraw-Hill, Inc. has recently increased the Town's rate from AA to AA+/stable. 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 48 - 52.

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

	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 17,010,892	\$ 17,180,938	\$ -	\$ -	\$ 17,010,892	\$ 17,180,938
Certificates of obligation	12,876,496	4,877,000	1,059,769	-	13,936,265	4,877,000
Contractual obligations	96,026	124,618	5,412,149	5,498,668	5,508,175	5,623,286
Notes payable	17,420	34,075	-	-	17,420	34,075
Compensated absences	106,404	81,905	13,527	11,428	119,931	93,333
Deferred amounts	<u>(1,247,851)</u>	<u>(1,346,268)</u>	<u>-</u>	<u>-</u>	<u>(1,247,851)</u>	<u>(1,346,268)</u>
Total long-term debt	<u>\$ 28,859,387</u>	<u>\$ 20,952,268</u>	<u>\$ 6,485,445</u>	<u>\$ 5,510,096</u>	<u>\$ 35,344,832</u>	<u>\$ 26,462,364</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. Below are long-term trends related to the FY 2013-2014 budget:

- **Continued Westlake Permanent Population Growth:** Housing starts do not appear to be slowing down any time soon. This is for two reasons.
  - First, existing lot inventory in developed Westlake subdivisions continues to be reduced through purchase by prospective Westlake residents. These include potential residents who are building in Westlake in order for their children to attend Westlake Academy.

- Second, there are 2 developments slated to begin in the next 12-24 months. The first is Granada, an 84 lot single family residential subdivision. The second is Entrada, an 84 acre mixed-use development that will be comprised of various types of residential development as well as commercial development.
- **Completion of Phase 1 of Westlake Academy Facility Improvements:** When these improvements are complete (scheduled for SY 2014-15), Westlake Academy's enrollment will go from approximately 700 to 800.

## GENERAL FUND

In the FY 2013-14 budget, General Fund revenues and transfers are budgeted to decrease by \$394K

- Budgeted revenues are \$385,753 (6%) less than the prior year actual
  - Sales tax revenue budget only increased by approximately \$90K based on information we had at the time of the budget preparation (due to accruals). Based on the actual amounts received in FY 2012-2013; we anticipate an increase in the FY 2013-2014 budget. There was a reduction in permits and fees and fines and forfeitures based on prior year projections but again looking at the prior year actual amounts, we expect an increase in these budgeted revenues.

Operating budgeted expenditures in the **General Fund** (which includes the General Major Maintenance Fund for audit purposes) are projected to increase by \$1.4M. The larger components of this increase are related to the following:

- Increase in Operating Expenditures
  - \$338K - Comprehensive Plan update
  - \$ 41K - mandated bunker gear for part time fire/ems employees
  - \$ 24K - new permitting software for the Planning and Development Department
  - \$ 41K - increase to Keller Police contract services
  - \$ 55K - increased building inspection costs related to the Entrada and Granada development.
- Increase of \$395K in Payroll Expenditures
  - This increase includes \$115,000 in market pay increases (inclusive of taxes and insurance) for work force attraction and retention and is the second year of a 2 year program. A portion of this increased expenditure is subsidized by transfers in from the Utility Fund (\$11.5K) and the Visitors Association Fund (\$11.5K). An additional portion of this increase includes the personnel changes to include an additional full-time Lieutenant (Fire Department), additional full-time HR Generalist and the change from a part-time utility-person to a full-time position. Medical, dental and life insurance costs are predicted to increase by 18% (\$50K) and an additional \$52K (15%) was budgeted for social security and Medicare taxes.
- Purchase of a facilities/maintenance vehicle at \$45K
- Maintenance/repair towards facilities/technology for Westlake Academy in the amount of \$90K

**The Capital Project Fund** balance reduction of \$8.865M is a direct reflection of the construction of the following projects:

- FM1938 Streetscape Project - \$893K
- SH114/Hwy 170 Enhancement project - \$390K
- Trail Connection at 114/Solana Project - \$15K
- Westlake Academy West Parking Improvement Project - \$200K
- Outdoor Warning System Project - \$99K
- Westlake Academy Facility Expansion Project - \$8.068M

**The Enterprise Funds** have another large reduction in fund balance and is related specifically to the Utility Fund, totaling (\$1.189M).

- This is primarily related to a construction project. The Town's second ground storage tank should be completed by the end of FY 2013-14. During FY 2012-13 the Utility Fund received bond proceeds of \$1.0M and an inter-fund loan of \$500K from the General Fund. The inter-fund loan amount is scheduled to be re-paid over two years starting in FY 2014-15.

### **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.

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# **BASIC FINANCIAL STATEMENTS**

**TOWN OF WESTLAKE, TEXAS**

**STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2013**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,481,553	\$ 4,859,411	\$ 24,340,964	\$ 6,142,756
Receivables (net of allowance)	1,290,062	843,337	2,133,399	419,864
Inventories	-	97,582	97,582	-
Other assets	69,541	14,987	84,528	-
Restricted cash and cash equivalents	293,363	171,802	465,165	5,349,906
Deferred charges	647,443	-	647,443	3,352,256
Capital assets:				
Land	11,896,663	-	11,896,663	12,070,678
Buildings and improvements	33,152,248	13,376,253	46,528,501	91,741,792
Wastewater treatment rights	-	635,199	635,199	-
Machinery and equipment	2,911,682	3,466,046	6,377,728	12,052,793
Construction in progress	2,834,092	342,924	3,177,016	-
Less: accumulated depreciation	( 9,672,802)	( 5,697,181)	( 15,369,983)	( 41,919,087)
Total capital assets	41,121,883	12,123,241	53,245,124	73,946,176
Total assets	62,903,845	18,110,360	81,014,205	89,210,958
<b>LIABILITIES</b>				
Accounts payable	1,555,933	228,154	1,784,087	2,085,658
Customer deposits payable	-	171,802	171,802	-
Unearned revenue	71,508	353,427	424,935	3,083,474
Accrued interest payable	359,476	5,112,040	5,471,516	25,677,324
Noncurrent liabilities:				
Due within one year	985,297	103,678	1,088,975	2,170,620
Due in more than one year	27,874,090	6,381,767	34,255,857	110,058,725
Total liabilities	30,846,304	12,350,868	43,197,172	143,075,801
<b>NET POSITION</b>				
Net investment in capital assets	21,177,426	6,601,949	27,779,375	( 38,283,169)
Restricted for:				
Tourism	1,025,891	-	1,025,891	-
Future projects	2,284,772	-	2,284,772	-
Debt service	1,482	-	1,482	-
Education	931,094	-	931,094	-
Unrestricted	6,636,876	( 842,457)	5,794,419	( 15,581,674)
Total net position	\$ 32,057,541	\$ 5,759,492	\$ 37,817,033	\$( 53,864,843)

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, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,606,785	\$ 774,909	\$ -	\$ -
Public safety	1,978,803	182,154	15,175	-
Culture and recreation	113,924	-	-	-
Economic Development	267,973	-	-	-
Public works	626,423	659,246	6,250	4,897,456
Visitor Services	521,521	-	-	-
Education	5,803,611	182,220	4,886,047	1,000,000
Interest on long-term debt	1,031,328	-	-	-
Total governmental activities	<u>12,950,368</u>	<u>1,798,529</u>	<u>4,907,472</u>	<u>5,897,456</u>
Business-type activities:				
Water utilities	3,356,466	3,157,332	-	-
Cemetery	5,328	5,510	-	-
Total business-type activities	<u>3,361,794</u>	<u>3,162,842</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 16,312,162</u>	<u>\$ 4,961,371</u>	<u>\$ 4,907,472</u>	<u>\$ 5,897,456</u>
Component units:				
Business-type activities	\$ 23,879,165	\$ 17,816,530	\$ -	\$ -
Total component units	<u>\$ 23,879,165</u>	<u>\$ 17,816,530</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Sales taxes  
Property taxes  
Hotel occupancy taxes  
Mixed beverage taxes  
Franchise taxes  
Interest income  
Miscellaneous  
Transfers  
Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	
\$( 1,831,876)	\$ -	\$( 1,831,876)	\$ -
( 1,781,474)	-	( 1,781,474)	-
( 113,924)	-	( 113,924)	-
( 267,973)	-	( 267,973)	-
4,936,529	-	4,936,529	-
( 521,521)	-	( 521,521)	-
264,656	-	264,656	-
( 1,031,328)	-	( 1,031,328)	-
( 346,911)	-	( 346,911)	-
-	( 199,134)	( 199,134)	-
-	182	182	-
-	( 198,952)	( 198,952)	-
( 346,911)	( 198,952)	( 545,863)	-
			\$( 6,062,635)
			\$( 6,062,635)
4,375,397	-	4,375,397	-
1,366,633	-	1,366,633	-
709,578	-	709,578	-
39,727	-	39,727	-
734,935	-	734,935	-
24,218	6,552	30,770	8,583
1,023,149	224,995	1,248,144	-
( 485,591)	485,591	-	-
7,788,046	717,138	8,505,184	8,583
7,441,135	518,186	7,959,321	( 6,054,052)
24,616,406	5,241,306	29,857,712	( 47,810,791)
\$ 32,057,541	\$ 5,759,492	\$ 37,817,033	\$( 53,864,843)

**TOWN OF WESTLAKE, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2013**

	General	Visitors Association	Westlake Academy	Debt Service Fund
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 6,219,206	\$ 1,012,151	\$ 845,075	\$ 1,481
Receivables				
Property taxes	1,961	-	-	166
Accounts receivable	703,875	61,165	242,095	-
Due from other funds	165,140	-	-	-
Other assets	6,906	748	61,887	-
Restricted cash and investments	293,363	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,390,451</b>	<b>\$ 1,074,064</b>	<b>\$ 1,149,057</b>	<b>\$ 1,647</b>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 336,859	\$ 4,358	\$ 86,428	\$ -
Deferred revenue	1,961	1,860	69,648	165
Due to other funds	-	41,207	-	-
<b>Total liabilities</b>	<b>338,820</b>	<b>47,425</b>	<b>156,076</b>	<b>165</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid items	6,906	748	61,887	-
<b>Restricted for:</b>				
Tourism	-	1,025,891	-	-
Future projects	74,941	-	-	-
Debt service	-	-	-	1,482
Education	-	-	931,094	-
<b>Committed for:</b>				
Court security and technology	194,422	-	-	-
<b>Assigned for:</b>				
Future equipment purchase	24,000	-	-	-
Unassigned	6,751,362	-	-	-
<b>Total fund balances</b>	<b>7,051,631</b>	<b>1,026,639</b>	<b>992,981</b>	<b>1,482</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,390,451</b>	<b>\$ 1,074,064</b>	<b>\$ 1,149,057</b>	<b>\$ 1,647</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 position of governmental activities

