

Town of Westlake, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2010



Westlake Academy Campus



Terra Bella Trails



Arts and Sciences Center



Westlake/Keller Water Tower



Glenwyck Parks and Trails

The Town of Westlake
3 Village Circle, Suite #202
Westlake, Texas 76262
www.westlake-tx.org



*A Premier Knowledge
Based Community*

TOWN OF WESTLAKE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010

Prepared by
Town of Westlake
Finance Department

3 Village Circle, Suite 202
Westlake, TX 76262

TOWN OF WESTLAKE, TEXAS

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INTRODUCTORY SECTION



Town of Westlake

February 22, 2011

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, 2010, 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.

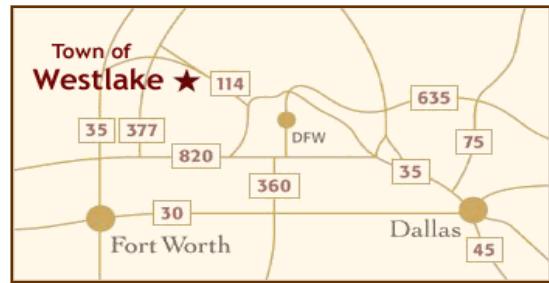
The Town's financial statements have been audited by Pattillo, Brown and Hill LLP, Independent Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended September 30, 2010, were free of material 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, 2010, were fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to

compliment, and should be read in conjunction with the MD&A. The Town of Westlake's MD&A can be found immediately following the independent auditor's report.

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 850 with the average appraised home value at \$1.2 million.



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

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

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

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

Westlake Academy (Academy) is an open-enrollment charter school, as provided by Subchapter D, Chapter 12, of the Texas Education Code. The Town of Westlake ("Charter Holder") applied for and became the first municipality in Texas to ever receive this special charter designation. The Academy

currently has 520 students and serves Kindergarten thru 12th grade. The Academy graduated their first class in FY 2009-2010. 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.

Economic Conditions and Outlook

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

Local Economy

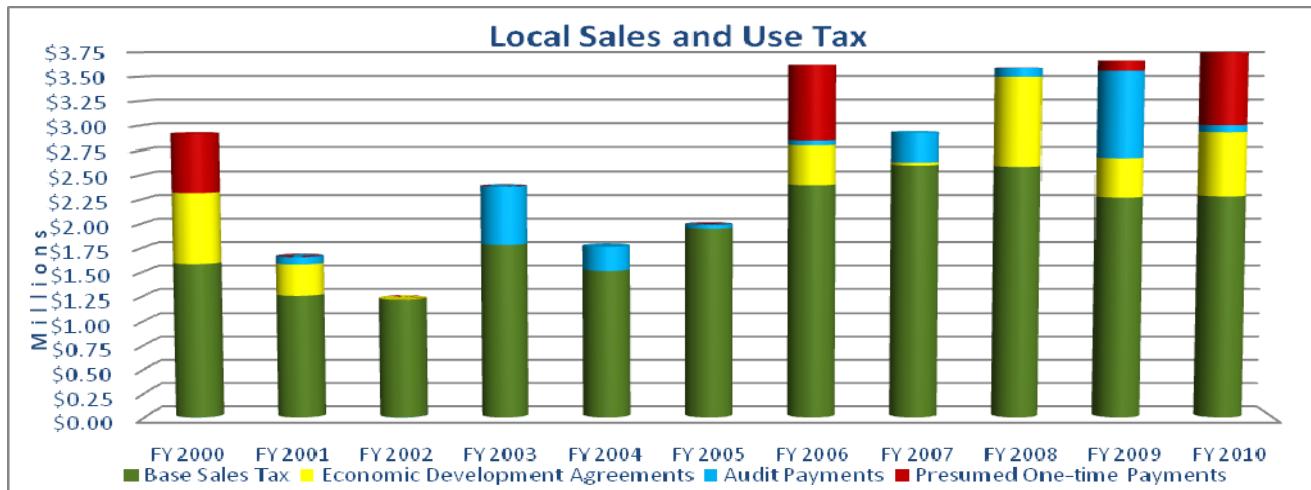
There is no question that Texas, and especially the Fort Worth-Dallas Metroplex, has fared better than most of the country in the current recession. Nonetheless, the Town of Westlake has been affected by the current economic downturn, as have other municipalities across our area, state, and nation. This current economic downturn has negatively affected our Town's budget due to its heavy reliance on sales tax revenue to fund Town services and our debt obligations. Sales tax can be a very viable revenue source during stable economic times. However, since it is a volitional tax, i.e. - paid when someone decides to buy a service or product, during times of economic down turn it often declines.

During FY 2009-2010 the following milestones and strategic priorities were achieved:

- ◆ Construction on the \$15 Million Phase 1 FM 1938 (Precinct Line Rd) Improvements Project commenced. This will be a major north/south arterial roadway which will greatly enhance mobility for this region, our residents, and employees of Westlake businesses. It will have a major impact on future business attraction and economic development in Westlake.
- ◆ Occupancy of Fidelity Regional Headquarters Phase II began.
- ◆ The Town's Five (5) Year Strategic Plan was reviewed for progress with the Town Council during the fiscal year with significant time spent by the Council and staff on addressing the Town's long term financial sustainability, a key part of the Strategic Plan.
- ◆ The Town received a Scenic Cities designation as a Gold level Scenic City, a marked distinction given only to cities with codes, ordinances, and plans that encourage, create, and maintain a high standard of pleasing community appearance, aesthetics, and community livability.

- ◆ The Stagecoach Hills Subdivision Drainage Improvements Project was completed and Phase 1 water distribution system improvements for the Stagecoach Hills Subdivision began.
- ◆ A Five (5) Year Comprehensive Capital Improvement Plan was adopted by the Town Council.
- ◆ The Town continued to receive recognition for the transparency and high quality of its financial reporting, receiving the Certificate of Achievement for Excellence in Financial Reporting as well as the Distinguished Budget Presentation Award from the Governmental Finance Officers Association (GFOA) for both its FY 2008-2009 Comprehensive Annual Financial Report (CAFR), also known as the annual audit and its FY 2009-2010 Budget.
- ◆ The new \$5.1 Million Sam and Margaret Lee Arts & Sciences Center at Westlake Academy was opened and operated for the 2009-2010 school year.
- ◆ Ground was broken and construction began on the \$300 million Deloitte University project which is on schedule and set to open in Fall 2011.
- ◆ The Terra Bella and Solana trail systems were linked with a connection on Sam School Road.
- ◆ Westlake's first gas well was successfully drilled in Solana under the standards and requirements of the Town's Oil and Gas Drilling/Production Ordinance adopted in 2009.
- ◆ The Town's second Direction Finders (Citizens') Survey was conducted and the results were compared to the 2009 results as well as used to help guide the FY 2010-2011 budget preparation process.
- ◆ New Westlake e-Tube Videos were launched on the Town web site.
- ◆ New home construction began in the Town's newest residential neighborhood, Terra Bella.
- ◆ For the second consecutive year, the Town continued its "Westlake Windows" initiative for transparent government with citizen outreach meetings held in every Westlake Neighborhood.
- ◆ Westlake was the recipient of a Municipal Excellence Award for Management Innovation from the Texas Municipal League for the cities of 25,000 populations or less, recognizing the Town's multi-faceted, low cost citizen engagement program entitled Westlake Windows: TGIF (transparent government in focus).

Sales tax collections increased by 3.4% for fiscal year 2010. Approximately 17% of the total revenues received were due to collections based on an economic development agreement, 2% from audit collections and approximately 21% was received from presumed one-time payments. Sales tax revenues were .5% (\$12K) more when comparing "actual" sales tax revenues with fiscal year 2009.



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.

One of the outcome strategies set out in the Town's Strategic Plan is to *“Establish a strategy for achieving long-term financial sustainability for the Town government, including Westlake Academy.”* As a part of the systemic framework of governing and managing for outcomes, we knew from the regularly updated and Town Council reviewed Five (5) year Financial Forecast that if nothing changed, beginning in FY 2012-2013, the Town's present revenue sources and fund balances would not be able to keep pace with projected expenditures. In turn, the projected fund balance in the General Fund would fall below the 90 day minimum requirement set by Town Council financial policy.

Financial forecasts are used by the Town to identify important warning “sign posts” that should not be ignored. The FY 2009-2010 and original 2010-2011 forecasts indicated we were heading into severe financial distress. Our Strategic Plan established financial sustainability as a priority for the Town and Westlake Academy. However, as the Town's financial condition worsened, the need to make hard decisions regarding key services and potential revenue sources including an ad valorem tax became more apparent.

The decision to “wait out the storm” in FY 2009-2010 meant we had even less time to make critical decisions to deal with this issue. Waiting would have prolonged the continued decline by spending our reserves and not being able to meet our short or long-term financial obligations. Thus, in FY 2010-2011, we found ourselves at a juncture where we could still continue to face critical challenges and critical choices financially. However, we had an opportunity to deal with them in a proactive, thoughtful manner that placed Westlake's future as a premier knowledge based community on a firm financial foundation. The FY 2010-2011 budget established an additional revenue source with the imposition of a property tax and in so doing, helps to secure our long-term financial stability.

Continuing factors that remain a challenge as we enter FY 2010-2011 include:

- ◆ The Town's heavy reliance on sales tax and one-time permits/fees to fund its operation and debt service costs.

- ◆ As noted above, during this current recession, Texas, and especially the Fort Worth-Dallas metroplex, has fared better than many other parts of the country. However, this economic downturn continues to impact local governments' revenue streams throughout this area and Westlake is no exception.
- ◆ Retail development that could help increase sales tax revenue has not occurred to date and based on retail industry conditions, is unlikely to occur at any significant level in the near to medium term.
- ◆ A significant source of sales tax is "situs agreements" that generate sales tax revenue from construction materials purchased for major economic development projects such as Deloitte and Fidelity. Again, these sales tax revenues are one-time revenues.
- ◆ Hotel/motel occupancy tax revenue has not grown at an appreciable rate due primarily to decreased business travel, even though the Marriott Solana expanded their room count two years ago.
- ◆ Residential building permits have decreased due to the current economic climate
- ◆ Large building permits from major economic development projects such as Fidelity and Deloitte have helped fund Town services; however, these economic development projects take years to develop. Currently, there are no such projects even in the preliminary planning stages. Again, these are one-time revenue sources.
- ◆ In FY 2005-2006, Westlake voters approved dissolving the Town's 4A half cent economic development sales tax and replacing it with a half cent sales tax for "property tax reduction". This provided for a \$2.2 million transfer to the General Fund and significantly increased the fund balance. This funding infusion, while increasing the General Fund's fund balance, had perhaps masked the volatility and lack of diversity of the Town's on-going revenue structure.
- ◆ Fixed debt service costs are a significant part of the Town's costs and were increased in FY 2007-2008 with the issuance of \$2.5 million of general obligation bonds for the new Sam and Margaret Lee Arts & Sciences Center at Westlake Academy.
- ◆ Operating costs have increased to fund Town services, including Westlake Academy. As the Town's population has grown, the Academy's campus and enrollment growth has increased correspondingly. Another influencing factor related to operating cost adjustments is due to natural inflationary increases.
- ◆ The Town's land use plan, and the zoning that implements it, features corporate office campuses and large lot single family residential as the primary land use pattern that is desired for Westlake. Both of these land uses, particularly the office land use, lend themselves more to creating a strong ad valorem tax base, not necessarily a strong sales tax base. As stated earlier, FY 2010-2011 became the first year the Town has proposed and implemented a property tax. Westlake's certified 2010 taxable assessed valuation is approximately \$654M net of abatements; a large ad valorem tax base for a community 6.2 square miles in land area and a population of approximately 850.
- ◆ Establishment of a property tax, lowest of the area municipalities, will allow the Town to begin to address its 5 Year CIP, with a strong focus on maintaining its street infrastructure. The Adopted FY 2010-2011 Budget approves transfer of \$3.2 million from the Property Tax Reduction Fund and the General Fund to the Capital Projects fund to be combined with \$2.0 million of debt planned to be issued in FY 2010-2011 to fund the first three years' projects in the CIP.