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

<u>Capital Projects</u>	<u>Westlake Academy Expansion</u>	<u>Economic Development Fund</u>	<u>Lone Star Public Facility Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total Governmental Funds</u>
\$ 2,702,678	\$ 8,687,363	\$ -	\$ 13,599	\$ -	\$ 19,481,553
-	-	-	-	-	2,127
-	-	54,355	-	165,140	1,226,630
-	-	41,207	-	-	206,347
-	-	-	-	-	69,541
-	-	-	-	-	293,363
<u>\$ 2,702,678</u>	<u>\$ 8,687,363</u>	<u>\$ 95,562</u>	<u>\$ 13,599</u>	<u>\$ 165,140</u>	<u>\$ 21,279,561</u>
\$ 63,843	\$ 968,883	\$ 95,562	\$ -	\$ -	\$ 1,555,933
-	-	-	-	-	73,634
-	-	-	-	165,140	206,347
<u>63,843</u>	<u>968,883</u>	<u>95,562</u>	<u>-</u>	<u>165,140</u>	<u>1,835,914</u>
-	-	-	-	-	69,541
-	-	-	-	-	1,025,891
2,638,835	7,718,480	-	13,599	-	10,445,855
-	-	-	-	-	1,482
-	-	-	-	-	931,094
-	-	-	-	-	194,422
-	-	-	-	-	24,000
-	-	-	-	-	6,751,362
<u>2,638,835</u>	<u>7,718,480</u>	<u>-</u>	<u>13,599</u>	<u>-</u>	<u>19,443,647</u>
<u>\$ 2,702,678</u>	<u>\$ 8,687,363</u>	<u>\$ 95,562</u>	<u>\$ 13,599</u>	<u>\$ 165,140</u>	
					41,121,883
					( 28,571,420)
					<u>63,431</u>
					<u>\$ 32,057,541</u>

**TOWN OF WESTLAKE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	<u>General</u>	<u>Visitors Association</u>	<u>Westlake Academy</u>	<u>Debt Service Fund</u>
<b>REVENUES:</b>				
Taxes				
Sales	\$ 3,061,948	\$ -	\$ -	\$ -
Property	1,236,978	-	-	129,565
Mixed beverage	39,727	-	-	-
Hotel occupancy	-	668,371	-	-
Franchise	734,935	-	-	-
State program revenues	-	-	4,696,540	-
Federal program revenues	-	-	81,958	-
Interest income	9,286	1,830	1,594	-
Building permits and fees	969,735	-	-	-
Fines and penalties	695,167	-	-	-
Intergovernmental	10,331	-	-	-
Contributions	11,094	7,464	-	-
Miscellaneous	73,933	9,111	1,197,410	-
Total revenues	<u>6,843,134</u>	<u>686,776</u>	<u>5,977,502</u>	<u>129,565</u>
<b>EXPENDITURES:</b>				
Current				
General government	1,910,545	-	-	-
Public safety	1,967,584	-	-	-
Culture and recreation	113,924	-	-	-
Public works	532,675	-	-	-
Economic Development	-	-	-	-
Visitor services	-	521,521	-	-
Education	-	-	5,803,611	-
Capital outlay	50,014	-	-	-
Debt service				
Principal retirement	-	-	-	2,955,000
Interest and other fiscal charges	-	-	-	830,425
Bond issuance costs	-	-	-	62,383
Total expenditures	<u>4,574,742</u>	<u>521,521</u>	<u>5,803,611</u>	<u>3,847,808</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,268,392</u>	<u>165,255</u>	<u>173,891</u>	<u>( 3,718,243)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	609,826	-	-	1,459,345
Transfers out	( 1,090,392)	( 191,162)	-	-
Refunding bonds issued	-	-	-	2,200,000
Premium on refunding bonds issued	-	-	-	37,723
Certificates of obligation issued	-	-	-	-
Premium on certificates of obligation issued	-	-	-	-
Total other financing sources (uses)	<u>( 480,566)</u>	<u>( 191,162)</u>	<u>-</u>	<u>3,697,068</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,787,826	( 25,907)	173,891	( 21,175)
<b>FUND BALANCES, BEGINNING</b>	<u>5,263,805</u>	<u>1,052,546</u>	<u>819,090</u>	<u>22,657</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 7,051,631</u>	<u>\$ 1,026,639</u>	<u>\$ 992,981</u>	<u>\$ 1,482</u>

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

Capital Projects	Westlake Academy Expansion	Economic Development Fund	Lone Star Public Facility Corporation	4B Economic Development Corporation	Total Governmental Funds
\$ -	\$ -	\$ 219,600	\$ -	\$ 1,093,849	\$ 4,375,397
-	-	-	-	-	1,366,543
-	-	-	-	-	39,727
-	-	41,207	-	-	709,578
-	-	-	-	-	734,935
-	-	-	-	-	4,696,540
-	-	-	-	-	81,958
5,503	5,647	-	23	335	24,218
-	-	-	-	-	969,735
-	-	-	-	-	695,167
-	-	-	-	-	10,331
4,897,456	1,000,000	-	-	-	5,916,014
-	-	-	-	-	1,280,454
<u>4,902,959</u>	<u>1,005,647</u>	<u>260,807</u>	<u>23</u>	<u>1,094,184</u>	<u>20,900,597</u>
-	-	-	-	-	1,910,545
-	-	-	-	-	1,967,584
-	-	-	-	-	113,924
-	-	-	-	-	532,675
-	-	296,565	-	-	296,565
-	-	-	-	-	521,521
-	-	-	-	-	5,803,611
5,844,927	1,706,690	-	-	-	7,601,631
-	-	-	-	-	2,955,000
-	-	-	-	-	830,425
-	123,316	-	-	-	185,699
<u>5,844,927</u>	<u>1,830,006</u>	<u>296,565</u>	<u>-</u>	<u>-</u>	<u>22,719,180</u>
( 941,968)	( 824,359)	( 35,758)	23	1,094,184	( 1,818,583)
-	-	35,758	-	-	2,104,929
-	( 36,398)	-	-	( 1,272,568)	( 2,590,520)
-	-	-	-	-	2,200,000
-	-	-	-	-	37,723
-	8,294,800	-	-	-	8,294,800
-	284,437	-	-	-	284,437
-	8,542,839	35,758	-	( 1,272,568)	10,331,369
( 941,968)	7,718,480	-	23	( 178,384)	8,512,786
<u>3,580,803</u>	<u>-</u>	<u>-</u>	<u>13,576</u>	<u>178,384</u>	<u>10,930,861</u>
<u>\$ 2,638,835</u>	<u>\$ 7,718,480</u>	<u>\$ -</u>	<u>\$ 13,599</u>	<u>\$ -</u>	<u>\$ 19,443,647</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, 2013**

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

Net change in fund balance - total governmental funds \$ 8,512,786

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. 6,808,268

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. ( 23,503)

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. ( 7,631,014)

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. ( 225,402)

Change in net position of governmental activities \$ 7,441,135

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

**TOWN OF WESTLAKE, TEXAS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**SEPTEMBER 30, 2013**

**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	\$ 4,808,230	\$ 51,181	\$ 4,859,411
Accounts receivable (net of allowance)	843,221	116	843,337
Inventories	-	97,582	97,582
Deferred Charges	14,987	-	14,987
Restricted cash and investments	171,802	-	171,802
<b>Total current assets</b>	<u>5,838,240</u>	<u>148,879</u>	<u>5,987,119</u>
Noncurrent assets			
Capital assets:			
Construction in progress	342,924	-	342,924
Buildings and improvements	13,376,253	-	13,376,253
Wastewater treatment rights	635,199	-	635,199
Machinery and equipment	3,466,046	-	3,466,046
Less: accumulated depreciation	( 5,697,181)	-	( 5,697,181)
<b>Total capital assets</b>	<u>12,123,241</u>	<u>-</u>	<u>12,123,241</u>
<b>Total noncurrent assets</b>	<u>12,123,241</u>	<u>-</u>	<u>12,123,241</u>
<b>Total assets</b>	<u>17,961,481</u>	<u>148,879</u>	<u>18,110,360</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	228,154	-	228,154
Customer deposits payable	171,802	-	171,802
Accrued interest payable	5,112,040	-	5,112,040
Deferred revenue	352,169	1,258	353,427
Compensated absences	1,353	-	1,353
Current portion of bonds payable	11,000	-	11,000
Contractual obligations	91,325	-	91,325
<b>Total current liabilities</b>	<u>5,967,843</u>	<u>1,258</u>	<u>5,969,101</u>
Long-term liabilities:			
Bonds payable	1,048,769	-	1,048,769
Compensated absences	12,174	-	12,174
Contractual obligations	5,320,824	-	5,320,824
<b>Total long-term liabilities</b>	<u>6,381,767</u>	<u>-</u>	<u>6,381,767</u>
<b>Total liabilities</b>	<u>12,349,610</u>	<u>1,258</u>	<u>12,350,868</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,601,949	-	6,601,949
Unrestricted	( 990,078)	147,621	( 842,457)
<b>Total net position</b>	<u>\$ 5,611,871</u>	<u>\$ 147,621</u>	<u>\$ 5,759,492</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 POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

<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	\$ 3,157,332	\$ 5,510	\$ 3,162,842
Miscellaneous revenue	224,995	-	224,995
Total operating revenue	<u>3,382,327</u>	<u>5,510</u>	<u>3,387,837</u>
<b>OPERATING EXPENSES:</b>			
Payroll costs	275,910	-	275,910
Professional and contract services	81,630	5,030	86,660
Depreciation	432,628	-	432,628
Amortization of wastewater treatment rights	31,428	-	31,428
Water purchases	965,192	-	965,192
Cost of cemetery lots sold	-	298	298
Other operating costs	859,717	-	859,717
Total operating expenses	<u>2,646,505</u>	<u>5,328</u>	<u>2,651,833</u>
<b>OPERATING INCOME</b>	735,822	182	736,004
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	6,465	87	6,552
Interest expense	( 709,961)	-	( 709,961)
Total non-operating revenues (expenses)	<u>( 703,496)</u>	<u>87</u>	<u>( 703,409)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	32,326	269	32,595
Transfer in	550,000	-	550,000
Transfer out	( 64,409)	-	( 64,409)
Total transfers and capital contributions	<u>485,591</u>	<u>-</u>	<u>485,591</u>
<b>CHANGE IN NET POSITION</b>	517,917	269	518,186
<b>TOTAL NET POSITION, BEGINNING</b>	<u>5,093,954</u>	<u>147,352</u>	<u>5,241,306</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 5,611,871</u>	<u>\$ 147,621</u>	<u>\$ 5,759,492</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, 2013**

**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	\$ 3,376,428	\$ 6,652	\$ 3,383,080
Cash payments to employees/retirees	( 273,811)	-	( 273,811)
Cash payments for goods and services	( 1,752,563)	( 5,697)	( 1,758,260)
Net cash provided by operating activities	<u>1,350,054</u>	<u>955</u>	<u>1,351,009</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer from other funds	550,000	-	550,000
Transfer to other funds	( 64,409)	-	( 64,409)
Advances to other funds	( 178,384)	-	( 178,384)
Net cash provided by noncapital financing activities	<u>307,207</u>	<u>-</u>	<u>307,207</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from bonds	1,060,355	-	1,060,355
Principal paid on debt	( 86,519)	-	( 86,519)
Interest paid on debt	( 132,870)	-	( 132,870)
Purchase of property and equipment	( 211,406)	-	( 211,406)
Net cash used by capital and related financing activities	<u>629,560</u>	<u>-</u>	<u>629,560</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	<u>6,465</u>	<u>87</u>	<u>6,552</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,293,286	1,042	2,294,328
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>2,686,746</u>	<u>50,139</u>	<u>2,736,885</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 4,980,032</u>	<u>\$ 51,181</u>	<u>\$ 5,031,213</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents	\$ 4,808,230	\$ 51,181	\$ 4,859,411
Restricted cash and cash equivalents	171,802	-	171,802
Total cash and cash equivalents	<u>\$ 4,980,032</u>	<u>\$ 51,181</u>	<u>\$ 5,031,213</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 735,822	\$ 182	\$ 736,004
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	464,056	-	464,056
Changes in operating assets and liabilities:			
Receivables	4,387	( 116)	4,271
Other assets	(15,241)	298	(14,943)
Accounts payable	169,217	( 667)	168,550
Compensated absences	2,099	-	2,099
Customer deposits payable	22,762	-	22,762
Deferred revenue	( 33,048)	1,258	( 31,790)
Net cash provided by operating activities	<u>\$ 1,350,054</u>	<u>\$ 955</u>	<u>\$ 1,351,009</u>