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 2010-2011 Budget. The budget details the Town's long-term goals and financial policies, and describes program accomplishments and initiatives.

Other Information

Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Westlake for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2009. This was the third year the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the government also received their second GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgements

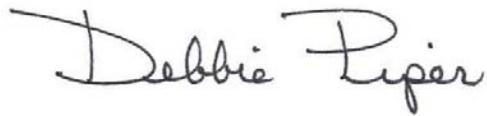
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to Town employees throughout the organization, especially those employees who were instrumental in the successful completion of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

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

Respectfully Submitted,



Tom Brymer
Town Manager



Debbie Piper, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

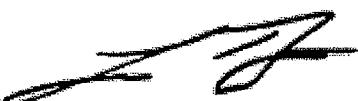
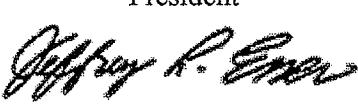
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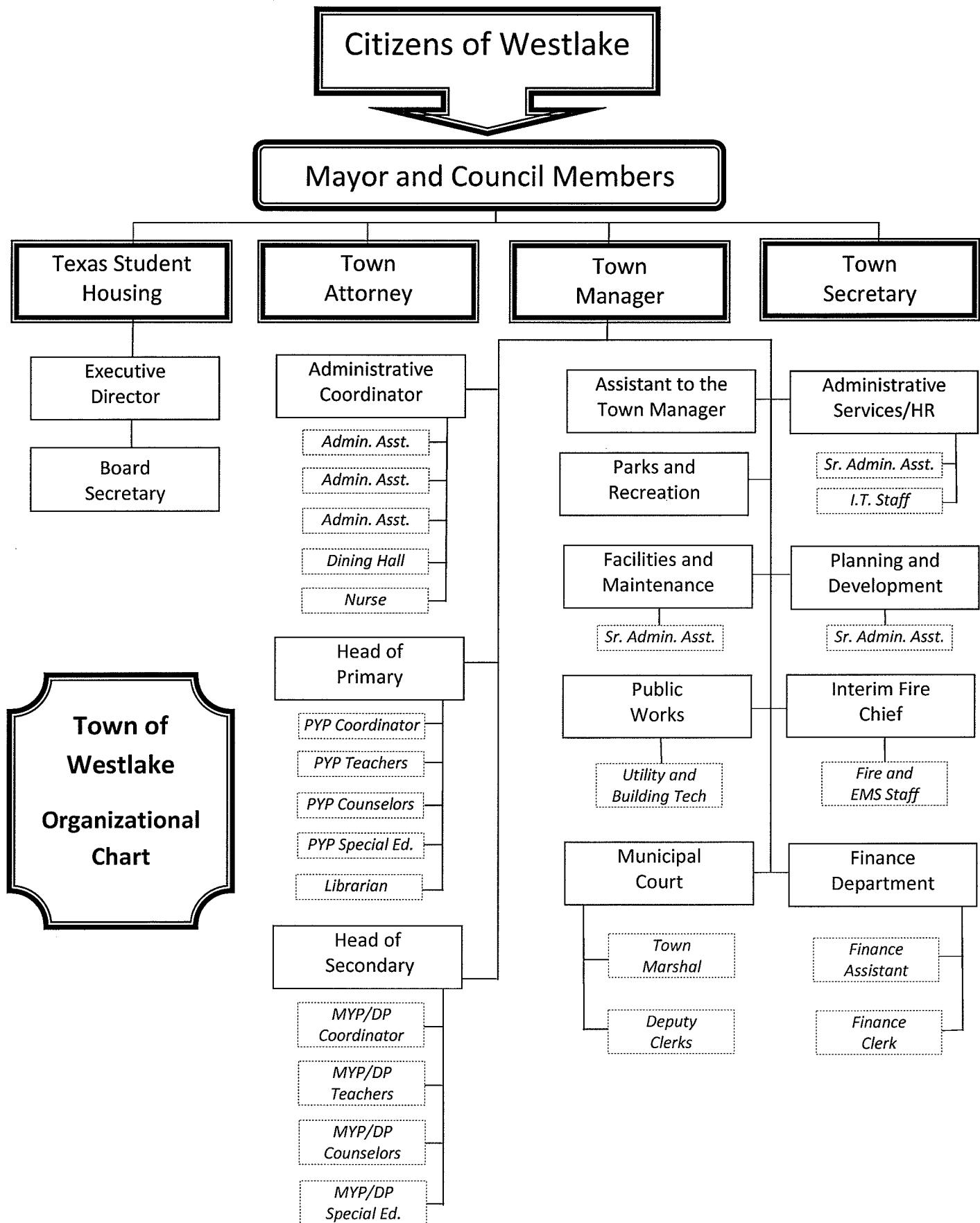
Town of Westlake
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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




President

Executive Director



TOWN OF WESTLAKE

ELECTED AND APPOINTED OFFICIALS

September 30, 2010



ELECTED OFFICIALS

| | |
|----------------|---------------|
| Mayor | LAURA WHEAT |
| Mayor Pro-Tem | CAROL LANGDON |
| Council Member | TIM BRITTAN |
| Council Member | CLIF COX |
| Council Member | RICK RENNACK |
| Council Member | VACANT |

APPOINTED OFFICIALS

TOM BRYMER

Town Manager

STAN LOWRY
Town Attorney

KELLY EDWARDS, TRMC
Town Secretary

DEBBIE PIPER, CPA
Finance Director

GINGER AWTRY
Assistant to the Town Manager

TROY MEYER
Facilities/Parks & Recreation Director

EDDIE EDWARDS
Director of Planning and Development

JARROD GREENWOOD
Director of Public Works

RICHARD WHITTEN
Interim Fire Chief

AMANDA DEGAN
Municipal Court and
Special Projects Director

TODD WOOD, SPHR, IPMA-CP
Director of Human Resources
and Administrative Services

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Westlake, Texas (the "Town"), as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Westlake, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Westlake, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated February 22, 2011, on our consideration of the Town of Westlake, Texas' internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 67 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

February 22, 2011

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, 2010. 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 \$26,094,630 (Net assets). This number must be viewed in the context that the vast majority of the Town's net assets of \$20,667,316 (79%) are capital assets and that most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. Those net assets restricted for specific purposes totaled \$1,564,868 (6%). The remaining \$3,862,446 (15%) are unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- As of the close of the current fiscal year, the Town of Westlake's governmental funds reported combined ending fund balances of \$7,836,949, an increase of \$1,598,110 in comparison with the prior year. Within this total, \$1,564,868 is restricted or designated by management or council.
- At the end of the current fiscal year, fund balance for the general fund was \$3,792,985, an increase of \$1,067,673 in comparison with the prior year. Of this total fund balance, \$3,578,235 is unreserved. This represents 94% of total general fund expenditures and is equivalent to 345 operating days.
- The Town's capital assets (net of accumulated depreciation) decreased by \$536,726. The major portion of this decrease is due to an increase related to the completion of the Arts & Sciences Center and its parking lot, Stagecoach Hills subdivision drainage and waterline infrastructure and two buses for the Westlake Academy. This increase in capital expenditures was reduced by \$1,317,096 of depreciation, which gave the Town a net decrease.
- The Town's bonds payable decreased by \$525,000 or 2.5%, due to the scheduled repayment of principal on outstanding bonded debt. The Town did not issue any new bonded debt during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All of the revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by sales taxes 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 28-31 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 that is 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 funds and Proprietary funds" for the year ended September 30, 2010.

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

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

The Town maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Visitors Association, Westlake Academy, Debt Service, Capital Projects, FM 1938, Property Tax Reduction, Vehicle/Equipment Replacement, Economic Development, Lone Star Public Facility Corporation and Westlake 4B Economic Development Corporation funds, all of which are presented as major funds.

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

The basic governmental fund financial statements can be found on pages 19-24 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 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 25 - 27 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 32 - 66 of this report.

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

The schedules are presented immediately following the notes to the financial statements and can be found on pages 67 - 77.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Town, assets exceeded liabilities by \$26,094,630 at the close of the most recent fiscal year.

The largest portion of the Town's net assets, \$20,667,316 (79%), reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$1,564,868 (6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,862,446 (15%), may be used to meet the government's ongoing obligations to citizens and creditors.

Condensed Statement of Net Assets

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current and other assets | \$ 9,253,595 | \$ 7,594,613 | \$ 2,166,994 | \$ 1,726,542 | \$ 11,420,589 | \$ 9,321,155 |
| Capital assets | <u>33,051,736</u> | <u>33,197,958</u> | <u>12,692,719</u> | <u>13,083,223</u> | <u>45,744,455</u> | <u>46,281,181</u> |
| Total Assets | <u>42,305,331</u> | <u>40,792,571</u> | <u>14,859,713</u> | <u>14,809,765</u> | <u>57,165,044</u> | <u>55,602,336</u> |
| Long-term liabilities outstanding | 19,241,788 | 19,721,208 | 5,589,204 | 5,658,888 | 24,830,992 | 25,380,096 |
| Other liabilities | <u>1,999,144</u> | <u>1,943,421</u> | <u>4,240,278</u> | <u>3,747,423</u> | <u>6,239,422</u> | <u>5,690,844</u> |
| Total Liabilities | <u>21,240,932</u> | <u>21,664,629</u> | <u>9,829,482</u> | <u>9,406,311</u> | <u>31,070,414</u> | <u>31,070,940</u> |
| Net Assets: | | | | | | |
| Invested in capital assets, | | | | | | |
| net of related debt | 13,633,485 | 13,244,689 | 7,033,831 | 7,349,032 | 20,667,316 | 20,593,721 |
| Restricted | <u>1,564,868</u> | <u>1,773,068</u> | - | - | <u>1,564,868</u> | <u>1,773,068</u> |
| Unrestricted | <u>5,866,046</u> | <u>4,110,185</u> | <u>(2,003,600)</u> | <u>(1,945,578)</u> | <u>3,862,446</u> | <u>2,164,607</u> |
| Total Net Assets | <u>\$ 21,064,399</u> | <u>\$ 19,127,942</u> | <u>\$ 5,030,231</u> | <u>\$ 5,403,454</u> | <u>\$ 26,094,630</u> | <u>\$ 24,531,396</u> |

Governmental activities: Governmental activities increased the Town's net assets by \$1,936,457. This increase was primarily due to a one-time building permit of \$1.2M. Net assets invested in capital assets, net of related debt increased by \$388,796. The major portion of this increase is related to the Arts & Sciences Center parking lot, Stagecoach Hills subdivision drainage infrastructure and two buses for the Westlake Academy.

Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Fees, fines and charges for services | \$ 2,497,350 | \$ 1,478,234 | \$ 2,107,060 | \$ 2,345,236 | \$ 4,604,410 | \$ 3,823,470 |
| Operating grants & contributions | 853,151 | 1,522,935 | 46,810 | - | 899,961 | 1,522,935 |
| Capital grants & contributions | 83,250 | 2,059,624 | - | - | 83,250 | 2,059,624 |
| General revenues: | | | | | | |
| Taxes | | | | | | |
| Sales taxes | 3,790,533 | 3,664,409 | - | - | 3,790,533 | 3,664,409 |
| Hotel occupancy taxes | 457,693 | 497,769 | - | - | 457,693 | 497,769 |
| Mixed beverage taxes | 17,902 | 17,869 | - | - | 17,902 | 17,869 |
| Franchise taxes | 603,233 | 624,401 | - | - | 603,233 | 624,401 |
| Unrestricted grants | 3,484,141 | 2,960,590 | - | - | 3,484,141 | 2,960,590 |
| Interest on investments | 38,383 | 61,224 | 8,334 | 7,858 | 46,717 | 69,082 |
| Miscellaneous | <u>676,638</u> | <u>568,782</u> | <u>60,070</u> | <u>77,266</u> | <u>736,708</u> | <u>646,048</u> |
| Total revenues | <u>12,502,274</u> | <u>13,455,837</u> | <u>2,222,274</u> | <u>2,430,360</u> | <u>14,724,548</u> | <u>15,886,197</u> |
| Expenses: | | | | | | |
| General government | 2,272,127 | 2,203,882 | - | - | 2,272,127 | 2,203,882 |
| Public safety | 1,698,164 | 1,939,441 | - | - | 1,698,164 | 1,939,441 |
| Culture and recreation | 105,997 | 115,770 | - | - | 105,997 | 115,770 |
| Economic development | 309,653 | 207,044 | - | - | 309,653 | 207,044 |
| Public works | 594,705 | 1,028,934 | - | - | 594,705 | 1,028,934 |
| Visitor services | 420,270 | 341,270 | - | - | 420,270 | 341,270 |
| Education | 4,138,875 | 3,722,705 | - | - | 4,138,875 | 3,722,705 |
| Interest on long-term debt | 1,026,026 | 1,068,935 | - | - | 1,026,026 | 1,068,935 |
| Water and sewer | - | - | 2,567,675 | 2,694,407 | 2,567,675 | 2,694,407 |
| Cemetery | - | - | <u>27,822</u> | <u>473</u> | <u>27,822</u> | <u>473</u> |
| Total expenses | <u>10,565,817</u> | <u>10,627,981</u> | <u>2,595,497</u> | <u>2,694,880</u> | <u>13,161,314</u> | <u>13,322,861</u> |
| Excess (deficiency) before transfers | 1,936,457 | 2,827,856 | (373,223) | (264,520) | 1,563,234 | 2,563,336 |
| Transfers | - | 61,321 | - | (61,321) | - | - |
| Change in net assets | <u>1,936,457</u> | <u>2,889,177</u> | <u>(373,223)</u> | <u>(325,841)</u> | <u>1,563,234</u> | <u>2,563,336</u> |
| Prior period adjustment | - | 84,508 | - | - | - | 84,508 |
| Net assets, beg. of year | <u>19,127,942</u> | <u>16,154,257</u> | <u>5,403,454</u> | <u>5,729,295</u> | <u>24,531,396</u> | <u>21,883,552</u> |
| Net assets, end of year | <u>\$ 21,064,399</u> | <u>\$ 19,127,942</u> | <u>\$ 5,030,231</u> | <u>\$ 5,403,454</u> | <u>\$ 26,094,630</u> | <u>\$ 24,531,396</u> |

Total revenues (including transfers) for governmental activities decreased when compared to the prior year by \$1,014,884. General revenue had an increase of \$673,479 while program revenues had a decrease of \$1,627,042. These increases were primarily due to the following factors:

Program revenues –

- Charges for services increased by \$1,019,116;
 - One time building permit and inspection/plan review fees related to Deloitte construction for FY09/10 that total \$1,016,846 will not re-occur in FY10/11 Operating
- Operating Grants and Contributions decreased by \$669,784 mostly due to a contribution made by Westlake Academy Foundation to the Arts & Sciences Center during FY 09/10
- Capital Grants and Contributions decreased by \$1,976,374
 - Due to the conveyance of Terra Bella open space and FM1938 right of way in the prior year.

General revenues –

- Sales tax increased by \$126,124. This increase was made up of the following components:
 - Increase in “base” sales taxes of \$12,016
 - Increase of \$244,818 in economic development revenue
 - Decrease of \$814,628 in audit collections
 - Increase in presumed one-time payments of \$683,918
- Hotel occupancy taxes decreased by \$40,076
- Franchise tax decreased by \$21,168
- Unrestricted grants increased \$523,551 due to the state revenue received for the additional students at Westlake Academy
- Interest income decreased by \$22,841
- Miscellaneous increased by \$107,856 with the majority of the increase being attributed to gifts/bequests and other revenues related to the Westlake Academy

Expenses –

- Total expenses for governmental activities decreased by \$62,164 or approximately .6%.
 - General Government increase of \$68,245
 - Public safety decrease of \$241,277
 - Fully staffed at 10 with a Fire Chief in FY 08/09; only 6 full time (including Interim Fire Chief) in FY 09/10
 - Economic development increase of \$102,609
 - Based on a contractual obligation reimbursement. The project was just beginning in the prior year; therefore, payments were more during the current year.
 - Public works decrease of \$434,229
 - Engineering fees were paid and that part of the project was completed during FY 08/09
 - Visitor services increase of \$79,000
 - Additional transportation payment to the Marriott per agreement
 - Education increase of \$416,170
 - Additional students attending the Academy
 - Interest on long-term debt decrease of \$42,909

Business-type activities:

- Business-type activities decreased the Town's net assets by \$373,223. This change in net assets was \$47,382 more than the prior year's of (\$325,841) based on the following variances:
 - Decrease in revenues of \$208,086
 - FY 2009-2010 was a wetter than normal year resulting in decreased water billing revenues and other associated fees.
 - Decrease in expenses of \$99,383
 - \$220,507 decrease in bad debt expense for the current fiscal year
 - \$44,633 increase for payroll and related expenses due to additional allocation percentages of the Finance department to the Utility Fund as well as a portion of the administrative assistant in the Human Resources department who was not here for a full year in the prior year.
 - \$75K increase in Peak Payment
 - Decrease in transfers out of \$61,321 to various funds

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,836,949 an increase of \$1,598,110 in comparison with the prior year. See below for the major reasons for this increase:

General Fund - Fund balance increased by \$1,067,673. Revenues increased by \$827,343 mostly due to the Deloitte building permit and inspection/plan review fees and expenditures were reduced by \$410,397. A large portion (\$271,012) of the reduction in expenditures is attributed to the creation of a new "Economic Development Fund" in which payments to various entities are recorded based on economic development agreements. Transfers in decreased by \$265,599 primarily due to the transfer of \$250,000 from the Property Tax Reduction Fund in the prior year that wasn't necessary in the current fiscal year. See page 60 of the "Notes to the Financial Statements" for detailed information related to the transfers.

Visitors Association Fund - The net decrease in fund balance of \$144,005 was due primarily to the budgeted transfer out to the Debt Service Fund for the bond payment for the Arts and Sciences Center as well as the additional transportation payment made to the Marriott.

Capital Projects Fund – The net decrease in fund balance is \$85,832. The major portion of the decrease was due to the completion of the Arts & Sciences Center.

Property Tax Reduction Fund – Fund balance increased by \$501,717. This fund represents ½ cent in sales tax revenues and is used to supplement various funds. Funds were transferred from

this account to Debt Service Fund to supplement payments made from the 4B Economic Development Corporation Fund, Capital Projects Fund, General Major Maintenance Fund and the Vehicle and Equipment Replacement Fund.

4B Economic Development Corporation Fund – Fund balance did not change during the current fiscal year. All funds received were transferred to the Debt Service Fund for the annual bond payments.

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

Total net assets of the Utility Fund amounted to \$4,889,082, a decrease of \$351,016. Operating income totaled \$215,575 but was offset by a net non-operating revenues (expenses) total of \$566,591.

- Revenues were \$211,712 less than the prior year because FY 2009-2010 was a wetter than normal year resulting in decreased water billing revenues and other associated fees.
- Operating Expenses decreased by \$121,436:
 - \$44,633 increase for payroll and related expenses due to additional allocation percentages of the Finance department to the Utility Fund as well as a portion of the administrative assistant in the Human Resources department who was not here for a full year in the prior year.
 - \$220,507 decrease in bad debt expense for the current fiscal year (FY 2009-2010 bad debt expense of \$604 is netted against operating revenues)
 - \$56,292 increase in other operating costs

General Fund Budgetary Highlights

The General Fund budget was amended in total to increase the net change in fund balance from (\$784,553) to \$724,753, a total of \$1,509,306.

- Net revenues were increased by \$1,481,453 (45%). The major portion of this is attributed to the increase of permits and fees by \$1,371,945 based on a \$1.2 one-time building permit that had been anticipated to be received in FY 08-09, sales tax revenues were increased by \$121,400 with the remaining decrease of \$11,892 being the net effect of several amendments to revenue accounts.
- Expenditures were decreased by \$468,594 (10%) of which \$488,327 was due to the creation of an “Economic Development Fund” and the transfer of the budgeted payments to the separate fund. The offsetting \$19,733 is again based on the net effect of several amendments to expenditure accounts.
- Transfers out were increased by \$112,741 of which approximately \$49K was for the civic campus water well and \$63K represented the final expenditures for the Arts & Sciences Center.

The general fund's actual revenue collections exceeded the amended budget by \$62,973.

The general's fund's final expenditures were \$350,615 less than the amended budget (8%).

- General government over budget \$44,504
- Public safety under budget \$230,428
 - Budgeted for 9 full time staff and only had 6 - \$170,480
 - Several contracts were less than budgeted - \$6,555
 - Employee Physicals less due to short staff - \$4,785
 - Vehicle fuel, uniforms, firefighter supplies - \$20,670
 - Vehicle repair and maintenance - \$10,116
- Cultural and recreation under budget \$26,642
- Public works under budget \$115,049
 - Staff made a conscious effort towards keeping expenditures down and the majority of this variance was due to reduction in engineering, ROW irrigation and various other contracted services.

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, 2010, totaled \$45,744,455 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The net decrease in the Town's investment in capital assets for the current fiscal year was \$536,726 or 1%. The major portion of this decrease is due to an increase related to the completion of the Arts & Sciences Center and its parking lot, Stagecoach Hills subdivision drainage and waterline infrastructure and two buses for the Westlake Academy. This amount was offset by \$1,317,096 of depreciation which gave the Town a net decrease.

Capital Assets (Net of Accumulated Depreciation)

| | Governmental Activities | | Business Activities | | Total | |
|--------------------------|-------------------------|---------------|---------------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 11,530,663 | \$ 11,530,663 | \$ - | \$ - | \$ 11,530,663 | \$ 11,530,663 |
| Capital improvements | 2,233,430 | 1,839,904 | 10,080,172 | 10,313,923 | 12,313,602 | 12,153,827 |
| Buildings | 18,486,500 | 18,864,812 | - | - | 18,486,500 | 18,864,812 |
| Machinery & equipment | 726,222 | 827,309 | 2,300,241 | 2,425,234 | 3,026,463 | 3,252,543 |
| W/W treatment rights | - | - | 312,306 | 344,066 | 312,306 | 344,066 |
| Information/Technology | - | - | - | - | - | - |
| Construction in progress | 74,921 | 135,270 | - | - | 74,921 | 135,270 |
| Total capital assets | \$ 33,051,736 | \$ 33,197,958 | \$ 12,692,719 | \$ 13,083,223 | \$ 45,744,455 | \$ 46,281,181 |

Additional information on the Town's capital assets can be found in Note III on pages 45-46 of this report.

Long-term debt - At the end of the current fiscal year, the Town had total long-term debt outstanding of \$25,497,361. Of this amount, \$20,185,000 represents bonded indebtedness, \$177,224 represents an economic development reimbursement, \$72,929 represents compensated absences and \$5,658,888 business-type debt. During the fiscal year 2009-2010, the Town's total debt decreased by \$553,775. This decrease is primarily attributed to the principal payments on the bonded indebtedness and the payoff of the lease for the Apple computers for Westlake Academy and the Marshall's vehicle.

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

Additional information on the Town's long-term debt can be found in Note III on pages 50-53.

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| General obligation bonds | \$ 9,630,000 | \$ 9,735,000 | \$ - | \$ - | \$ 9,630,000 | \$ 9,735,000 |
| Certificates of obligation | 10,555,000 | 10,975,000 | - | - | 10,555,000 | 10,975,000 |
| Contractual obligations | 177,224 | 201,402 | 5,658,888 | 5,734,191 | 5,836,112 | 5,935,593 |
| Capital leases | - | 46,559 | - | - | - | 46,559 |
| Compensated absences | 63,125 | - | 9,804 | - | 72,929 | - |
| Deferred amounts | (596,680) | (641,016) | - | - | (596,680) | (641,016) |
| Total long-term debt | \$ 19,828,669 | \$ 20,316,945 | \$ 5,668,692 | \$ 5,734,191 | \$ 25,497,361 | \$ 26,051,136 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

During the budget process for FY 2010-2011, the Town found itself at a juncture where it could still continue to face critical challenges and critical choices financially by relying on its major revenue sources being sales tax, franchise fees, permits & fees, large one-time building permits, and fines and forfeitures with no property tax. Numerous hours and options were presented at the Council's budget workshops and other public meetings that placed the Town's finances on solid ground, securing its vision for the future. These scenarios focused on stabilizing the General Fund's on-going revenue (i.e. ceasing the use of fund balance for daily operations and reliance on one-time, non-reoccurring revenues) as well as reinvesting in the Town's infrastructure. These revenue options utilized a municipal ad valorem (property) tax, something that the Town had never had before.