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

**TOWN OF WESTLAKE, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2013**

	Texas Student Housing Authority - Ballpark Austin Project	Texas Student Housing Corporation - The Ridge at North Texas	Texas Student Housing Authority - Town Lake Austin Project
<b>ASSETS</b>			
Cash and cash equivalents	\$ 380,577	\$ 381,265	\$ 377,017
Accounts receivables (net of allowance)	16,249	3,872	13,273
Restricted assets:			
Cash and cash equivalents	1,119,010	1,949,197	185,033
Deferred charges	2,145,311	605,372	601,573
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	( 12,559,302)	( 11,811,874)	( 6,819,249)
Total assets	24,228,478	20,286,673	14,715,389
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,175,615	381,490	286,799
Unearned revenue	192,187	245,906	181,013
Accrued interest payable	7,850,774	5,670,894	2,756,615
Noncurrent liabilities:			
Due within one year	705,000	697,515	328,105
Due in more than one year	33,858,434	26,352,646	19,977,645
Total liabilities	43,782,010	33,348,451	23,530,177
<b>NET POSITION</b>			
Net investment in capital assets	( 13,996,103)	( 9,703,194)	( 6,767,257)
Unrestricted	( 5,557,429)	( 3,358,584)	( 2,047,531)
Total net position	\$( 19,553,532)	\$( 13,061,778)	\$( 8,814,788)

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

<u>Texas Student Housing Authority - College Station Project</u>	<u>Texas Student Housing Authority</u>	<u>Total</u>
\$ 4,554,177	\$ 449,720	\$ 6,142,756
385,497	973	419,864
2,096,666	-	5,349,906
-	-	3,352,256
2,899,597	-	12,070,678
27,727,646	-	91,741,792
2,594,804	-	12,052,793
( 10,728,662)	-	( 41,919,087)
<u>29,529,725</u>	<u>450,693</u>	<u>89,210,958</u>
236,163	5,591	2,085,658
2,424,540	39,828	3,083,474
9,399,041	-	25,677,324
440,000	-	2,170,620
29,870,000	-	110,058,725
<u>42,369,744</u>	<u>45,419</u>	<u>143,075,801</u>
( 7,816,615)	-	( 38,283,169)
( 5,023,404)	405,274	( 15,581,674)
<u>\$( 12,840,019)</u>	<u>\$ 405,274</u>	<u>\$( 53,864,843)</u>

**TOWN OF WESTLAKE, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-type activities:				
Texas Student Housing Authority	\$ 701,013	\$ 819,070	\$ -	\$ -
Texas Student Housing Authority:				
College Station Project	7,794,480	5,946,884	-	-
Ballpark Austin Project	5,487,624	3,834,672	-	-
Town Lake Austin Project	4,189,657	3,061,901	-	-
Texas Student Housing Corporation:				
The Ridge at North Texas	<u>5,706,391</u>	<u>4,154,003</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>23,879,165</u>	<u>17,816,530</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 23,879,165</u>	<u>\$ 17,816,530</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues:		
		Interest income		
		Total general revenues and transfers		
		Change in net position		
		Net position, beginning		
		Net position, ending		

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

Net (Expense) Revenue and  
Changes in Net Position

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
\$ -	\$ -	\$ -	\$ -	\$ 118,057	\$ 118,057
-	-	-	( 1,847,596)	-	( 1,847,596)
( 1,652,952)	-	-	-	-	( 1,652,952)
-	-	( 1,127,756)	-	-	( 1,127,756)
<u>-</u>	<u>( 1,552,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,552,388)</u>
<u>( 1,652,952)</u>	<u>( 1,552,388)</u>	<u>( 1,127,756)</u>	<u>( 1,847,596)</u>	<u>118,057</u>	<u>( 6,062,635)</u>
<u>( 1,652,952)</u>	<u>( 1,552,388)</u>	<u>( 1,127,756)</u>	<u>( 1,847,596)</u>	<u>118,057</u>	<u>( 6,062,635)</u>
<u>127</u>	<u>7,793</u>	<u>31</u>	<u>321</u>	<u>311</u>	<u>8,583</u>
<u>127</u>	<u>7,793</u>	<u>31</u>	<u>321</u>	<u>311</u>	<u>8,583</u>
( 1,652,825)	( 1,544,595)	( 1,127,725)	( 1,847,275)	118,368	( 6,054,052)
( 17,900,707)	( 11,517,183)	( 7,687,063)	( 10,992,744)	286,906	( 47,810,791)
<u>\$( 19,553,532)</u>	<u>\$( 13,061,778)</u>	<u>\$( 8,814,788)</u>	<u>\$( 12,840,019)</u>	<u>\$ 405,274</u>	<u>\$( 53,864,843)</u>

## TOWN OF WESTLAKE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

#### 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.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

##### A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Town.

Based on these criteria, the financial information of the following entities have been blended or discretely presented within the financial statements: Lone Star Public Facilities Corporation, 4B Economic Development Corporation, Westlake Academy, Texas Student Housing Authority, Texas Student Housing Authority - Ballpark Austin Project; Texas Student Housing Authority - Town Lake Austin Project, Texas Student Housing Authority - College Station Project and Texas Student Housing Corporation - The Ridge at North Texas.

##### B. Component Units

###### **Discretely Presented**

*The Texas Student Housing Authority, Texas Student Housing - Ballpark Austin Project, Texas Student Housing - Town Lake Austin Project, Texas Student Housing - College Station Project, and Texas Student Housing Corporation - The Ridge at North Texas Project (collectively, "Texas Student Housing")* are Texas nonprofit organizations as a duly constituted authority of the Town pursuant to Section 53.35(b) of the Texas Education Code, as amended (Act). Texas Student Housing's primary purpose is to construct, own, and operate student housing facilities on college campuses in Texas. The board consists of seven directors which are appointed by the Town's governing body and has the ability to remove at will the appointed members, thus the governing body can impose its will on the organizations. Housing entities are reported as Enterprise Funds. The Town is not responsible for the long-term debt of the Texas Student Housing entities.

Separately issued financial reports are available for the all the Texas Student Housing entities. These reports may be obtained by contacting the following office.

Texas Student Housing Authority  
3 Village Circle, Suite 202  
Westlake, Texas 76262

### **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.

***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 Position 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.

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 local, state and federal revenue and related education expenditures of the Academy.

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

**4B Economic Development Corporation** – to account for sales tax collected to fund the activities of the 4B Economic Development Corporation.

**Economic Development Fund** – to account for sales tax and hotel occupancy tax collected to fund activity relating to 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.

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

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

## **E. Assets, Liabilities, and Net Position 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, 2013.

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.

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

### **Fund Equity and Net Position**

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. In the General Fund, assigned amounts represent intended uses established by the Town council or a Town official delegated that authority by Town Charter or ordinance.
- **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 position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

## 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 Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. 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 \$28,571,420 difference are as follows:

Certificates of obligation bonds	\$ 12,596,800
General obligation bonds	16,590,000
Bond premiums (to be amortized over life of debt)	700,588
Notes payable	113,446
Deferred loss on refunding bonds (to be amortized over life of debt)	(1,247,851)
Deferred charges for issuance costs (to be amortized over life of debt)	(647,443)
Compensated absences	106,404
Accrued interest payable	<u>359,476</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ 28,571,420</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 position 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 \$6,808,268 difference are as follows:

Capital outlay (\$44, 221 capitalized from public safety and \$49,674 capitalized from public works)	\$ 7,695,526
Depreciation expense	<u>(887,258)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 6,808,268</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 position. 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 \$7,631,014 difference are as follows:

Principal repayments:	
General obligation debt	\$ 2,955,000
Note payments	16,655
Deferred rebates	<u>28,592</u>
Debt issuance:	
General obligation debt	(10,494,800)
Bond issuance costs	185,699
Deferred loss on refunding	-
Premium on bonds	<u>(322,160)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (7,631,014)</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 \$225,402 difference are as follows:

Accrued interest	\$ (103,351)
Compensated absences	(24,499)
Amortization of premium	32,510
Amortization of deferred charge on refunding	(98,417)
Amortization of issuance costs	<u>(31,645)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (225,402)</u>

### III. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

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

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

During the year ended September 30, 2013, 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, 2013, the Town's investments included investment pools in the name of the Town or its agent in the Town's name. The Town's investments were as follows:

<u>Primary government</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year-end</u>
Investments:				
TexPool	\$ 350	\$ 350	N/A	AAA-m
Cash	<u>24,805,779</u>	<u>24,805,779</u>	N/A	N/A
Total cash and investments	\$ <u>24,806,129</u>	\$ <u>24,806,129</u>		

Reconciliation of total cash and investments at September 30, 2013, are as follows:

Cash and cash equivalents	\$ 24,340,964
Restricted cash and investments	<u>465,165</u>
Total cash and investments	\$ <u>24,806,129</u>

The Town's entire cash deposits in the bank of \$25,601,318 on September 30, 2013, were covered by federal depository insurance or by collateral.