The Town's estimated 2010 taxable assessed valuation is approximately \$654M net of abatements; a large ad valorem tax base for a community 6.2 square miles in land area and a permanent residential population of approximately 850 with an estimated daytime population of between 10,000 and 12,000 (Monday-Friday). The FY 2010-2011 tax rate for the Town is the lowest amount in the area at \$.1601 per \$100 of assessed valuation (\$.1562 maintenance & operations and \$.0039 interest and sinking).

GENERAL FUND

Revenue

- FY 09/10 Actual \$4,832,267
- FY 10/11 Budget \$3,888,427
- Budgeted revenues are \$943,840 less than prior year actual
 - FY10/11 includes a property tax of \$1,000,430 that was not levied in prior years.
 - One time contribution of \$83,250 from Westlake Academy Foundation to offset purchase of 2 new buses for Westlake Academy.
 - One time reimbursement of \$100,000 from WA to offset operating expenditures.
 - Sales tax revenue decreased mostly due to presumed one-time payments of approximately \$700K in FY 09/10
 - One time building permit & fees of \$1.4M in FY 09/10

Payroll & Related

- FY 09/10 Actual \$1,846,665
- FY 10/11 Budget \$2,487,424
- Budgeted payroll & related is \$640,759 more than prior year actual
 - In FY09/10, employee payroll was allocated to the Visitor Fund and the Utility Fund. In FY10/11 all payroll will be issued from the General Fund and offsetting transfers in from Visitor Fund (\$174,971) and Utility Fund (\$227,292) were budgeted instead.
 - Public Safety department was under-staffed in FY09/10 with only 6 employees. A full staff of 9 employees was budgeted for FY10/11 resulting in an increase of \$186,506.

Operating Expenditures

- FY 09/10 Actual \$1,939,471
- FY 10/11 Budget \$1,857,275
- Budgeted operating expenditures are \$82,196 less than prior year actual
 - One time purchase of two new buses for WA. Offset by private contribution revenue.

Other Sources and Uses

Transfers in

- FY 09/10 Actual \$123,000
- FY 10/11 Budget \$420,263
 - In FY09/10, employee payroll was allocated to the Visitor Fund and the Utility Fund.
 - In FY10/11 all payroll will be issued from the General Fund and offsetting transfers in from Visitor Fund (\$174,971) and Utility Fund (\$227,292) were budgeted instead.

Transfers out

- FY 09/10 Actual \$101,459
- FY 10/11 Budget \$2,120,759
 - Transfer out to capital projects increased based on the adopted CIP to move a portion of fund balance into the Capital Projects Fund.

VISITORS ASSOCIATION FUND

Revenue

- FY 09/10 Actual \$475,978
- FY 10/11 Budget \$478,975
- Budgeted revenues are \$2,997 more than prior year actual
 - Due to an increase in Arbor Day income of \$4,690 and a decrease in Historical Board income of \$1,033

Payroll & Related

- FY 09/10 Actual \$174,567
- FY 10/11 Budget \$0
- Budgeted payroll & related is \$174,567 less than prior year actual
 - In FY09/10, employee payroll was allocated the Visitor Fund. In FY10/11 all payroll will be issued from the General Fund and an offsetting transfer out of \$174,971 was budgeted instead.

Operating Expenditures

- FY 09/10 Actual \$245,699
- FY 10/11 Budget \$241,962
- Budgeted operating expenditures are \$3,737 less than prior year actual
 - Services decreased \$27,203 due to a decrease in Marriott Transportation/Marketing expenditures of \$57,000 and an increase in other contracted services of \$30,000
 - Supplies increased \$22,629 due to expenses related to Public Arts, Historical board and Arbor Day. \$10K is budgeted for each of these organizations annually and only \$10,720 was expensed for all three organizations/events for the FY 09/10.

Other Sources and Uses

- FY 09/10 Actual \$199,713
- FY 10/11 Budget \$355,915
- Budgeted other uses are \$156,202 more than prior year actual
 - In FY09/10, employee payroll was allocated to the Visitor Fund. In FY10/11 all payroll will be issued from the General Fund and an offsetting transfer out of \$174,971 was budgeted instead.

UTILITY FUND

Revenue

- FY 09/10 Actual \$2,208,390
- FY 10/11 Budget \$2,426,766
- Budgeted revenues are \$218,376 more than prior year actual
 - FY10/11 water revenues increase \$275,103 due to a scheduled rate increase which is offset by a contribution in FY 09/10 from Westlake Academy Foundation to repay a portion of the Arts and Sciences Center utility relocation.

Payroll & Related

- FY 09/10 Actual \$241,851
- FY 10/11 Budget \$0
- Budgeted payroll & related is \$241,851 less than prior year actual
 - In FY09/10 employee payroll was allocated the Utility Fund. In FY10/11 all payroll will be issued from the General Fund and an offsetting transfer out of \$227,292 was budgeted instead.

Operating Expenses

- FY 09/10 Actual \$1,750,964
- FY 10/11 Budget \$1,987,230
- Budgeted operating expenses are approximately \$236K more than prior year actual mostly due to the following additional expenses:
 - Additional water costs based on a new contract with City of Fort worth
 - TRA Wastewater treatment expenses increased \$119,210. Expenses are determined based on our projected flow and its proportionate share of the TRA system. A mid-year analysis is conducted annually and the system cost is adjusted accordingly. Additional sewer flows as a result of Deloitte University and Vaquero Golf water treatment facility were considered for FY 10/11.

Other Uses

- FY 09/10 Actual \$0.00
- FY 10/11 Budget \$245,292
- Budgeted other uses are \$245,292 more than prior year actual
 - In FY09/10, employee payroll was allocated to the Utility Fund. In FY10/11 all payroll will be issued from the General Fund and an offsetting transfer out of \$241,851 was budgeted instead.

CONTACTING THE TOWN'S FINANCE DEPARTMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF WESTLAKE, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2010

| | Primary Government | | | Discretely Presented Component Units |
|---|--------------------------------|---------------------------------|----------------------|---|
| | Governmental Activities | Business-type Activities | Total | |
| | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,040,499 | \$ 902,162 | \$ 4,942,661 | \$ 5,082,223 |
| Investments | 2,855,667 | 605,570 | 3,461,237 | - |
| Receivables (net of allowance) | 1,461,048 | 696,928 | 2,157,976 | 600,329 |
| Internal balances | 267,577 | (267,577) | - | - |
| Inventories | - | 98,775 | 98,775 | - |
| Other assets | 66,761 | 2,646 | 69,407 | 98,119 |
| Restricted cash and cash equivalents | 214,750 | 128,490 | 343,240 | 5,014,570 |
| Deferred charges | 347,293 | - | 347,293 | - |
| Capital assets: | | | | |
| Land | 11,530,663 | - | 11,530,663 | 12,070,678 |
| Buildings and improvements | 26,181,089 | 12,921,283 | 39,102,372 | 91,741,792 |
| Wastewater treatment rights | - | 635,199 | 635,199 | - |
| Machinery and equipment | 2,401,506 | 3,459,821 | 5,861,327 | 12,052,793 |
| Construction in progress | 74,921 | - | 74,921 | - |
| Less: accumulated depreciation | (7,136,443) | (4,323,584) | (11,460,027) | (31,839,677) |
| Total capital assets | <u>33,051,736</u> | <u>12,692,719</u> | <u>45,744,455</u> | <u>84,025,586</u> |
| Intangible assets: | | | | |
| Debt issue costs, net of amortization | - | - | - | 3,955,658 |
| Total assets | <u>42,305,331</u> | <u>14,859,713</u> | <u>57,165,044</u> | <u>98,776,485</u> |
| LIABILITIES | | | | |
| Accounts payable | 1,004,521 | 145,103 | 1,149,624 | 896,465 |
| Customer deposits payable | - | 128,490 | 128,490 | - |
| Unearned revenue | - | 411,859 | 411,859 | 3,125,708 |
| Accrued interest payable | 407,742 | 3,475,338 | 3,883,080 | 14,455,264 |
| Noncurrent liabilities: | | | | |
| Due within one year | 586,881 | 79,488 | 666,369 | 61,407,865 |
| Due in more than one year | <u>19,241,788</u> | <u>5,589,204</u> | <u>24,830,992</u> | <u>55,753,264</u> |
| Total liabilities | <u>21,240,932</u> | <u>9,829,482</u> | <u>31,070,414</u> | <u>135,638,566</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 13,633,485 | 7,033,831 | 20,667,316 | (31,675,543) |
| Restricted for: | | | | |
| Debt service | - | - | - | - |
| Tourism | 1,100,941 | - | 1,100,941 | - |
| Future projects | 281,864 | - | 281,864 | - |
| Court security and technology | 170,063 | - | 170,063 | - |
| Capital expenses | 12,000 | - | 12,000 | - |
| Unrestricted | <u>5,866,046</u> | <u>(2,003,600)</u> | <u>3,862,446</u> | <u>(5,186,538)</u> |
| Total net assets | <u>\$ 21,064,399</u> | <u>\$ 5,030,231</u> | <u>\$ 26,094,630</u> | <u>\$ (36,862,081)</u> |

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

TOWN OF WESTLAKE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,272,127 | \$ 716,624 | \$ 434,709 | \$ 83,250 |
| Public safety | 1,698,164 | 80,665 | - | - |
| Culture and recreation | 105,997 | - | - | - |
| Economic Development | 309,653 | - | - | - |
| Public works | 594,705 | 1,597,655 | 15,441 | - |
| Visitor Services | 420,270 | - | - | - |
| Education | 4,138,875 | 102,406 | 403,001 | - |
| Interest on long-term debt | 1,026,026 | - | - | - |
| Total governmental activities | 10,565,817 | 2,497,350 | 853,151 | 83,250 |
| Business-type activities: | | | | |
| Water utilities | 2,567,675 | 2,101,510 | 46,810 | - |
| Cemetery | 27,822 | 5,550 | - | - |
| Total business-type activities | 2,595,497 | 2,107,060 | 46,810 | - |
| Total primary government | \$ 13,161,314 | \$ 4,604,410 | \$ 899,961 | \$ 83,250 |
| Component units: | | | | |
| Business-type activities | \$ 22,211,846 | \$ 16,199,988 | \$ - | \$ - |
| Total component units | \$ 22,211,846 | \$ 16,199,988 | \$ - | \$ - |
| General revenues: | | | | |
| Sales taxes | | | | |
| Hotel occupancy taxes | | | | |
| Mixed beverage taxes | | | | |
| Franchise taxes | | | | |
| Unrestricted grants | | | | |
| Interest income | | | | |
| Miscellaneous | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets, beginning | | | | |
| Prior period adjustment | | | | |
| Net assets, ending | | | | |

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

**Net (Expense) Revenue and
Changes in Net Assets**

| Primary Government | | | Discretely Presented Component Units | |
|------------------------------------|-------------------------------------|-----------------------------|---|--------------------------------|
| Governmental Activities | Business-type Activities | Total | | |
| <u>\$ (1,037,544)</u> | <u>\$ -</u> | <u>\$ (1,037,544)</u> | <u>\$ -</u> | |
| <u>(1,617,499)</u> | <u>-</u> | <u>(1,617,499)</u> | | <u>-</u> |
| <u>(105,997)</u> | <u>-</u> | <u>(105,997)</u> | | <u>-</u> |
| <u>(309,653)</u> | <u>-</u> | <u>(309,653)</u> | | <u>-</u> |
| <u>1,018,391</u> | <u>-</u> | <u>1,018,391</u> | | <u>-</u> |
| <u>(420,270)</u> | <u>-</u> | <u>(420,270)</u> | | <u>-</u> |
| <u>(3,633,468)</u> | <u>-</u> | <u>(3,633,468)</u> | | <u>-</u> |
| <u>(1,026,026)</u> | <u>-</u> | <u>(1,026,026)</u> | | <u>-</u> |
| <u><u>(7,132,066)</u></u> | <u><u>-</u></u> | <u><u>(7,132,066)</u></u> | | <u><u>-</u></u> |
| <u>-</u> | <u>(419,355)</u> | <u>(419,355)</u> | | <u>-</u> |
| <u><u>-</u></u> | <u><u>(22,272)</u></u> | <u><u>(22,272)</u></u> | | <u><u>-</u></u> |
| <u><u>-</u></u> | <u><u>(441,627)</u></u> | <u><u>(441,627)</u></u> | | <u><u>-</u></u> |
| <u><u>(7,132,066)</u></u> | <u><u>(441,627)</u></u> | <u><u>(7,573,693)</u></u> | | <u><u>-</u></u> |
| <u>3,790,533</u> | <u>-</u> | <u>3,790,533</u> | | <u>\$ (6,011,858)</u> |
| <u>457,693</u> | <u>-</u> | <u>457,693</u> | | <u>\$ (6,011,858)</u> |
| <u>17,902</u> | <u>-</u> | <u>17,902</u> | | |
| <u>603,233</u> | <u>-</u> | <u>603,233</u> | | |
| <u>3,484,141</u> | <u>-</u> | <u>3,484,141</u> | | |
| <u>38,383</u> | <u>8,334</u> | <u>46,717</u> | <u>40,716</u> | |
| <u>676,638</u> | <u>60,070</u> | <u>736,708</u> | <u>3,636</u> | |
| <u><u>9,068,523</u></u> | <u><u>68,404</u></u> | <u><u>9,136,927</u></u> | | <u><u>44,352</u></u> |
| <u>1,936,457</u> | <u>(373,223)</u> | <u>1,563,234</u> | <u>(5,967,506)</u> | |
| <u>19,127,942</u> | <u>5,403,454</u> | <u>24,531,396</u> | <u>(34,505,288)</u> | |
| <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | | <u><u>3,610,713</u></u> |
| <u><u>\$ 21,064,399</u></u> | <u><u>\$ 5,030,231</u></u> | <u><u>\$ 26,094,630</u></u> | | <u><u>\$ (36,862,081)</u></u> |

TOWN OF WESTLAKE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

| | General | Visitors Association | Westlake Academy | Debt Service Fund | Capital Projects |
|---|----------------------------|----------------------------|----------------------------|-------------------------|--------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 1,397,909 | \$ 1,054,773 | \$ 869,800 | \$ - | \$ 249,161 |
| Investments | 2,048,240 | - | - | - | - |
| Receivables | | | | | |
| Accounts receivable | 390,048 | 83,745 | 246,139 | - | - |
| Other receivables | - | - | - | - | 79,930 |
| Due from other funds | - | - | - | - | - |
| Other assets | 37,708 | 2,646 | 26,407 | - | - |
| Restricted cash and investments | 214,750 | - | - | - | - |
| TOTAL ASSETS | <u>\$ 4,088,655</u> | <u>\$ 1,141,164</u> | <u>\$ 1,142,346</u> | <u>\$ -</u> | <u>\$ 329,091</u> |
| LIABILITIES AND FUND BALANCE: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 295,670 | 40,223 | 374,413 | - | 91,914 |
| Due to other funds | - | - | - | - | - |
| Total liabilities | <u>295,670</u> | <u>40,223</u> | <u>374,413</u> | <u>-</u> | <u>91,914</u> |
| Fund Equity: | | | | | |
| Fund balance | | | | | |
| Reserved to promote tourism | - | 1,100,941 | - | - | - |
| Reserved for future projects | 44,687 | - | - | - | 237,177 |
| Reserved for court security and technology | 170,063 | - | - | - | - |
| Reserved for capital expenditures | - | - | - | - | - |
| Unreserved and undesignated | 3,578,235 | - | 767,933 | - | - |
| Total fund equity | <u>3,792,985</u> | <u>1,100,941</u> | <u>767,933</u> | <u>-</u> | <u>237,177</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 4,088,655</u> | <u>\$ 1,141,164</u> | <u>\$ 1,142,346</u> | <u>\$ -</u> | <u>\$ 329,091</u> |

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 not reported in the funds

Net assets of governmental activities

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

| FM 1938 Fund | Property Tax Reduction Fund | Vehicle/Equip. Replacement Fund | Economic Development Fund | Lone Star Public Facility Corporation | 4B Economic Development Corporation | Total Governmental Funds |
|-----------------|-----------------------------------|---------------------------------------|---------------------------------|---|---|--------------------------------|
| \$ - | \$ 219,204 807,427 | \$ 62,064 | \$ 4,280 | \$ 13,598 | \$ 169,710 | \$ 4,040,499 2,855,667 |
| - | 202,094 | - | 193,213 | - | 201,047 | 1,316,286 |
| - | - | - | - | - | - | 79,930 |
| - | 341,026 | - | - | - | 267,577 | 608,603 |
| - | - | - | - | - | - | 66,761 |
| - | - | - | - | - | - | 214,750 |
| <u>\$ -</u> | <u>\$ 1,569,751</u> | <u>\$ 62,064</u> | <u>\$ 197,493</u> | <u>\$ 13,598</u> | <u>\$ 638,334</u> | <u>\$ 9,182,496</u> |
| - | - | 4,808 | 197,493 | - | - | 1,004,521 |
| - | - | - | - | - | 341,026 | 341,026 |
| <u>-</u> | <u>-</u> | <u>4,808</u> | <u>197,493</u> | <u>-</u> | <u>341,026</u> | <u>1,345,547</u> |
| - | - | - | - | - | - | 1,100,941 |
| - | - | - | - | - | - | 281,864 |
| - | - | - | - | - | - | 170,063 |
| - | - | 12,000 | - | - | - | 12,000 |
| - | <u>1,569,751</u> | <u>45,256</u> | <u>-</u> | <u>13,598</u> | <u>297,308</u> | <u>6,272,081</u> |
| <u>-</u> | <u>1,569,751</u> | <u>57,256</u> | <u>-</u> | <u>13,598</u> | <u>297,308</u> | <u>7,836,949</u> |
| <u>\$ -</u> | <u>\$ 1,569,751</u> | <u>\$ 62,064</u> | <u>\$ 197,493</u> | <u>\$ 13,598</u> | <u>\$ 638,334</u> | |
| | | | | | | 33,051,736 |
| | | | | | | (19,889,118) |
| | | | | | | <u>64,832</u> |
| | | | | | | <u>\$ 21,064,399</u> |

TOWN OF WESTLAKE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| | <u>General</u> | <u>Visitors Association</u> | <u>Westlake Academy</u> |
|--|---------------------|---------------------------------|-----------------------------|
| REVENUES: | | | |
| Taxes | | | |
| Sales | \$ 1,597,194 | \$ - | \$ - |
| Mixed beverage | 17,902 | - | - |
| Hotel occupancy | - | 457,693 | - |
| Franchise | 603,233 | - | - |
| State program revenues | - | - | 3,687,706 |
| Federal program revenues | - | - | 199,436 |
| Interest income | 24,220 | 2,183 | 908 |
| Building permits and fees | 1,746,954 | - | - |
| Fines and penalties | 647,170 | - | - |
| Contributions | 90,249 | - | - |
| Miscellaneous | <u>105,345</u> | <u>16,102</u> | <u>655,601</u> |
| Total revenues | <u>4,832,267</u> | <u>475,978</u> | <u>4,543,651</u> |
| EXPENDITURES: | | | |
| Current | | | |
| General government | 1,644,587 | - | - |
| Public safety | 1,634,936 | - | - |
| Culture and recreation | 105,997 | - | - |
| Public works | 400,615 | - | - |
| Economic Development | - | - | - |
| Visitor services | - | 420,270 | - |
| Education | - | - | 4,138,875 |
| Capital outlay | - | - | - |
| Debt service | | | |
| Principal retirement | - | - | 38,703 |
| Interest and other fiscal charges | - | - | 2,793 |
| Total expenditures | <u>3,786,135</u> | <u>420,270</u> | <u>4,180,371</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | |
| | <u>1,046,132</u> | <u>55,708</u> | <u>363,280</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 123,000 | - | - |
| Transfers out | (101,459) | (199,713) | (100,000) |
| Total other financing sources (uses) | <u>21,541</u> | <u>(199,713)</u> | <u>(100,000)</u> |
| NET CHANGE IN FUND BALANCES | | | |
| | <u>1,067,673</u> | <u>(144,005)</u> | <u>263,280</u> |
| FUND BALANCES, BEGINNING | | | |
| | <u>2,725,312</u> | <u>1,244,946</u> | <u>504,653</u> |
| FUND BALANCES, ENDING | | | |
| | <u>\$ 3,792,985</u> | <u>\$ 1,100,941</u> | <u>\$ 767,933</u> |

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

| Debt Service Fund | Capital Projects | FM 1938 Fund | Property Tax Reduction Fund | Vehicle/Equip. Replacement Fund | Economic Development Fund |
|-------------------|------------------|--------------|-----------------------------|---------------------------------|---------------------------|
| \$ - | \$ - | \$ - | \$ 947,633 | \$ - | \$ 298,073 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,124 | - | 9,393 | 63 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 443,151 | - | - | - | - |
| - | 1,996 | - | - | - | - |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| - | 446,271 | - | 957,026 | 63 | 298,073 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 1,264 | - | - | - |
| - | - | - | - | - | 333,831 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 654,567 | - | - | 27,536 | - |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 525,000 | - | - | - | - | - |
| 974,370 | - | - | - | - | - |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 1,499,370 | 654,567 | 1,264 | - | 27,536 | 333,831 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| (1,499,370) | (208,296) | (1,264) | 957,026 | (27,473) | (35,758) |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 1,499,370 | 122,464 | 1,256 | - | 22,729 | 35,758 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| 1,499,370 | 122,464 | 1,256 | (455,309) | 22,729 | 35,758 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| - | (85,832) | (8) | 501,717 | (4,744) | - |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| - | 323,009 | 8 | 1,068,034 | 62,000 | - |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - | \$ 237,177 | \$ - | \$ 1,569,751 | \$ 57,256 | \$ - |

TOWN OF WESTLAKE, TEXAS

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

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

(continued)

| | <u>Lone Star Public Facility Corporation</u> | <u>4B Economic Development Corporation</u> | <u>Total Governmental Funds</u> |
|--|--|--|---|
| REVENUES: | | | |
| Taxes | | | |
| Sales | \$ - | \$ 947,633 | \$ 3,790,533 |
| Mixed beverage | - - | - - | 17,902 |
| Hotel occupancy | - - | - - | 457,693 |
| Franchise | - - | - - | 603,233 |
| State program revenues | - - | - - | 3,687,706 |
| Federal program revenues | - - | - - | 199,436 |
| Interest income | 29 | 463 | 38,383 |
| Building permits and fees | - - | - - | 1,746,954 |
| Fines and penalties | - - | - - | 647,170 |
| Contributions | - - | - - | 533,400 |
| Miscellaneous | - - | - - | 779,044 |
| Total revenues | <u>29</u> | <u>948,096</u> | <u>12,501,454</u> |
| EXPENDITURES: | | | |
| Current | | | |
| General government | - - | - - | 1,644,587 |
| Public safety | - - | - - | 1,634,936 |
| Culture and recreation | - - | - - | 105,997 |
| Public works | - - | - - | 401,879 |
| Economic Development | - - | - - | 333,831 |
| Visitor services | - - | - - | 420,270 |
| Education | - - | - - | 4,138,875 |
| Capital outlay | - - | - - | 682,103 |
| Debt service | | | |
| Principal retirement | - - | - - | 563,703 |
| Interest and other fiscal charges | <u>- -</u> | <u>- -</u> | <u>977,163</u> |
| Total expenditures | <u>- -</u> | <u>- -</u> | <u>10,903,344</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | |
| | <u>29</u> | <u>948,096</u> | <u>1,598,110</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - - | - - | 1,804,577 |
| Transfers out | <u>- -</u> | <u>(948,096)</u> | <u>(1,804,577)</u> |
| Total other financing sources (uses) | <u>- -</u> | <u>(948,096)</u> | <u>- -</u> |
| NET CHANGE IN FUND BALANCES | | | |
| | <u>29</u> | <u>-</u> | <u>1,598,110</u> |
| FUND BALANCES, BEGINNING | | | |
| | <u>13,569</u> | <u>297,308</u> | <u>6,238,839</u> |
| FUND BALANCES, ENDING | | | |
| | <u>\$ 13,598</u> | <u>\$ 297,308</u> | <u>\$ 7,836,949</u> |