<u>Component units</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Investments:			
Cash and cash equivalents	\$ <u>11,492,662</u>	\$ <u>11,492,662</u>	N/A
Total	\$ <u>11,492,662</u>	\$ <u>11,492,662</u>	

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

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

**Capital Assets**

Capital asset activity for the year ended September 30, 2013, 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	1,552,004	1,802,882	520,794	2,834,092
Total assets not being depreciated	<u>13,448,667</u>	<u>1,802,882</u>	<u>520,794</u>	<u>14,730,755</u>
Capital assets, being depreciated:				
Capital improvements	5,407,850	5,966,526	-	11,374,376
Buildings	21,398,468	379,404	-	21,777,872
Machinery and equipment	2,791,744	49,084	-	2,840,828
Information systems and software	52,430	18,424	-	70,854
Total capital assets being depreciated	<u>29,650,492</u>	<u>6,413,438</u>	<u>-</u>	<u>36,063,930</u>
Less accumulated depreciation:				
Capital improvements	3,020,948	168,906	-	3,189,854
Buildings	3,631,125	534,856	-	4,165,981
Machinery and equipment	2,081,041	183,496	-	2,264,537
Information systems and software	52,430	-	-	52,430
Total accumulated depreciation	<u>8,785,544</u>	<u>887,258</u>	<u>-</u>	<u>9,672,802</u>
Total capital assets being depreciated, net	<u>20,864,948</u>	<u>5,526,180</u>	<u>-</u>	<u>26,391,128</u>
Governmental activities capital assets, net	<u>\$ 34,313,615</u>	<u>\$ 7,329,062</u>	<u>\$ 520,794</u>	<u>\$ 41,121,883</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 174,210	\$ 168,714	\$ -	\$ 342,924
Total assets not being depreciated	<u>174,210</u>	<u>168,714</u>	<u>-</u>	<u>342,924</u>
Capital assets, being depreciated:				
Capital improvements	13,333,561	42,692	-	13,376,253
Wastewater treatment rights	635,199	-	-	635,199
Machinery and equipment	<u>3,466,046</u>	<u>-</u>	<u>-</u>	<u>3,466,046</u>
Total capital assets being depreciated	<u>17,434,806</u>	<u>42,692</u>	<u>-</u>	<u>17,477,498</u>
Less accumulated depreciation:				
Capital improvements	3,449,724	311,627	-	3,761,351
Wastewater treatment rights	386,413	31,760	-	418,173
Machinery and equipment	<u>1,396,656</u>	<u>121,001</u>	<u>-</u>	<u>1,517,657</u>
Total accumulated depreciation	<u>5,232,793</u>	<u>464,388</u>	<u>-</u>	<u>5,697,181</u>
Total capital assets being depreciated, net	<u>12,202,013</u>	<u>( 421,696)</u>	<u>-</u>	<u>11,780,317</u>
Business-type activities capital assets, net	<u>\$ 12,376,223</u>	<u>\$( 252,982)</u>	<u>\$ -</u>	<u>\$ 12,123,241</u>

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

Governmental activities:	
General government	\$ 679,826
Public safety	65,235
Public works	<u>142,197</u>
Total depreciation expense - governmental activities	<u>\$ 887,258</u>

A summary of discretely presented component units' capital assets at September 30, 2013, 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	7,589,442	711,510	-	8,300,952
Furniture and fixtures	<u>4,109,184</u>	<u>149,166</u>	<u>-</u>	<u>4,258,350</u>
Total accumulated depreciation	<u>11,698,626</u>	<u>860,676</u>	<u>-</u>	<u>12,559,302</u>
Total capital assets, being depreciated, net	<u>16,639,742</u>	<u>( 860,676)</u>	<u>-</u>	<u>15,779,066</u>
Capital assets, net	<u>\$ 21,428,007</u>	<u>\$ ( 860,676)</u>	<u>\$ -</u>	<u>\$ 20,567,331</u>

**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	<u>1,253,841</u>	<u>-</u>	<u>-</u>	<u>1,253,841</u>
Total capital assets, being depreciated	<u>26,958,841</u>	<u>-</u>	<u>-</u>	<u>26,958,841</u>
Less accumulated depreciation for:				
Building	9,782,181	856,833	-	10,639,014
Furniture and fixtures	<u>1,164,364</u>	<u>8,496</u>	<u>-</u>	<u>1,172,860</u>
Total accumulated depreciation	<u>10,946,545</u>	<u>865,329</u>	<u>-</u>	<u>11,811,874</u>
Total capital assets, being depreciated, net	<u>16,012,296</u>	<u>( 865,329)</u>	<u>-</u>	<u>15,146,967</u>
Capital assets, net	<u>\$ 18,212,296</u>	<u>\$ ( 865,329)</u>	<u>\$ -</u>	<u>\$ 17,346,967</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance
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	915,951	-	-	915,951
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	5,929,821	604,588	-	6,534,409
Capitalized purchase costs	256,356	28,484	-	284,840
Total accumulated depreciation	<u>6,186,177</u>	<u>633,072</u>	<u>-</u>	<u>6,819,249</u>
Total capital assets, being depreciated, net	<u>11,988,749</u>	<u>( 633,072)</u>	<u>-</u>	<u>11,355,677</u>
Capital assets, net	<u>\$ 14,171,565</u>	<u>\$ ( 633,072)</u>	<u>\$ -</u>	<u>\$ 13,538,493</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance
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	2,594,804	-	-	2,594,804
Total capital assets, being depreciated	<u>30,322,450</u>	<u>-</u>	<u>-</u>	<u>30,322,450</u>
Less accumulated depreciation for:				
Building	7,060,819	896,614	-	7,957,433
Furniture and fixtures	2,682,668	88,561	-	2,771,229
Total accumulated depreciation	<u>9,743,487</u>	<u>985,175</u>	<u>-</u>	<u>10,728,662</u>
Total capital assets, being depreciated, net	<u>20,578,963</u>	<u>( 985,175)</u>	<u>-</u>	<u>19,593,788</u>
Capital assets, net	<u>\$ 23,478,560</u>	<u>\$ ( 985,175)</u>	<u>\$ -</u>	<u>\$ 22,493,385</u>

## **Restricted Cash**

### **General Fund**

Within the governmental funds, \$293,363 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, \$171,802 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, \$5,349,906 in cash and cash equivalents represents funds held for debt service.

## General Long-term Debt

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Combination tax and limited Pledge Revenue Certificates of Obligation, Series 2002	\$ 645,000	\$ -	\$ 315,000	\$ 330,000	\$ 330,000
Combination tax and limited Pledge Revenue Certificates of Obligation, Series 2003	2,225,000	-	170,000	2,055,000	175,000
General Obligation Refunding Bonds, Series 2007	7,260,000	-	25,000	7,235,000	35,000
Less deferred amounts on refunding	( 508,008)	-	( 44,336)	( 463,672)	-
General Obligation Bonds, Series 2008	2,135,000	-	2,135,000	-	-
Combination tax and Revenue Certificates of Obligation, Series 2011	2,007,000	-	90,000	1,917,000	93,000
General Obligation Refunding Bonds, Series 2011	7,375,000	-	100,000	7,275,000	100,000
General Obligation Refunding Bonds, Series 2011 Premium	410,938	-	26,512	384,426	-
Less deferred amounts on refunding	( 838,260)	-	( 54,081)	( 784,179)	-
Certificates of Obligation Series 2013	-	8,294,800	-	8,294,800	89,000
Certificates of Obligation Series 2013 Premium	-	284,437	4,741	279,696	-
General Obligation Refunding Bonds, Series 2013	-	2,200,000	120,000	2,080,000	105,000
General Obligation Refunding Bonds, Series 2013 Premium	-	37,723	1,257	36,466	-
Notes payable	34,075	-	16,655	17,420	17,420
Compensated absences	81,905	89,869	65,370	106,404	10,640
Fidelity Tax Reimbursement	124,618	-	28,592	96,026	30,237
	<u>\$ 20,952,268</u>	<u>\$ 10,906,829</u>	<u>\$ 2,999,710</u>	<u>\$ 28,859,387</u>	<u>\$ 985,297</u>

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.

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.

During the fiscal year ended September 30, 2013, the Town issued Certificates of Obligation in the amount of \$9,320,000 for the Westlake Academy Expansion and ground storage tank.

### Current Refunding

The government issued \$2,200,000 in general obligation bonds for a current refunding of \$2,135,000 of 2008 general obligation bonds. The refunding was undertaken to lower debt service requirements. The reacquisition price exceeded the net carrying amount of the old debt by \$40,064. This amount is being netted against the new debt and amortized over the life of the refunding debt. The transaction also resulted in an economic gain of \$218,480 and a reduction of \$255,176 in future debt service payments.

**Prior year defeasance of debt.** In prior years, the government defeased general obligations bonds by placing proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government’s financial statements. At September 30, 2013, \$13,120,000 of defeased bonds remain outstanding.

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

Year Ending September 30,	Principal	Interest	Total Requirements
2014	\$ 927,000	\$ 1,151,319	\$ 2,078,319
2015	1,050,550	1,015,923	2,066,473
2016	1,073,550	992,507	2,066,057
2017	1,083,000	982,751	2,065,751
2018	1,122,000	940,726	2,062,726
2019-2023	6,148,100	4,165,669	10,313,769
2024-2028	7,211,850	3,086,441	10,298,291
2029-2033	7,050,800	1,543,879	8,594,679
2034-2038	1,593,100	598,547	2,191,647
2039-2043	1,926,850	222,749	2,149,599
Total	\$ 29,186,800	\$ 14,700,511	\$ 43,887,311

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>
2014	\$ <u>17,420</u>	\$ <u>800</u>	\$ <u>18,220</u>
Total	\$ <u>17,420</u>	\$ <u>800</u>	\$ <u>18,220</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.

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>
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>96,026</u>	\$ <u>11,248</u>	\$ <u>107,274</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, 2013, is as follows:

Description	Outstanding 9/30/2012	Issued	Retired	Outstanding 9/30/2013	Current Portion
Contractual obligations:					
Elevated water storage	\$ 818,724	\$ -	\$ 86,519	\$ 732,205	\$ 91,325
Limited pledge contractual obligation:					
Dove Road Water Line and West Pump Station	4,679,944	-	-	4,679,944	-
2013 Certificates of Obligation		1,025,200	-	1,025,200	11,000
2013 Certificates of Obligation Premiums		35,155	586	34,569	-
Compensated absences	<u>11,428</u>	<u>12,108</u>	<u>10,009</u>	<u>13,527</u>	<u>1,353</u>
	<u>\$ 5,510,096</u>	<u>\$ 1,072,463</u>	<u>\$ 97,114</u>	<u>\$ 6,485,445</u>	<u>\$ 103,678</u>

Debt service requirements of certificates of obligation to be retired from proprietary funds are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2014	\$ 11,000	\$ 44,787	\$ 55,787
2015	21,450	34,325	55,775
2016	21,450	33,896	55,346
2017	22,000	33,461	55,461
2018	22,000	33,021	55,021
2019-2023	119,900	157,536	277,436
2024-2028	139,150	139,225	278,375
2029-2033	233,200	107,112	340,312
2034-2038	196,900	65,840	262,740
2039-2043	<u>238,150</u>	<u>24,503</u>	<u>262,653</u>
Total	<u>\$ 1,025,200</u>	<u>\$ 673,706</u>	<u>\$ 1,698,906</u>

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 91,325	\$ 716,830	\$ 808,155
2015	94,530	761,423	855,953
2016	99,336	811,805	911,141
2017	104,143	861,283	965,426
2018	108,950	916,518	1,025,468
2019-2023	233,921	2,752,024	2,985,945
2024-2028	4,679,944	-	4,679,944
Total	<u>\$ 5,412,149</u>	<u>\$ 6,819,883</u>	<u>\$ 12,232,032</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.

## 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>30,310,000</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, 2013:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
\$ <u>30,720,000</u>	\$ <u>-</u>	\$ <u>410,000</u>	\$ <u>30,310,000</u>	\$ <u>440,000</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.