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

TOWN OF WESTLAKE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

| | |
|---|--------------|
| Net change in fund balance - total governmental funds | \$ 1,598,110 |
|---|--------------|

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.

| |
|------------|
| (146,222) |
|------------|

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.

| |
|---------|
| 595,737 |
|---------|

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.

| |
|------------|
| (111,168) |
|------------|

| | |
|---|---------------------|
| Change in net assets of governmental activities | \$ <u>1,936,457</u> |
|---|---------------------|

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

TOWN OF WESTLAKE, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2010

Business-type Activities-Enterprise Funds

| | Utility Fund | Cemetery Fund | Total |
|---|-------------------------|--------------------------|-------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 856,390 | \$ 45,772 | \$ 902,162 |
| Investments | 605,570 | - | 605,570 |
| Accounts receivable (net of allowance) | 696,928 | - | 696,928 |
| Inventories | - | 98,775 | 98,775 |
| Other assets | 2,646 | - | 2,646 |
| Restricted cash and investments | <u>128,490</u> | <u>-</u> | <u>128,490</u> |
| Total current assets | <u>2,290,024</u> | <u>144,547</u> | <u>2,434,571</u> |
| Noncurrent assets | | | |
| Capital assets: | | | |
| Construction in progress | - | - | - |
| Buildings and improvements | 12,921,283 | - | 12,921,283 |
| Wastewater treatment rights | 635,199 | - | 635,199 |
| Machinery and equipment | 3,459,821 | - | 3,459,821 |
| Less: accumulated depreciation | <u>(4,323,584)</u> | <u>-</u> | <u>(4,323,584)</u> |
| Total capital assets | <u>12,692,719</u> | <u>-</u> | <u>12,692,719</u> |
| Total noncurrent assets | <u>12,692,719</u> | <u>-</u> | <u>12,692,719</u> |
| Total assets | <u>14,982,743</u> | <u>144,547</u> | <u>15,127,290</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 141,705 | 3,398 | 145,103 |
| Customer deposits payable | 128,490 | - | 128,490 |
| Accrued interest payable | 3,475,338 | - | 3,475,338 |
| Due to other funds | 267,577 | - | 267,577 |
| Deferred revenue | 411,859 | - | 411,859 |
| Compensated absences | 980 | - | 980 |
| Contractual obligations | <u>78,508</u> | <u>-</u> | <u>78,508</u> |
| Total current liabilities | <u>4,504,457</u> | <u>3,398</u> | <u>4,507,855</u> |
| Long-term liabilities: | | | |
| Compensated absences | 8,824 | - | 8,824 |
| Contractual obligations | <u>5,580,380</u> | <u>-</u> | <u>5,580,380</u> |
| Total long-term liabilities | <u>5,589,204</u> | <u>-</u> | <u>5,589,204</u> |
| Total liabilities | <u>10,093,661</u> | <u>3,398</u> | <u>10,097,059</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 7,033,831 | - | 7,033,831 |
| Unrestricted | <u>(2,144,749)</u> | <u>141,149</u> | <u>(2,003,600)</u> |
| Total net assets | <u>\$ 4,889,082</u> | <u>\$ 141,149</u> | <u>\$ 5,030,231</u> |

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

TOWN OF WESTLAKE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| | Business-type Activities-Enterprise Funds | | |
|---|--|--------------------------|----------------------------|
| | Utility Fund | Cemetery Fund | Total |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 2,101,510 | \$ 5,550 | \$ 2,107,060 |
| Contributions | 46,810 | - | 46,810 |
| Miscellaneous revenue | 60,070 | - | 60,070 |
| Total operating revenue | <u>2,208,390</u> | <u>5,550</u> | <u>2,213,940</u> |
| OPERATING EXPENSES: | | | |
| Payroll costs | 241,319 | - | 241,319 |
| Professional and contract services | 64,258 | 27,226 | 91,484 |
| Depreciation | 426,172 | - | 426,172 |
| Amortization of wastewater treatment rights | 31,760 | - | 31,760 |
| Water purchases | 745,890 | - | 745,890 |
| Cost of cemetery lots sold | - | 596 | 596 |
| Other operating costs | 483,416 | - | 483,416 |
| Total operating expenses | <u>1,992,815</u> | <u>27,822</u> | <u>2,020,637</u> |
| OPERATING INCOME | 215,575 | (22,272) | 193,303 |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Interest income | 8,269 | 65 | 8,334 |
| Interest expense | (574,860) | - | (574,860) |
| Total non-operating revenues (expenses) | <u>(566,591)</u> | <u>65.00</u> | <u>(566,526)</u> |
| CHANGE IN NET ASSETS | (351,016) | (22,207) | (373,223) |
| TOTAL NET ASSETS, BEGINNING | <u>5,240,098</u> | <u>163,356</u> | <u>5,403,454</u> |
| TOTAL NET ASSETS, ENDING | \$ <u>4,889,082</u> | \$ <u>141,149</u> | \$ <u>5,030,231</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, 2010

| Business-type Activities-Enterprise Funds | | | |
|---|-------------------------|--------------------------|-------------------------------|
| | Utility Fund | Cemetery Fund | Total Current Year |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 2,070,309 | \$ 5,550 | \$ 2,075,859 |
| Cash payments to employees/retirees | (231,515) | - | (231,515) |
| Cash payments for goods and services | (1,253,840) | (23,869) | (1,277,709) |
| Net cash provided by operating activities | <u>584,954</u> | <u>(18,319)</u> | <u>566,635</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Advances to other funds | (71,602) | - | (71,602) |
| Net cash provided by noncapital financing activities | <u>(71,602)</u> | <u>-</u> | <u>(71,602)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal paid on debt | (75,303) | - | (75,303) |
| Interest paid on debt | (108,674) | - | (108,674) |
| Purchase of property and equipment | (67,428) | - | (67,428) |
| Net cash used by capital and related financing activities | <u>(251,405)</u> | <u>-</u> | <u>(251,405)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment earnings | <u>8,269</u> | <u>65</u> | <u>8,334</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| | 270,216 | (18,254) | 251,962 |
| CASH AND CASH EQUIVALENTS, BEGINNING | | | |
| | <u>1,320,234</u> | <u>64,026</u> | <u>1,384,260</u> |
| CASH AND CASH EQUIVALENTS, ENDING | | | |
| | <u>\$ 1,590,450</u> | <u>\$ 45,772</u> | <u>\$ 1,636,222</u> |
| RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents | \$ 856,390 | \$ 45,772 | \$ 902,162 |
| Restricted cash and cash equivalents | 128,490 | - | 128,490 |
| Investments | 605,570 | - | 605,570 |
| Total cash and cash equivalents | <u>\$ 1,590,450</u> | <u>\$ 45,772</u> | <u>\$ 1,636,222</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income | \$ 215,575 | \$(22,272) | \$ 193,303 |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | | |
| Depreciation and amortization | 457,932 | - | 457,932 |
| Changes in operating assets and liabilities: | | | |
| Receivables | (114,838) | - | (114,838) |
| Other assets | (2,646) | 596 | (2,050) |
| Accounts payable | 42,370 | 3,357 | 45,727 |
| Compensated absences | 9,804 | - | 9,804 |
| Customer deposits payable | 2,950 | - | 2,950 |
| Deferred revenue | (26,193) | - | (26,193) |
| Net cash provided by operating activities | <u>\$ 584,954</u> | <u>\$(18,319)</u> | <u>\$ 566,635</u> |

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

TOWN OF WESTLAKE, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

| | <u>Texas Student Housing Authority - Ballpark Austin Project</u> | <u>Texas Student Housing Corporation - The Ridge at North Texas</u> | <u>Texas Student Housing Authority - Town Lake Austin Project</u> |
|--|--|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 508,265 | \$ 502,795 | \$ 285,397 |
| Accounts receivables (net of allowance) | 42,697 | 37,248 | 40,411 |
| Other assets | 11,044 | 29,177 | 20,562 |
| Restricted assets: | | | |
| Cash and cash equivalents | 607,739 | 2,176,988 | 359,716 |
| 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 | (9,977,273) | (9,213,094) | (4,874,235) |
| Intangible assets: | | | |
| Debt issue costs, net of amortization | 2,506,193 | 707,189 | 742,276 |
| Total assets | <u>26,825,298</u> | <u>23,399,144</u> | <u>16,931,869</u> |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 368,975 | 214,690 | 170,003 |
| Unearned revenue | 271,569 | 396,746 | 181,556 |
| Accrued interest payable | 5,839,532 | 3,130,868 | 807,410 |
| Noncurrent liabilities: | | | |
| Due within one year | 825,000 | 28,872,706 | 260,159 |
| Due in more than one year | 34,868,178 | - | 20,885,086 |
| Total liabilities | <u>42,173,254</u> | <u>32,615,010</u> | <u>22,304,214</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | (11,083,818) | (8,926,959) | (5,661,738) |
| Restricted | - | - | - |
| Unrestricted | (4,264,138) | (288,907) | 289,393 |
| Total net assets | <u>\$ (15,347,956)</u> | <u>\$ (9,215,866)</u> | <u>\$ (5,372,345)</u> |

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

| Texas Student Housing Authority - College Station Project | Texas Student Housing Authority | Total |
|---|---------------------------------------|-------------------------|
| \$ 3,256,674 | \$ 529,092 | \$ 5,082,223 |
| 462,105 | 17,868 | 600,329 |
| 24,612 | 12,724 | 98,119 |
| 1,870,127 | - | 5,014,570 |
| 2,899,597 | - | 12,070,678 |
| 27,727,646 | - | 91,741,792 |
| 2,594,804 | - | 12,052,793 |
| (7,775,075) | - | (31,839,677) |
| - | - | 3,955,658 |
| <u>31,060,490</u> | <u>559,684</u> | <u>98,776,485</u> |
| 140,313 | 2,484 | 896,465 |
| 2,244,087 | 31,750 | 3,125,708 |
| 4,677,454 | - | 14,455,264 |
| 31,450,000 | - | 61,407,865 |
| - | - | 55,753,264 |
| <u>38,511,854</u> | <u>34,234</u> | <u>135,638,566</u> |
| (6,003,028) | - | (31,675,543) |
| (1,448,336) | 525,450 | (5,186,538) |
| <u>\$ (7,451,364)</u> | <u>\$ 525,450</u> | <u>\$ (36,862,081)</u> |

TOWN OF WESTLAKE, TEXAS

DISCRETELY PRESENTED COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| Functions/Programs | Program Revenues | | | |
|------------------------------------|----------------------|-----------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Business-type activities: | | | | |
| Texas Student Housing Authority | \$ 837,876 | \$ 890,851 | \$ - | \$ - |
| Texas Student Housing Authority: | | | | |
| College Station Project | 7,016,433 | 5,200,895 | - | - |
| Ballpark Austin Project | 5,573,909 | 3,614,113 | - | - |
| Town Lake Austin Project | 3,891,920 | 2,810,752 | - | - |
| Texas Student Housing Corporation: | | | | |
| The Ridge at North Texas | 4,891,708 | 3,683,377 | - | - |
| Total business-type activities | <u>22,211,846</u> | <u>16,199,988</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 22,211,846</u> | <u>\$ 16,199,988</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | General revenues: |
| | | | | Interest income |
| | | | | Miscellaneous |
| | | | | Total general revenues and transfers |
| | | | | Change in net assets |
| | | | | Net assets, beginning |
| | | | | Prior Period Adjustment |
| | | | | Net assets, ending |

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

Net (Expense) Revenue and
Changes in Net Assets

| Primary Government | | |
|-------------------------|--------------------------|------------------------|
| Governmental Activities | Business-type Activities | Total |
| \$ - | \$ 52,975 | \$ 52,975 |
| - | (1,815,538) | (1,815,538) |
| - | (1,959,796) | (1,959,796) |
| - | (1,081,168) | (1,081,168) |
| <hr/> | <hr/> | <hr/> |
| - | (1,208,331) | (1,208,331) |
| <hr/> | <hr/> | <hr/> |
| - | (6,011,858) | (6,011,858) |
| <hr/> | <hr/> | <hr/> |
| <u>\$ -</u> | <u>(\$ 6,011,858)</u> | <u>(\$ 6,011,858)</u> |
| | | |
| - | 40,716 | 40,716 |
| <hr/> | <hr/> | <hr/> |
| - | 3,636 | 3,636 |
| <hr/> | <hr/> | <hr/> |
| - | 44,352 | 44,352 |
| | | |
| - | (5,967,506) | (5,967,506) |
| <hr/> | <hr/> | <hr/> |
| - | (34,505,288) | (34,505,288) |
| <hr/> | <hr/> | <hr/> |
| - | 3,610,713 | 3,610,713 |
| | | |
| <u>\$ -</u> | <u>\$(36,862,081)</u> | <u>\$(36,862,081)</u> |

TOWN OF WESTLAKE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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 Board-Manager form of government and provides the following services as authorized by the laws of the State of Texas: public safety; cultural and recreation; and economic development.

A. Reporting Entity

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

B. Component Units

Discretely Presented

The Texas Student Housing Authority, Texas Student Housing Ballpark Austin Project, Texas Student Housing Town Lake Austin Project, Texas Student Housing College Station Project, and Texas Student Housing Corporation – The Ridge at North Texas Project (collectively, “Texas Student Housing”) are Texas nonprofit organizations as a duly constituted authority of the Town pursuant to Section 53.35(b) of the Texas Education Code, as amended (Act). Texas Student Housing’s primary purpose is to construct, own, and operate student housing facilities on college campuses in Texas. The board consists of seven directors which are appointed by the Town’s governing body and has the ability to remove at will the appointed members, thus the governing body can impose its will on the organizations. Housing entities are reported as Enterprise Funds. The Town is not responsible for the long-term debt of the Texas Student Housing entities. All Texas Student Housing entities have separately issued financial statements. These statements can be obtained by contacting the Texas Student Housing Authority, 3 Village Circle, Suite 207, Westlake, Texas 76262.

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

Blended

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Component Units (Continued)

Blended (Continued)

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

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

C. Government-wide and Fund Financial Statements

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Town reports the following major proprietary fund:

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

Fund Changes and Transactions Between Funds

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

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

Capital Assets

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

| Assets | Years |
|----------------------------------|--------------|
| 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. After completion of 5 years of service, 15 days of vacation and 15 days of sick leave per year are earned. After completion of 10 years of service, 20 days of vacation and 20 days of sick leave per year are earned. The Town makes sick and vacation time available in full at the beginning of each year, and hours are actually earned throughout the year. Unused, earned vacation hours are paid upon termination or retirement at the employee's normal hourly rate; accumulated, unused sick time is not payable upon termination or retirement.

Long-term Obligations

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

Reserved and Designated Fund Equity

Reserved fund balances are not appropriable for expenditure or are legally segregated for a specific future use. Designated fund balances are established to indicate tentative plans for financial resources utilization in a future period.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Assets

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

Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$19,889,118 difference are as follows:

| | |
|--|----------------------|
| Certificates of obligation bonds | \$ 20,362,224 |
| Deferred charges for issuance costs (to be amortized over life of debt) | (943,973) |
| Compensated absences | 63,125 |
| Accrued interest payable | <u>407,742</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u>\$ 19,889,118</u> |

(continued)

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

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$146,222 difference are as follows:

| | |
|--|---------------------|
| Capital contributions | \$ 83,250 |
| Capital outlay (\$52,411 reclassified to expense repairs) | 629,692 |
| Depreciation expense | <u>(859,164)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | |
| | \$ <u>(146,222)</u> |

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Details of this \$595,737 difference are as follows:

| | |
|--|-------------------|
| Principal repayments: | |
| General obligation debt | \$ 525,000 |
| Capital lease | 46,559 |
| Deferred rebates | <u>24,178</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | |
| | \$ <u>595,737</u> |

(continued)

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

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

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$111,168 difference are as follows:

| | |
|--|-------------------|
| Municipal court fines | \$ (820) |
| Accrued interest | (11,856) |
| Compensated absences | 63,125 |
| Amortization of deferred charge on refunding | 44,336 |
| Amortization of issuance costs | <u>16,383</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ 111,168</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, 2010, 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 71st Texas Legislature to facilitate the creation of local government investment pools in Texas. This act permits the creation of investment pools to which a majority of political subdivisions (local governments) may delegate, by contract, the authority to make investments purchased with local investment funds and to hold legal title as custodian of the investments. TexPool was organized to conform with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|------------------|---------------------------------|----------------------------------|
| 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, 2010, 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:

| Primary government | Carrying Amount | Fair Value | Minimum Legal Rating | Rating as of Year-end |
|----------------------------|---------------------|---------------------|----------------------|-----------------------|
| Investments: | | | | |
| TexPool | \$ 27,806 | \$ 27,806 | N/A | AAA-m |
| Certificates of deposit | 3,461,237 | 3,461,237 | N/A | AAA-A |
| Cash | <u>5,258,095</u> | <u>5,258,095</u> | N/A | N/A |
| Total cash and investments | <u>\$ 8,747,138</u> | <u>\$ 8,747,138</u> | | |

Reconciliation of total cash and investments at September 30, 2010, are as follows:

| | |
|---------------------------------|---------------------|
| Cash and cash equivalents | \$ 8,403,898 |
| Restricted cash and investments | <u>343,240</u> |
| Total cash and investments | <u>\$ 8,747,138</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The Town's entire cash deposits in the bank of \$5,651,201 on September 30, 2010, were covered by federal depository insurance or by collateral.

| Component units | Carrying Amount | Fair Value | Weighted Average Maturity (Days) |
|---------------------------|-----------------|--------------|----------------------------------|
| Investments: | | | |
| Cash and cash equivalents | \$ 5,082,223 | \$ 5,082,223 | N/A |
| Total | \$ 5,082,223 | \$ 5,082,223 | |

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

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government

| | Beginning Balance | Increases | Decreases | Prior Period Adjustment | Ending Balance |
|--|----------------------|----------------------|-------------------|----------------------------|----------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 11,530,663 | \$ - | \$ - | \$ - | \$ 11,530,663 |
| Construction in progress | <u>135,270</u> | <u>87,217</u> | <u>147,566</u> | <u>-</u> | <u>74,921</u> |
| Total assets not being depreciated | <u>11,665,933</u> | <u>87,217</u> | <u>147,566</u> | <u>-</u> | <u>11,605,584</u> |
| Capital assets, being depreciated: | | | | | |
| Capital improvements | 4,342,188 | 578,418 | - | - | 4,920,606 |
| Buildings | 21,213,443 | 47,040 | - | - | 21,260,483 |
| Machinery and equipment | 2,201,243 | 147,833 | - | - | 2,349,076 |
| Information systems and software | <u>52,430</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,430</u> |
| Total capital assets being depreciated | <u>27,809,304</u> | <u>773,291</u> | <u>-</u> | <u>-</u> | <u>28,582,595</u> |
| Less accumulated depreciation: | | | | | |
| Capital improvements | 2,502,284 | 184,892 | - | - | 2,687,176 |
| Buildings | 2,348,631 | 425,352 | - | - | 2,773,983 |
| Machinery and equipment | 1,373,934 | 248,920 | - | - | 1,622,854 |
| Information systems and software | <u>52,430</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,430</u> |
| Total accumulated depreciation | <u>6,277,279</u> | <u>859,164</u> | <u>-</u> | <u>-</u> | <u>7,136,443</u> |
| Total capital assets being depreciated, net | <u>21,532,025</u> | <u>(85,873)</u> | <u>-</u> | <u>-</u> | <u>21,446,152</u> |
| Governmental activities capital assets, net | <u>\$ 33,197,958</u> | <u>\$ 1,344</u> | <u>\$ 147,566</u> | <u>\$ -</u> | <u>\$ 33,051,736</u> |
| Business-type activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Construction in progress | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total assets not being depreciated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital assets, being depreciated: | | | | | |
| Capital improvements | 12,853,855 | 67,428 | - | - | 12,921,283 |
| Wastewater treatment rights | 635,199 | - | - | - | 635,199 |
| Machinery and equipment | <u>3,459,821</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,459,821</u> |
| Total capital assets being depreciated | <u>16,948,875</u> | <u>67,428</u> | <u>-</u> | <u>-</u> | <u>17,016,303</u> |
| Less accumulated depreciation: | | | | | |
| Capital improvements | 2,539,932 | 301,179 | - | - | 2,841,111 |
| Wastewater treatment rights | 291,133 | 31,760 | - | - | 322,893 |
| Machinery and equipment | <u>1,034,587</u> | <u>124,993</u> | <u>-</u> | <u>-</u> | <u>1,159,580</u> |
| Total accumulated depreciation | <u>3,865,652</u> | <u>457,932</u> | <u>-</u> | <u>-</u> | <u>4,323,584</u> |
| Total capital assets being depreciated, net | <u>13,083,223</u> | <u>(390,504)</u> | <u>-</u> | <u>-</u> | <u>12,692,719</u> |
| Business-type activities capital assets, net | <u>\$ 13,083,223</u> | <u>\$ (390,504)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,692,719</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 619,668 |
| Public safety | 52,383 |
| Public works | <u>187,113</u> |
| Total depreciation expense - governmental activities | \$ <u>859,164</u> |

A summary of discretely presented component units' capital assets at September 30, 2010, follows:

Texas Student Housing Authority - Ballpark Austin Project

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|-----------------------|-----------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ <u>4,788,265</u> | \$ - | \$ - | \$ <u>4,788,265</u> |
| Total capital assets, not being depreciated | <u>4,788,265</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>6,993,063</u> |
| Total capital assets, being depreciated | <u>28,338,368</u> | - | - | <u>28,338,368</u> |
| Less accumulated depreciation for: | | | | |
| Building | 5,454,911 | 711,510 | - | 6,166,421 |
| Furniture and fixtures | <u>3,661,686</u> | <u>149,166</u> | - | <u>3,810,852</u> |
| Total accumulated depreciation | <u>9,116,597</u> | <u>860,676</u> | - | <u>9,977,273</u> |
| Total capital assets, being depreciated, net | <u>19,221,771</u> | (<u>860,676</u>) | - | <u>18,361,095</u> |
| Capital assets, net | <u>\$ 24,010,036</u> | <u>\$ (860,676)</u> | \$ - | <u>\$ 23,149,360</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

Texas Student Housing Corporation - The Ridge at North Texas

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|----------------------|-------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,200,000 | \$ - | \$ - | \$ 2,200,000 |
| Total capital assets, not being depreciated | <u>2,200,000</u> | <u>-</u> | <u>-</u> | <u>2,200,000</u> |
| Capital assets, being depreciated: | | | | |
| Building | 25,705,000 | - | - | 25,705,000 |
| Furniture and fixtures | 1,253,841 | - | - | 1,253,841 |
| Total capital assets, being depreciated | <u>26,958,841</u> | <u>-</u> | <u>-</u> | <u>26,958,841</u> |
| Less accumulated depreciation for: | | | | |
| Building | 5,987,874 | 856,833 | - | 6,844,707 |
| Furniture and fixtures | 2,355,184 | 13,203 | - | 2,368,387 |
| Total accumulated depreciation | <u>8,343,058</u> | <u>870,036</u> | <u>-</u> | <u>9,213,094</u> |
| Total capital assets, being depreciated, net | <u>18,615,783</u> | <u>(870,036)</u> | <u>-</u> | <u>17,745,747</u> |
| Capital assets, net | <u>\$ 20,815,783</u> | <u>\$(- 870,036)</u> | <u>\$ -</u> | <u>\$ 19,945,747</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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 | <u>915,951</u> | <u>-</u> | <u>-</u> | <u>915,951</u> |
| Total capital assets, being depreciated | <u>18,174,926</u> | <u>-</u> | <u>-</u> | <u>18,174,926</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 3,000,279 | 604,098 | - | 3,604,377 |
| Capitalized purchase costs | 175,248 | 28,484 | - | 203,732 |
| Land improvements | 374,212 | - | - | 374,212 |
| Unit appliances | 168,648 | - | - | 168,648 |
| Furniture and fixtures | <u>523,266</u> | <u>-</u> | <u>-</u> | <u>523,266</u> |
| Total accumulated depreciation | <u>4,241,653</u> | <u>632,582</u> | <u>-</u> | <u>4,874,235</u> |
| Total capital assets, being depreciated, net | <u>13,933,273</u> | <u>(632,582)</u> | <u>-</u> | <u>13,300,691</u> |
| Capital assets, net | <u>\$ 16,116,089</u> | <u>\$ (632,582)</u> | <u>\$ -</u> | <u>\$ 15,483,507</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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 | 2,899,597 | - | - | 2,899,597 |
| Capital assets, being depreciated: | | | | |
| Building | 27,727,646 | - | - | 27,727,646 |
| Furniture and fixtures | 2,594,804 | - | - | 2,594,804 |
| Total capital assets, being depreciated | 30,322,450 | - | - | 30,322,450 |
| Less accumulated depreciation for: | | | | |
| Building | 4,372,287 | 896,177 | - | 5,268,464 |
| Furniture and fixtures | 2,384,687 | 121,924 | - | 2,506,611 |
| Total accumulated depreciation | 6,756,974 | 1,018,101 | - | 7,775,075 |
| Total capital assets, being depreciated, net | 23,565,476 | (1,018,101) | - | 22,547,375 |
| Capital assets, net | \$ 26,465,073 | \$(1,018,101) | \$ - | \$ 25,446,972 |