At August 31, 2013, 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	\$ 15,518,242	\$ -	\$ 301,733	\$ 15,216,509	\$ 328,105
2002 A-2 Bonds	5,089,241	-	-	5,089,241	-
Total	<u>\$ 20,607,483</u>	<u>\$ -</u>	<u>\$ 301,733</u>	<u>\$ 20,305,750</u>	<u>\$ 328,105</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
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	447,074	1,444,563	1,891,637
2019-2023	2,836,079	6,622,106	9,458,185
2024-2028	4,175,185	4,102,458	8,277,643
2029-2033	<u>11,368,021</u>	<u>3,312,414</u>	<u>14,680,435</u>
Totals	<u>\$ 20,305,750</u>	<u>\$ 21,568,698</u>	<u>\$ 41,874,448</u>

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds:					
2001A Bonds	\$ 28,840,000	\$ -	\$ -	\$ 28,840,000	\$ 705,000
2001B Bonds	2,365,000	-	-	2,365,000	-
2001C Bonds	3,000,000	-	-	3,000,000	-
Deferred purchase price	1,460,000	-	-	1,460,000	-
Less discounts	<u>( 1,161,651)</u>	<u>-</u>	<u>( 60,085)</u>	<u>( 1,101,566)</u>	<u>-</u>
Total	<u>\$ 34,503,349</u>	<u>\$ -</u>	<u>\$ ( 60,085)</u>	<u>\$ 34,563,434</u>	<u>\$ 705,000</u>

The bonds are payable solely from the revenues generated by the Project and secured by the revenues pledged and assigned under the terms of the trust indenture. Interest rates on the bonds

range from 4.00% to 11.00% and are payable semi-annually. The debt service requirements of the bonds are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 1,035,000	\$ 2,006,275	\$ 3,041,275
2015	800,000	1,962,856	2,762,856
2016	845,000	1,916,950	2,761,950
2017	890,000	1,868,556	2,758,556
2018	940,000	1,817,406	2,757,406
2019-2023	5,510,000	8,218,281	13,728,281
2024-2028	7,210,000	6,433,000	13,643,000
2029-2033	12,470,000	4,062,075	16,532,075
2034-2038	4,505,000	-	4,505,000
Totals	\$ 34,205,000	\$ 28,285,399	\$ 62,490,399

At August 31, 2013, the Project had not made interest payments on the Subordinate 2001C Bond Series since July 2003, and the Subordinate 2001C Bond is in default. In addition, the Project's fixed charges coverage ratio was not in compliance with the covenants of the indenture. These events do not constitute an event of default that accelerates the bonds. As a result, the maturities are presented under the original repayment terms.

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

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds:					
2001A Bonds	\$ 25,130,000	\$ -	\$ 685,000	\$ 24,445,000	\$ 735,000
2001B Bonds	3,240,000	-	-	3,240,000	-
Trustee Fee Payable	5,000	-	-	5,000	-
Less discounts	( 672,324)	-	( 37,485)	( 634,839)	( 37,485)
Total	\$ 27,702,676	\$ -	\$ 647,515	\$ 27,055,161	\$ 697,515

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, 2013, 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 2013. The total interest to be paid will depend on the ultimate maturities of the bonds.

Year Ending August 31,	Principal	Interest	Total
2013	\$ 27,685,000	\$ 21,609,085	\$ 49,294,085

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 \$352,169 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.

**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, 2013, were as follows:

<u>Source</u>	<u>Westlake Academy</u>	<u>Total</u>
Federal program revenues:		
U. S. Department of Education - Passed through State Department of Education	\$ <u>81,958</u>	\$ <u>81,958</u>
Total federal program revenues:	\$ <u><u>81,958</u></u>	\$ <u><u>81,958</u></u>
State program revenues:		
State Department of Education	\$ <u><u>4,696,540</u></u>	\$ <u><u>4,696,540</u></u>

## Interfund Balances and Transactions

Interfund receivables and payables at September 30, 2013, were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund:		
4B Economic Development Corporation fund	\$ 165,140	\$ -
Visitors Association fund:		
Economic Development fund	-	41,207
Economic Development fund:		
Visitors Association fund	41,207	-
4B Economic Development Corporation fund:		
General Fund	<u>-</u>	<u>165,140</u>
	<u>\$ 206,347</u>	<u>\$ 206,347</u>

The 4B Economic Development Corporation fund (4B) amount of \$165,140 payable to the General Fund is related to debt service payment reimbursement. The \$41,270 payable to the Economic Development fund from the Visitors Association fund is related to a portion of hotel/motel tax from an economic development agreement with a business.

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

	<u>Transfers To Funds</u>	<u>Transfers From Funds</u>
<b>Primary Government</b>		
General fund:		
Westlake Academy Expansion	\$ -	\$ 36,398
Visitors Association fund	-	9,019
Economic Development fund	35,758	-
Debt Service fund	4,634	-
Utility fund	500,000	14,409
General maintenance	550,000	550,000
Visitors Association fund:		
General fund	9,019	-
Debt service fund	182,143	-
Debt Service fund:		
General fund	-	4,634
Visitors Association fund	-	182,143
4B Economic Development Corporation fund	-	1,272,568
Economic Development fund:		
General fund	-	35,758
4B Economic Development Corporation fund:		
Debt Service fund	1,272,568	-
Westlake Academy Expansion:		
General fund	36,398	-
Utility fund:		
General fund	14,409	500,000
Utility PCM fund	50,000	50,000
Totals	<u>\$ 2,654,929</u>	<u>\$ 2,654,929</u>

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	Cemetery Fund	
Receivables:									
Sales tax	\$ 441,067	\$ -	\$ -	\$ -	\$ 54,355	\$ 165,140	\$ -	\$ -	\$ 660,562
Property tax	2,615	-	-	221	-	-	-	-	2,836
Other taxes	12,243	61,165	-	-	-	-	-	-	73,408
Franchise fees	189,140	-	-	-	-	-	-	-	189,140
Accounts	28,728	-	-	-	-	-	843,221	116	872,065
Other	40,109	-	242,095	-	-	-	-	-	282,204
Gross receivables	713,902	61,165	242,095	221	54,355	165,140	843,221	116	2,080,215
Less: Allowance for uncollectibles	8,066	-	-	55	-	-	-	-	8,121
Net total receivables	\$ 705,836	\$ 61,165	\$ 242,095	\$ 166	\$ 54,355	\$ 165,140	\$ 843,221	\$ 116	\$ 2,072,094

### 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, 2013 was \$965,192.

## 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 2012</u>	<u>Plan Year 2013</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.

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/11	151,868	151,868	100%	-
09/30/12	132,882	132,882	100%	-
09/30/13	135,813	135,813	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/10	12/31/11	12/31/12
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	21.6 years; closed period	21.3 years; closed period	20.9 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*	7.0%	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, 2012, under the actuarial valuation, 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
12/31/2012	\$ 2,611,474	\$ 3,086,228	84.6%	\$ 474,754	\$ 1,869,500	25.4%

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.

The city's contributions to the TMRS SDBF for the years ended 2013 and 2012 were \$491 and \$2,240, 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>
2011	0.00%	0.00%	100%
2012	0.00%	0.00%	100%
2013	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**

Various 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.

### **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 October 28, 2013, the Council adopted a resolution authorizing the issuance of general obligation refunding bonds. On January 9, 2014, the Town issued \$1.91 million GO Refunding Bonds, Series 2014 for the purpose of refunding selected maturities of the Town's outstanding Certificates of Obligation, Series 2003 in order to lower the debt service requirements. Total savings over the next 18 years equals \$197,294. The present value of such savings using the yield on the 2014 Bonds, is \$141,287 or 7.515% of the principal retired.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**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, 2013**

	General Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Amended		
<b>REVENUES</b>				
Taxes				
Sales	\$ 2,490,000	\$ 2,883,750	\$ 3,061,948	\$ 178,198
Property	1,183,514	1,225,000	1,236,978	11,978
Mixed beverages	32,750	49,000	39,727	( 9,273)
Franchise	664,925	643,950	734,935	90,985
Interest income	15,220	10,420	9,286	( 1,134)
Building permits and fees	476,150	719,860	969,735	249,875
Fines and penalties	560,000	560,000	695,167	135,167
Intergovernmental	-	10,350	10,331	( 19)
Contributions from others	-	11,094	11,094	-
Other miscellaneous income	51,277	57,452	73,933	16,481
Total revenues	<u>5,473,836</u>	<u>6,170,876</u>	<u>6,843,134</u>	<u>672,258</u>
<b>EXPENDITURES</b>				
Current				
General government and administration	1,933,240	1,932,236	1,910,545	21,691
Public safety	1,965,406	1,981,085	1,967,584	13,501
Cultural and recreational	139,879	139,879	113,924	25,955
Public works	524,080	521,908	532,675	( 10,767)
Capital Outlay	69,500	58,085	50,014	8,071
Total expenditures	<u>4,632,105</u>	<u>4,633,193</u>	<u>4,574,742</u>	<u>58,451</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>841,731</u>	<u>1,537,683</u>	<u>2,268,392</u>	<u>730,709</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	596,519	632,917	609,826	( 23,091)
Transfers out	( 2,944,319)	( 1,149,817)	( 1,090,392)	59,425
Total other financing sources (uses)	<u>( 2,347,800)</u>	<u>( 516,900)</u>	<u>( 480,566)</u>	<u>36,334</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 1,506,069)	1,020,783	1,787,826	767,043
<b>FUND BALANCE, BEGINNING</b>	<u>5,263,805</u>	<u>5,263,805</u>	<u>5,263,805</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,757,736</u>	<u>\$ 6,284,588</u>	<u>\$ 7,051,631</u>	<u>\$ 767,043</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes				
Hotel occupancy	\$ 540,350	\$ 700,000	\$ 668,371	\$( 31,629)
Interest income	2,900	2,900	1,830	( 1,070)
Contributions	6,610	7,060	7,464	404
Other miscellaneous income	<u>12,040</u>	<u>11,590</u>	<u>9,111</u>	<u>( 2,479)</u>
Total revenues	<u>561,900</u>	<u>721,550</u>	<u>686,776</u>	<u>( 34,774)</u>
<b>EXPENDITURES</b>				
Visitors services	<u>504,427</u>	<u>507,975</u>	<u>521,521</u>	<u>( 13,546)</u>
Total expenditures	<u>504,427</u>	<u>507,975</u>	<u>521,521</u>	<u>( 13,546)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>57,473</u>	<u>213,575</u>	<u>165,255</u>	<u>( 48,320)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(192,711)</u>	<u>( 191,162)</u>	<u>( 191,162)</u>	<u>-</u>
Total other financing sources (uses)	<u>( 192,711)</u>	<u>( 191,162)</u>	<u>( 191,162)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 135,238)	22,413	( 25,907)	( 48,320)
<b>FUND BALANCE, BEGINNING</b>	<u>1,052,546</u>	<u>1,052,546</u>	<u>1,052,546</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 917,308</u>	<u>\$ 1,074,959</u>	<u>\$ 1,026,639</u>	<u>\$( 48,320)</u>

**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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
<b>REVENUES</b>				
State program revenues	\$ 4,488,261	\$ 4,583,926	\$ 4,696,540	\$ 112,614
Federal program revenues	69,239	82,367	81,958	( 409)
Interest income	1,500	1,500	1,594	94
Other miscellaneous income	<u>1,280,434</u>	<u>1,206,513</u>	<u>1,197,410</u>	<u>( 9,103)</u>
Total revenues	<u>5,839,434</u>	<u>5,874,306</u>	<u>5,977,502</u>	<u>103,196</u>
 <b>EXPENDITURES</b>				
Education	<u>5,818,815</u>	<u>5,931,128</u>	<u>5,803,611</u>	<u>127,517</u>
Total expenditures	<u>5,818,815</u>	<u>5,931,128</u>	<u>5,803,611</u>	<u>127,517</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <u>20,619</u>	 <u>( 56,822)</u>	 <u>173,891</u>	 <u>230,713</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	44,823	28,178	-	( 28,178)
Transfers out	<u>( 57,663)</u>	<u>( 28,178)</u>	<u>-</u>	<u>28,178</u>
Total other financing sources (uses)	<u>( 12,840)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 7,779	 ( 56,822)	 173,891	 230,713
 <b>FUND BALANCE, BEGINNING</b>	 <u>819,090</u>	 <u>819,090</u>	 <u>819,090</u>	 <u>-</u>
 <b>FUND BALANCE, ENDING</b>	 <u>\$ 826,869</u>	 <u>\$ 762,268</u>	 <u>\$ 992,981</u>	 <u>\$ 230,713</u>

**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, 2013**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
Taxes				
Sales	\$ 180,000	\$ 210,000	\$ 219,600	\$ 9,600
Hotel occupancy	-	-	41,207	41,207
Total revenues	180,000	210,000	260,807	50,807
<b>EXPENDITURES</b>				
Economic Development	215,758	245,758	296,565	( 50,807)
Total expenditures	215,758	245,758	296,565	( 50,807)
<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, 2013**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
Interest income	\$ 45	\$ 45	\$ 23	\$( 22)
Total revenues	45	45	23	( 22)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Total expenditures	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	45	45	23	( 22)
<b>FUND BALANCE, BEGINNING</b>	13,576	13,576	13,576	-
<b>FUND BALANCE, ENDING</b>	\$ 13,621	\$ 13,621	\$ 13,599	\$( 22)

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**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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Amended		Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes				
Sales	\$ 890,000	\$ 1,031,250	\$ 1,093,849	\$ 62,599
Interest income	500	500	335	( 165)
Total revenues	890,500	1,031,750	1,094,184	62,434
<b>EXPENDITURES</b>				
General government	-	-	-	-
Total expenditures	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	890,500	1,031,750	1,094,184	62,434
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 920,230)	( 1,210,134)	( 1,272,568)	( 62,434)
Total other financing sources (uses)	( 920,230)	( 1,210,134)	( 1,272,568)	( 62,434)
<b>NET CHANGE IN FUND BALANCE</b>	( 29,730)	( 178,384)	( 178,384)	-
<b>FUND BALANCE, BEGINNING</b>	178,384	178,384	178,384	-
<b>FUND BALANCE, ENDING</b>	\$ 148,654	\$ -	\$ -	\$ -

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**TOWN OF WESTLAKE, TEXAS**

**TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

(unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
12/31/2009	\$ 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%
12/31/2012	2,611,474	3,086,228	84.6%	474,754	1,876,305	25.3%

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TOWN OF WESTLAKE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2013  
(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 public works department of the General Fund as well as in visitor services in the Visitors Association Fund and economic development 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 additional revenue and available fund balance.

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# **INDIVIDUAL FUND SCHEDULE**

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**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, 2013**

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes			
Property	\$ 130,792	\$ 129,565	\$( 1,227)
Miscellaneous	3,609	-	( 3,609)
Total revenues	134,401	129,565	( 4,836)
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	820,000	2,955,000	( 2,135,000)
Interest and other fiscal charges	793,393	892,808	( 99,415)
Total expenditures	1,613,393	3,847,808	( 2,234,415)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 1,478,992)	( 3,718,243)	( 2,239,251)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,456,336	1,459,345	3,009
Refunding bonds issued	-	2,200,000	2,200,000
Premium on refunding bonds issued	-	37,723	37,723
Total other financing sources (uses)	1,456,336	3,697,068	2,240,732
<b>NET CHANGE IN FUND BALANCE</b>	( 22,656)	( 21,175)	1,481
<b>FUND BALANCE, BEGINNING</b>	22,657	22,657	-
<b>FUND BALANCE, ENDING</b>	\$ 1	\$ 1,482	\$ 1,481

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# **STATISTICAL SECTION**

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**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>	72 - 77
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>	78 - 82
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>	83 - 85
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>	86 - 87
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>	88 - 90

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

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## TOWN OF WESTLAKE, TEXAS

## NET POSITION BY COMPONENT

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Invested in capital assets, net of related debt	\$ 9,084,603	\$ 7,975,910	\$ 9,171,657	\$ 9,646,644	\$ 10,313,743	\$ 13,244,690	\$ 13,633,485	\$ 12,658,921	\$ 14,866,299	\$ 21,177,426
Restricted	124,185	-	1,406,756	1,719,771	2,004,763	1,761,067	1,564,868	7,137,362	4,726,376	4,243,239
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>	<u>6,636,876</u>
Total governmental activities net position	<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>	<u>\$ 32,057,541</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	\$ 6,601,949
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>	<u>( 842,457)</u>
Total business-type activities net position	<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>	<u>\$ 5,759,492</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 17,202,742	\$ 16,426,691	\$ 17,608,386	\$ 17,744,451	\$ 18,040,319	\$ 20,593,722	\$ 20,667,316	\$ 19,533,952	\$ 21,743,854	\$ 27,779,375
Restricted	124,185	-	1,406,756	1,719,771	2,004,763	1,761,067	1,564,868	7,137,362	4,726,376	4,243,239
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>	<u>5,794,419</u>
Total primary government net position	<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>	<u>\$ 37,817,033</u>

Source: Annual financial reports

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

	<i>Fiscal Year</i>									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<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	\$ 2,606,785
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	1,978,803
Cultural and Recreational	84,557	96,617	91,444	86,560	129,641	115,770	105,997	122,400	111,765	113,924
Public Works	533,290	342,500	613,956	455,481	1,013,804	1,028,934	594,705	470,054	216,901	267,973
Economic Development	53,006	349,208	35,759	120,753	473,451	207,044	309,653	680,823	546,039	626,423
Visitor Services	172,542	448,604	393,115	217,992	312,777	341,270	420,270	356,365	475,719	521,521
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	5,803,611
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	1,031,328
Total governmental activities expenses	6,978,623	8,186,616	7,922,860	8,102,180	10,053,319	10,627,981	10,565,817	11,922,951	12,843,471	12,950,368
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	3,356,466
Cemetery	-	-	-	-	13,299	473	27,822	5,604	6,282	5,328
Total business-type activities expenses	1,702,081	1,888,064	2,137,831	2,206,618	2,424,064	2,694,880	2,595,497	2,799,839	3,104,748	3,361,794
Total primary government program expens	\$ 8,680,704	\$ 10,074,680	\$ 10,060,691	\$ 10,308,798	\$ 12,477,383	\$ 13,322,861	\$ 13,161,314	\$ 14,722,790	\$ 15,948,219	\$ 16,312,162
<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	\$ 774,909
Public Safety	20,752	45,213	136,870	165,255	113,755	107,634	80,665	140,600	142,402	182,154
Public Works	784,546	711,655	699,753	625,340	902,875	594,338	1,597,655	292,572	407,328	659,246
Education	38,947	39,430	98,357	85,925	42,839	98,314	102,406	99,638	195,059	182,220
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	4,907,472
Capital grants and contributions	263,941	141,139	1,455,626	-	-	2,059,624	83,250	425,900	-	5,897,456
Total governmental activities program reve	3,426,277	3,623,089	6,819,746	2,919,349	2,878,062	5,060,793	3,433,751	2,408,109	6,687,720	12,603,457
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	3,157,332
Cemetery	-	-	-	-	2,100	-	5,550	13,300	4,500	5,510
Operating grants and contributions	-	370,551	19,653	-	-	-	46,810	-	24,423	-
Capital grants and contributions	-	-	-	-	169,034	-	-	-	-	-
Total business-type activities program reve	1,200,660	2,093,210	1,861,891	1,657,186	2,208,440	2,345,236	2,153,870	3,092,168	2,963,765	3,162,842
Total primary government program revenue	\$ 4,626,937	\$ 5,716,299	\$ 8,681,637	\$ 4,576,535	\$ 5,086,502	\$ 7,406,029	\$ 5,587,621	\$ 5,500,277	\$ 9,651,485	\$ 15,766,299

(Continued)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<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)	\$ ( 346,911)
Business-type activities	( 501,421)	205,146	( 275,940)	( 549,432)	( 215,624)	( 349,644)	( 441,627)	292,329	( 140,983)	( 198,952)
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)	( 545,863)
<b>GENERAL REVENUES AND OTHER</b>										
<b>CHANGES IN NET POSITION</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	\$ 4,375,397
Property	-	-	-	-	-	-	-	1,260,112	1,441,238	1,366,633
Hotel Occupancy	440,849	381,221	415,544	458,471	527,662	497,769	457,693	527,261	590,853	709,578
Mixed Beverage	10,511	13,846	13,674	14,066	16,177	17,869	17,902	19,721	38,286	39,727
Franchise	337,222	352,115	457,004	560,312	649,108	624,401	603,233	586,836	664,991	734,935
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	24,218
Miscellaneous	134,717	64,047	448,827	466,654	564,973	568,782	676,638	691,345	1,112,858	1,023,149
Transfers	-	71,857	45,319	33,976	220,819	61,321	-	145,216	45,507	( 485,591)
Extraordinary item	-	-	-	-	-	-	-	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	7,788,046
Business-type activities:										
Investment earnings	3,245	2,416	25,604	46,158	32,103	7,858	8,334	9,929	10,077	6,552
Miscellaneous	-	-	56,025	36,936	44,071	77,266	60,070	145,666	84,780	224,995
Transfers	-	( 71,857)	( 45,319)	( 33,976)	( 220,819)	( 61,321)	-	( 145,216)	( 45,507)	485,591
Total business-type activities	3,245	( 69,441)	36,310	49,118	( 144,645)	23,803	68,404	10,379	49,350	717,138
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	8,505,184
<b>CHANGE IN NET POSITION</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	7,441,135
Business-type activities	( 498,176)	135,705	( 239,630)	( 500,314)	( 360,269)	( 325,841)	( 373,223)	302,708	( 91,633)	518,186
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	\$ 7,959,321

Source: Annual financial reports

(Concluded)

## TOWN OF WESTLAKE, TEXAS

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 329,608	\$ 131,657	\$ 434,375	\$ 563,176	\$ 303,639	\$ 193,105	\$ 214,750	\$ -	\$ -	\$ -
Unreserved	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	6,906
Restricted for:										
Future projects								219,687	49,941	74,941
Committed for:										
Court security and technology								186,776	192,768	194,422
Assigned for:										
Future equipment								22,000	22,000	24,000
Unassigned	-	-	-	-	-	-	-	3,524,911	4,992,240	6,751,362
Total general fund	<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>	<u>\$ 7,051,631</u>
All other governmental funds										
Reserved										
Special revenue funds	\$ 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	62,635
Restricted for:										
Tourism								1,109,365	1,052,546	1,025,891
Future projects								4,647,863	3,594,379	10,370,914
Debt service								7,505	22,657	1,482
Education								885,365	758,127	931,094
Economic development								267,577	178,384	-
Capital projects funds	213,297	-	102,687	102,376	3,233,471	323,009	237,177	-	-	-
Total all other governmental funds	<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>	<u>\$ 12,392,016</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.

The Town implemented GASB Statement No. 54 in fiscal year 2011.

Source: Annual financial reports

## TOWN OF WESTLAKE, TEXAS

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting - unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUES</b>										
Taxes	\$ 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	\$ 7,226,180
Licenses, fees and permits	802,060	740,027	748,016	900,121	1,108,083	860,697	1,746,954	530,646	598,394	969,735
Fines and penalties	680,794	1,007,142	751,036	651,090	554,376	523,515	647,170	605,705	622,338	695,167
State program revenues	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	4,696,540
Federal program revenues	462,315	285,392	75,662	49,200	75,207	56,134	199,436	337,508	152,351	81,958
Investment earnings	33,180	41,786	98,824	261,622	188,459	61,224	38,383	46,248	33,353	24,218
Contributions	1,286,611	1,324,264	4,964,085	1,079,768	1,048,308	1,264,262	533,400	-	732,535	5,916,014
Other revenues	184,221	292,690	547,184	552,579	607,812	673,400	779,044	980,816	1,323,237	1,290,785
Total revenues	<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>	<u>20,900,597</u>
<b>EXPENDITURES</b>										
General government	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	1,910,545
Public safety	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	1,967,584
Cultural and recreational	9,099	96,617	91,444	86,560	129,641	115,770	105,997	122,400	111,765	113,924
Public works	125,499	112,764	434,716	276,789	846,604	841,822	333,831	326,749	391,115	532,675
Economic development	53,006	35,758	35,759	141,197	495,071	229,907	401,879	706,391	243,939	296,565
Protective inspection	80,935	-	-	-	-	-	-	-	-	-
Visitor services	172,542	448,604	393,115	226,992	312,777	341,270	420,270	356,365	475,719	521,521
Education	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	5,803,611
Capital Outlay	2,917,185	263,681	371,860	836,787	463,918	4,335,114	682,103	1,023,772	1,110,476	7,601,631
Debt service										
Principal	-	-	350,000	470,000	395,000	593,937	563,703	555,000	668,000	2,955,000
Interest and other fiscal charges	986,534	1,028,104	1,028,634	1,240,950	923,944	990,641	977,163	1,083,377	952,027	830,425
Bond issuance cost	-	-	-	-	33,000	-	-	36,446	148,891	185,699
Total expenditures	<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>	<u>22,719,180</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>										
	<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>	<u>\$ ( 1,818,583)</u>

(Continued)

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>OTHER FINANCING</b>										
<b>SOURCES (USES):</b>										
Proceeds from sale of land	\$ -	\$ 412,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of assets	-	-	-	-	-	-	-	7,000	-	-
Issuance of debt	-	-	-	-	2,500,000	117,640	-	2,095,000	-	8,294,800
Premium on CO issued	-	-	-	-	-	-	-	-	-	284,437
Refunding bonds issued	-	-	-	7,465,000	-	-	-	-	7,799,196	2,200,000
Premium on refunding bonds issued	-	-	-	-	-	-	-	-	-	37,723
Payments to bond escrow agent	-	-	-	( 7,088,706)	-	-	-	-	( 7,650,305)	-
Proceeds from capital lease	-	-	-	23,000	-	-	-	-	-	-
Notes payable issued	-	-	-	-	-	-	-	50,000	-	-
Special item	-	-	-	-	-	-	-	-	67,760	-
Extraordinary item	-	-	-	-	-	-	-	56,704	( 124,346)	-
Transfers in	-	172,010	704,577	1,212,558	2,160,174	2,435,486	1,804,577	7,082,163	2,121,099	2,104,929
Transfers out	-	( 100,153)	( 659,258)	( 1,178,582)	( 1,939,355)	( 2,374,165)	( 1,804,577)	( 6,936,947)	( 2,075,592)	( 2,590,520)
Total other financing sources (uses)	-	484,096	45,319	433,270	2,720,819	178,961	-	2,353,920	137,812	10,331,369
Prior period adjustment	32,828	-	60,000	-	-	-	-	-	-	-
<b>NET CHANGES IN FUND BALANCES</b>	<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>	<u>\$ 8,512,786</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<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>	<u>25.2%</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 THREE FISCAL YEARS**  
*(Modified Accrual Basis of Accounting - unaudited)*

Fiscal Year	Appraised Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
2011	\$ 951,070,355	\$ 70,569,170	\$ 143,856,142	\$ 877,783,383	0.1601
2012	1,016,474,604	85,329,823	156,315,552	945,488,875	0.15684
2013	1,099,249,031	122,792,343	335,814,215	886,227,159	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 TWO YEARS AGO

*(Unaudited)*

2013				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	\$ 146,073,552	1	16.48%	Maguire Thomas Partners, etal	\$ 116,839,380	1	13.31%
FMR Texas, LLC/LTD Partnership	80,622,090	2	9.10%	FMR Texas, LLC/LTD Partnership	154,220,911	2	17.57%
DCLI, LLC	46,270,988	3	5.22%	Maguire Partners	39,117,985	3	4.46%
Corelogic Real Estate	19,660,713	4	2.22%	Lexington TNI Westlake LP	18,249,200	4	2.08%
Fidelity Investments	18,365,338	5	5.04%	First American Leasing/Real Estate	17,636,457	5	2.01%
Lexington TNI Westlake LP	17,691,303	6	2.00%	DCLI, LLC	13,234,691	6	1.51%
Marsh USA, Inc.	13,166,893	7	1.49%	Fidelity Investments	12,277,810	7	1.40%
Levi Strauss & Co.	8,932,881	8	1.01%	Levi Strauss & Co.	8,215,271	8	0.94%
EMC Corp	7,869,503	9	0.89%	Westlake Terra, LLC	7,400,002	9	0.84%
Vaquero Club, Inc.	5,383,415	10	0.61%	EMC Corp	6,418,484	10	0.73%
Total	\$ 364,036,676		44.05%	Total	\$ 393,610,191		44.84%

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 \$877,783,383

(3) Total Taxable Assessed Value including real and personal property for tax year 2012 (fiscal year 2013) is \$886,227,159

**TOWN OF WESTLAKE, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST THREE 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%	5,556	\$ 1,361,606	99.94%
2012	1,486,968	47,220	1,439,748	1,437,908	99.87%		1,437,908	99.87%
2013	1,398,777	45,297	1,353,480	1,352,097	99.90%		1,352,097	99.90%

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 THREE 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
2013	0.14197	0.01487	0.15684	1.40000	1.37500	1.54000	0.28287	0.26400	0.14897	0.22790	0.13339	5.52896

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 EIGHT FISCAL YEARS**  
*(Unaudited)*

NAICS	Industry Type	Fiscal Year							
		2006	2007	2008	2009	2010	2011	2012	2013
11	Agriculture, Forestry, Fishing and Hunting	\$ 31	\$ 67	\$ 182	\$ 210	\$ -	\$ 60	\$ 38	\$ 163
21	Mining	2,321	-	2,109	20	400	4,260	3,050	335
22	Utilities	463,222	212,336	230,072	186,773	178,693	180,032	171,131	176,622
23	Construction	81,542	200,791	998,867	1,043,752	68,306	132,780	139,000	365,049
31-33	Manufacturing	1,120,328	360,010	371,193	430,515	386,492	402,062	526,755	295,660
42	Wholesale Trade	248,702	284,082	142,999	138,456	105,557	145,631	134,466	59,571
44-45	Retail	408,556	253,293	610,119	648,597	1,097,007	707,553	1,106,427	1,132,811
48-49	Transportation and Warehousing	63	491		791	556	316	1,156	3,662
51	Information	538,210	223,672	320,848	377,828	423,834	508,609	367,298	378,221
52	Financial and Insurance	10,162	343,446	107,319	68,936	87,188	73,455	27,857	75,529
53	Real Estate and Rental and Leasing	178,047	204,398	138,879	154,315	327,207	210,158	215,754	457,693
54	Professional, Scientific, and Technical Services	111,746	452,018	199,700	192,008	202,263	231,526	221,331	536,971
56	Admin and Support and Waste Mgmt & Rem Srv	245,562	45,809	127,779	22,319	39,539	65,045	39,027	110,686
61	Education Services	895	317	282	2,980	619,228	1,675,351	356,689	373,117
62	Health Care and Social Assistance	10	-	238		-	170	106	251
71	Arts, Entertainment and Recreation	49,474	224,101	199,876	174,485	158,996	206,050	204,456	184,687
72	Accommodation and Food Services	34,021	57,084	130,923	140,344	140,996	175,938	93,123	204,044
81	Other Services (except Public Administration)	130,476	130,392	18,576	1,756	4,462	4,632	9,805	13,156
92	Public Administration	170	-		-	11	1	135	295
		<u>\$ 3,623,538</u>	<u>\$ 2,992,307</u>	<u>\$ 3,599,960</u>	<u>\$ 3,584,084</u>	<u>\$ 3,840,735</u>	<u>\$ 4,723,628</u>	<u>\$ 3,617,604</u>	<u>\$ 4,368,521</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

Table 10

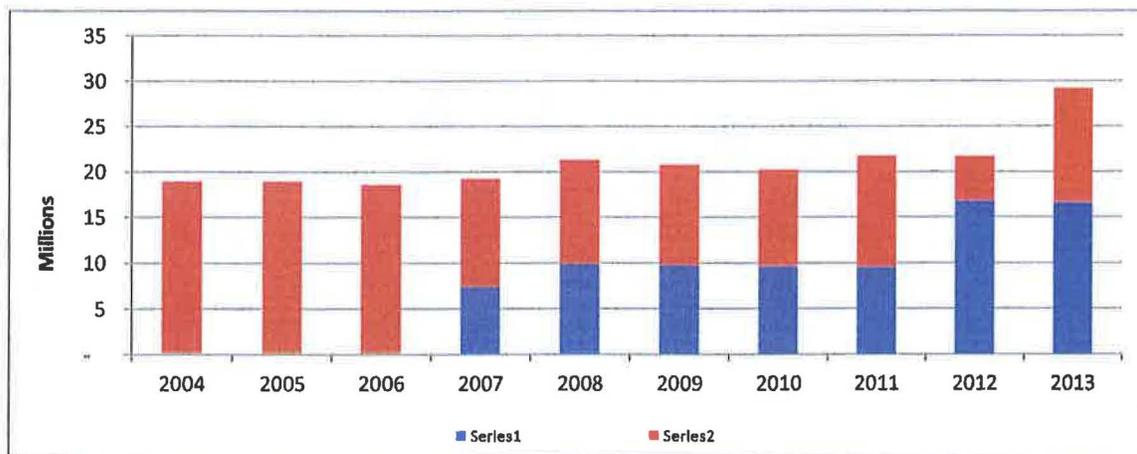
**TOWN OF WESTLAKE, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Sales	Per Capita
	General Obligation Bonds	Certificates of Obligation	Total		
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%	20,369
2013	16,590,000	12,596,800	29,186,800	13.34%	26,327

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.

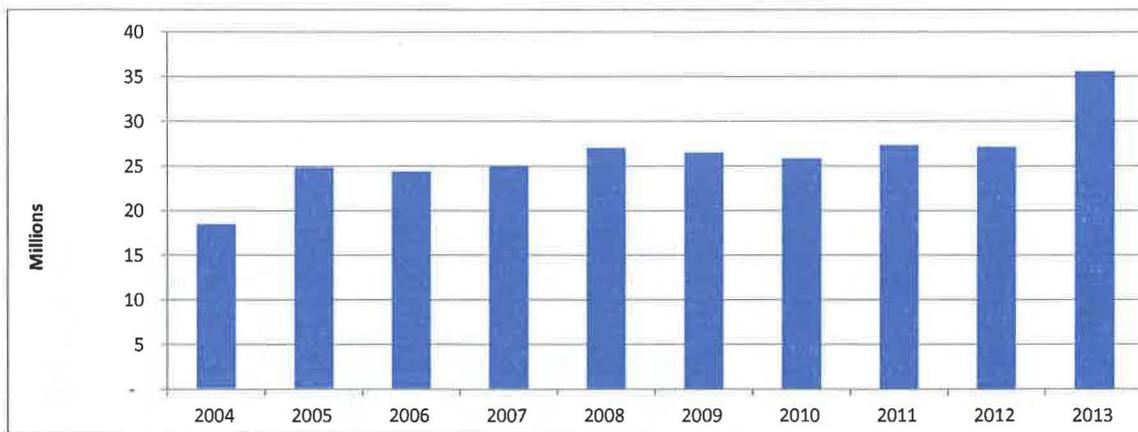
See Table 13 for population data.



**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	Certificates of Obligation	Other Contractual Obligations			
2004	-	12,400,000	-	-	-	6,027,387	18,427,387	45%	56,181
2005	-	18,810,000	-	-	-	5,980,921	24,790,921	55%	69,834
2006	-	18,460,000	-	-	-	5,878,381	24,338,381	27%	34,869
2007	7,365,000	11,755,000	23,000	-	-	5,822,299	24,965,299	27%	35,513
2008	9,850,000	11,375,000	15,264	-	-	5,763,022	27,003,286	23%	34,399
2009	9,735,000	10,975,000	46,559	-	-	5,734,191	26,490,750	22%	32,990
2010	9,630,000	10,555,000	-	-	-	5,658,888	25,843,888	25%	30,512
2011	9,515,000	12,210,000	-	50,000	-	5,580,380	27,355,380	22%	27,576
2012	16,770,000	4,877,000	-	34,075	-	5,498,668	27,179,743	20%	25,576
2013	16,590,000	12,596,800	-	17,420	1,025,200	5,412,149	35,641,569	24%	32,149

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, 2013  
*(Unaudited)*

Taxing Body	Amount of Debt Outstanding	As of	Overlapping	
			Percent (1)	Amount
Carroll ISD	\$ 236,000,353	9/30/2013	5.41%	\$ 12,767,619
Denton County	583,697,026	9/30/2013	0.02%	116,739
Keller ISD	654,597,837	9/30/2013	4.65%	30,438,799
Northwest ISD	609,066,922	9/30/2013	1.08%	6,577,923
Tarrant County	313,450,474	9/30/2013	0.79%	2,476,259
Tarrant County College District	26,576,548	9/30/2013	0.79%	209,955
Tarrant County Hospital District	26,315,626	9/30/2013	0.79%	207,893
Trophy Club MUD#1	5,995,998	9/30/2013	19.70%	<u>1,181,212</u>
Total Overlapping Debt				53,976,399
Town of Westlake Outstanding Debt				<u>22,753,000</u>
Total Direct & Overlapping Debt				<u>\$ 76,729,399</u>

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

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

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

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

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

<b>Calendar Year</b>	<b>Estimated Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Tarrant County Unemployment Rate</b>
2004	328	41,027,552	\$ 125,084	5.3%
2005	355	45,292,916	127,586	5.1%
2006	698	90,835,901	130,137	4.6%
2007	703	93,316,319	132,740	4.3%
2008	785	115,891,905	147,633	5.1%
2009	803	120,920,285	150,586	8.1%
2010	847	102,852,057	121,431	8.1%
2011	992	126,678,400	127,700	7.9%
2012	1,063	138,423,531	130,254	6.2%
2013	1,109	147,292,890	132,859	6.0%

## Sources:

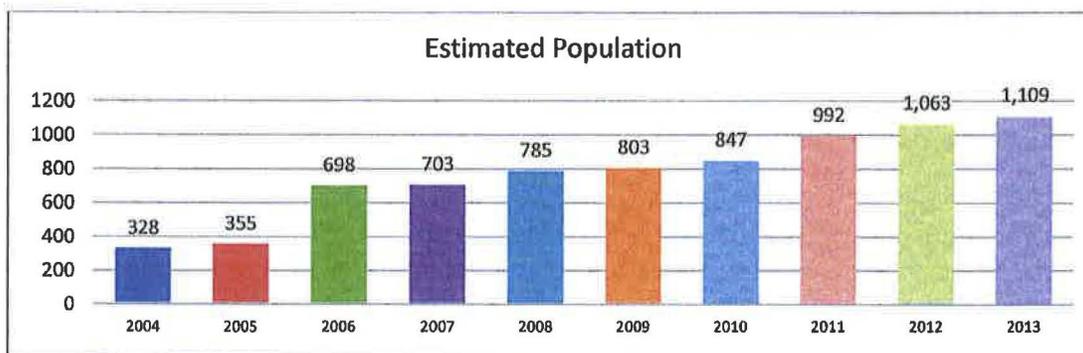
Population for 2000 is from the 2000 census. Fiscal Years 2001 through 2003 are estimated. The Town took over the utility billing in 2004 and estimated the population by using number of residential water accounts and assuming a 2.5 average household size. 2010 Census shows median household income at \$250,000. Due to the influx of residents coming to Westlake Academy, surveys have shown that there are approximately 1.28 school-age children in each household; therefore, we will use a 3.23 average household size to calculate population.

Tarrant County Unemployment Rate information taken from Texas Workforce Commission.

American Community Survey (ACS)

USA.com - Per Capita Income source

North Central Texas Council of Governments/US Census 2010



## TOWN OF WESTLAKE, TEXAS

## PRINCIPAL EMPLOYERS

## CURRENT AND SIX YEARS AGO

*(Unaudited)*

2013			2007		
Employer	Employees	Percentage of Estimated Total Town Employment	Employer	Employees	Percentage of Estimated Total Town Employment
Fidelity Investments	5,003	52.57%	Fidelity Investments	3,100	37.15%
First American/Core Logic	1,790	18.81%	First American/Core Logic	3,000	35.95%
Chrysler Financial/TD Auto Finance	479	5.03%	Chrysler Financial/TD Auto Finance	325	3.89%
Wells Fargo	580	6.09%	Wells Fargo	790	9.47%
Deloitte	478	5.02%	McKesson Corporation	215	2.58%
Verizon	312	3.28%	Sonitrol/World Factory	165	1.98%
Sabre JLL Facilities	186	1.95%	Walco	150	1.80%
Marriott Solana Hotel	124	1.30%	Vaquero Club	140	1.68%
Vaquero Club	115	1.21%	Marriott Solana Hotel	120	1.44%
Town of Westlake/Westlake Academy	107	1.12%	Pfizer, Inc.	115	1.38%
Levi Strauss	70	0.74%	Town of Westlake/Westlake Academy	73	0.87%
Solera	50	0.53%	Premier Academy	34	0.41%
Pfizer, Inc	32	0.34%	Solara Healthcare	28	0.34%
Total	9,326	98%	Total	8,255	99%

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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 Town Manager										0.75
Assistant to Town Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.75	0.00
Administrative	0.50	0.50	0.50	0.00	0.00	0.75	0.50	0.75	0.75	1.00
Building official	1.00	1.00	1.00	1.00	1.00	1.33	1.33	1.33	1.33	1.50
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	0.50	0.50	0.50	0.50	0.75	1.08	1.08	1.08	0.83	1.00
Municipal	3.50	3.75	3.75	4.00	4.00	4.25	4.50	4.50	3.75	4.75
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	1.00	1.33	1.33	1.33	1.33	2.00
Public safety (EMS)	10.00	10.00	11.00	11.00	11.00	9.00	9.00	9.00	9.00	10.00
Culture and recreation	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.50	0.75
Public works	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	2.00	3.00
Marketing and public affairs	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Education	18.85	25.15	32.40	36.40	43.00	48.10	55.62	59.44	67.48	76.18
Total	42.85	49.40	57.65	60.40	69.00	74.09	81.61	85.68	93.72	106.93

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Permits issued	175	240	194	162	93	61	44	70	85	132
Permit values	\$ 48,541,563	\$ 67,536,744	\$ 47,464,851	\$ 67,101,543	\$ 188,578,581	\$ 21,051,297	\$ 190,388,737	\$ 21,173,592	\$ 29,481,047	\$ 50,544,048
Police (Contract with Keller PD)										
Motor vehicle stops	9,237	9,586	8,992	10,045	10,357	9,247	9,763	9,829	12,221	9,993
Traffic accident investigations	180	163	164	225	208	266	273	348	343	322
Part I crimes	19	26	30	25	26	23	19	30	39	9
DWI arrests	70	86	56	53	45	24	32	80	50	69
Fire/EMS										
Fire runs	78	148	136	153	169	118	172	191	181	238
Ambulance runs	115	135	207	251	159	184	187	264	266	286
Inspections	N/A	89	161	96	132	15	71	71	54	96
Public Works - General										
Street resurfacing (LF)	6,864	-	7,128	5,333	-	-	-	3,800	30,000	-
Potholes repaired	40.00	40.00	20.00	0.00	20.00	10.00	5.00	36.00	6.00	2.00
Public Works - Utility										
Number of water accounts	177	271	338	386	419	437	478	500	573	673
Water main breaks	1	3	3	2	4	5	6	4	4	3
Avg daily consumption MG (water)	0.501	0.817	1.031	0.729	0.999	1.020	0.889	1.200	1.100	1.090
Peak daily consumption MG (water)	1.423	2.198	2.677	1.978	2.060	2.740	2.460	2.540	2.600	2.480
System capacity - MG (water)	1.685	1.685	1.685	1.685	1.685	1.685	1.685	1.685	1.685	1.685
Water purchased (in gallons x 000)	183,356	298,124	376,264	266,158	364,764	372,933	324,843	443,222	407,305	401,457
Water sold (in gallons x 1000)	150,869	230,657	338,085	246,280	340,743	313,495	290,000	385,320	376,496	357,297
Wastewater										
Number of new sewer connections	139	179	211	235	240	251	254	245	292	325
Avg daily sewage treatment (thousands of gallons)	0.0950	0.1270	0.1320	0.1370	0.124	0.101	0.063	0.163	0.136	0.151

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)

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	3	3	3	3
Telecommunications Duct Bank (LF)	36,703	38,303	38,303	38,303	43,703	49,103	51,803	57,783	57,783	57,783
Telecommunications Duct Bank Manholes	91	95	95	95	104	113	122	122	122	122
Water										
Water mains (LF)	52,000	57,500	58,300	59,200	64,600	70,000	79,000	130,000	137,891	137,891
Fire hydrants	76	95	119	119	130	130	154	188	191	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)	20,000	15,000	35,000	35,000	39,300	39,300	49,900	94,000	94,000	94,000
Manholes	160	200	250	250	267	284	304	304	304	304
Public Works - Utility										
Streets (miles)	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.80	10.25	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	19	19	25	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	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**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Town of Westlake, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Westlake, Texas' basic financial statements, and have issued our report thereon dated February 14, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Westlake, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Westlake, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Westlake, Texas' internal control.

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Westlake, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

### **Purpose of this Report**

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

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

February 14, 2014