Restricted Cash

General Fund

Within the governmental funds, \$214,750 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, \$128,490 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, \$5,014,570 in cash and cash equivalents represents funds held for debt service.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Leases

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

| | Governmental Activities |
|--------------------------------|----------------------------|
| Asset: | |
| Machinery and equipment | \$ 23,000 |
| Less: Accumulated depreciation | <u>(18,400)</u> |
| Total | <u>\$ 4,600</u> |

Westlake Academy entered into lease agreement as a lessee for financing the acquisition of computers for student use. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The computers were not capitalized because the value of each one was less than \$5,000.

During the year ended September 30, 2010, both Capital Leases above were paid in full.

General Long-term Debt

Long-term liability activity for the year ended September 30, 2010, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|------------------|-------------------|----------------------|------------------------|
| Combination tax and limited Pledge Revenue Certificates of Obligation, Series 2002 | \$ 5,145,000 | \$ - | \$ 265,000 | \$ 4,880,000 | \$ 280,000 |
| Combination tax and limited Pledge Revenue Certificates of Obligation, Series 2003 | 5,830,000 | - | 155,000 | 5,675,000 | 160,000 |
| General Obligation Refunding Bonds, Series 2007 | 7,330,000 | - | 20,000 | 7,310,000 | 25,000 |
| Less deferred amounts on refunding | (641,016) | - | (44,336) | (596,680) | - |
| General Obligation Bonds, Series 2008 | 2,405,000 | - | 85,000 | 2,320,000 | 90,000 |
| Compensated absences | - | 78,514 | 15,389 | 63,125 | 6,313 |
| Capital leases | 46,559 | - | 46,559 | - | - |
| Fidelity Tax Reimbursement | 201,402 | - | 24,178 | 177,224 | 25,568 |
| | <u>\$ 20,316,945</u> | <u>\$ 78,514</u> | <u>\$ 566,790</u> | <u>\$ 19,828,669</u> | <u>\$ 586,881</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

General Long-term Debt (Continued)

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

| Year Ending September 30, | Principal | Interest | Total Requirements |
|------------------------------|----------------------|----------------------|----------------------|
| 2011 | \$ 555,000 | \$ 946,778 | \$ 1,501,778 |
| 2012 | 580,000 | 918,450 | 1,498,450 |
| 2013 | 610,000 | 888,528 | 1,498,528 |
| 2014 | 640,000 | 856,906 | 1,496,906 |
| 2015 | 675,000 | 823,442 | 1,498,442 |
| 2016-2020 | 3,885,000 | 3,619,276 | 7,504,276 |
| 2021-2025 | 4,950,000 | 2,550,839 | 7,500,839 |
| 2026-2030 | 5,820,000 | 1,310,943 | 7,130,943 |
| 2031-2033 | 2,470,000 | 166,218 | 2,636,218 |
| Total | <u>\$ 20,185,000</u> | <u>\$ 12,081,380</u> | <u>\$ 32,266,380</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:

| Year Ending September 30, | Principal | Interest | Total Requirements |
|------------------------------|-------------------|------------------|--------------------|
| 2011 | \$ 25,568 | \$ 10,190 | \$ 35,758 |
| 2012 | 27,038 | 8,720 | 35,758 |
| 2013 | 28,593 | 7,165 | 35,758 |
| 2014 | 30,236 | 5,522 | 35,758 |
| 2015 | 31,975 | 3,783 | 35,758 |
| 2016-2016 | 33,814 | 1,944 | 35,758 |
| Total | <u>\$ 177,224</u> | <u>\$ 37,324</u> | <u>\$ 214,548</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

General Long-term Debt (Continued)

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

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

Proprietary Long-term Debt

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Proprietary Long-term Debt (Continued)

Dove Road Water Line and West Pump Station (Continued)

Proprietary long-term debt as of September 30, 2010, is as follows:

| Description | Outstanding 9/30/2009 | Issued | Retired | Outstanding 9/30/2010 | Current Portion |
|--|--------------------------|------------------|------------------|--------------------------|--------------------|
| Contractual obligations: | | | | | |
| Elevated water storage | \$ 1,054,247 | \$ - | \$ 75,303 | \$ 978,944 | \$ 78,508 |
| Limited pledge contractual obligation: | | | | | |
| Dove Road Water Line and West Pump Station | 4,679,944 | - | - | 4,679,944 | - |
| Compensated absences | <u>-</u> | <u>11,489</u> | <u>1,685</u> | <u>9,804</u> | <u>980</u> |
| | <u>\$ 5,734,191</u> | <u>\$ 11,489</u> | <u>\$ 76,988</u> | <u>\$ 5,668,692</u> | <u>\$ 79,488</u> |

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

| Year Ending September 30, | Principal | Interest | Total Requirements |
|------------------------------|---------------------|---------------------|----------------------|
| 2011 | \$ 78,508 | \$ 605,796 | \$ 684,304 |
| 2012 | 81,712 | 642,329 | 724,041 |
| 2013 | 86,519 | 681,356 | 767,875 |
| 2014 | 91,325 | 723,034 | 814,359 |
| 2015 | 94,530 | 767,701 | 862,231 |
| 2016-2020 | 546,350 | 4,649,381 | 5,195,731 |
| 2021-2025 | <u>4,679,944</u> | <u>733,738</u> | <u>5,413,682</u> |
| Total | <u>\$ 5,658,888</u> | <u>\$ 8,803,335</u> | <u>\$ 14,462,223</u> |

Discretely Presented Long-term Debt

Texas Student Housing Authority - College Station Project

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

| Lender/Security/Due Date | Interest Rate | Balance |
|---|---------------|----------------------|
| Cambridge Student Housing Financing Company, L.P.; substantially all assets and assignment of rents; due November 1, 2039 | 8.00% | <u>\$ 31,450,000</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely Presented Long-term Debt (Continued)

Texas Student Housing Authority - College Station Project (Continued)

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, 2010:

| Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|-------------------|-----------|------------|----------------|-----------------------------|
| \$ 31,775,000 | \$ - | \$ 325,000 | \$ 31,450,000 | \$ 31,450,000 |

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:

| Class (Series) | Offering Total |
|----------------|----------------|
| A | \$ 16,900,000 |
| B | 4,350,000 |
| C | 4,820,000 |
| D | 5,380,000 |
| Total | \$ 31,450,000 |

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, 2010, the Project was not in compliance with the fixed charge coverage ratio. Should the project default, the lender may accelerate the maturity of the unpaid portion of the principal payable under the installment sale agreement. However, the Authority does not anticipate this event will occur, since foreclosure by private interests would result in the loss of tax-exempt status for the Project.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely Presented Long-term Debt (Continued)

Texas Student Housing Authority - Town Lake Austin Project

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|-----------------------|----------------------|-------------|-------------------|----------------------|-----------------------------------|
| Revenue Bonds: | | | | | |
| 2002 A-1 Bonds | \$ 16,295,252 | \$ - | \$ 239,248 | \$ 16,056,004 | \$ 260,159 |
| 2002 A-2 Bonds | <u>5,089,241</u> | <u>-</u> | <u>-</u> | <u>5,089,241</u> | <u>-</u> |
| Total | <u>\$ 21,384,493</u> | <u>\$ -</u> | <u>\$ 239,248</u> | <u>\$ 21,145,245</u> | <u>\$ 260,159</u> |

The bonds are payable solely from the revenues generated by the Project and are secured by the revenues pledged and assigned under the terms of the trust indenture. Interest rates for 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 |
|---------------------------|----------------------|----------------------|----------------------|
| 2011 | \$ 260,159 | \$ 1,631,478 | \$ 1,891,637 |
| 2012 | 281,080 | 1,610,557 | 1,891,637 |
| 2013 | 303,683 | 1,587,954 | 1,891,637 |
| 2014 | 328,105 | 1,563,532 | 1,891,637 |
| 2015 | 354,491 | 1,537,146 | 1,891,637 |
| 2016-2020 | 2,248,765 | 7,209,420 | 9,458,185 |
| 2021-2025 | 3,310,558 | 6,147,627 | 9,458,185 |
| 2026-2030 | 4,873,699 | 4,584,486 | 9,458,185 |
| 2031-2033 | <u>9,184,705</u> | <u>1,707,029</u> | <u>10,891,734</u> |
| Totals | <u>\$ 21,145,245</u> | <u>\$ 27,579,229</u> | <u>\$ 48,724,474</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 | \$ 30,760,000 | \$ - | \$ 610,000 | \$ 30,150,000 | \$ 640,000 |
| 2001B Bonds | 2,365,000 | - | - | 2,365,000 | 185,000 |
| 2001C Bonds | 3,000,000 | - | - | 3,000,000 | - |
| Less discounts | (1,341,906) | <u>-</u> | <u>(60,085)</u> | <u>(1,281,821)</u> | <u>-</u> |
| Total | <u>\$ 34,783,094</u> | <u>\$ -</u> | <u>\$ 549,915</u> | <u>\$ 34,233,179</u> | <u>\$ 825,000</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely Presented Long-term Debt (Continued)

Texas Student Housing Authority - Ballpark Austin Project (Continued)

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

| Year Ending August 31, | Governmental Activities | | |
|---------------------------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2011 | \$ 825,000 | \$ 2,280,294 | \$ 3,105,294 |
| 2012 | 715,000 | 2,247,194 | 2,962,194 |
| 2013 | 755,000 | 2,208,144 | 2,963,144 |
| 2014 | 795,000 | 2,166,875 | 2,961,875 |
| 2015 | 840,000 | 2,123,456 | 2,963,456 |
| 2016-2020 | 4,935,000 | 9,876,319 | 14,811,319 |
| 2021-2025 | 6,440,000 | 8,368,800 | 14,808,800 |
| 2026-2030 | 8,445,000 | 6,364,500 | 14,809,500 |
| 2031-2033 | <u>11,765,000</u> | <u>2,597,450</u> | <u>14,362,450</u> |
| Totals | <u>\$ 35,515,000</u> | <u>\$ 38,233,032</u> | <u>\$ 73,748,032</u> |

At August 31, 2006, 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 | \$ 26,955,000 | \$ - | \$ 575,000 | \$ 26,380,000 | \$ 26,380,000 |
| 2001B Bonds | 3,240,000 | - | - | 3,240,000 | 3,240,000 |
| Less discounts | <u>(784,779)</u> | <u>-</u> | <u>(37,485)</u> | <u>(747,294)</u> | <u>(747,294)</u> |
| Total | <u>\$ 29,410,221</u> | <u>\$ -</u> | <u>\$ 537,515</u> | <u>\$ 28,872,706</u> | <u>\$ 28,872,706</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Discretely Presented Long-term Debt (Continued)

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

The debt originally was to be amortized through 2031 with varying monthly principal payment amounts ranging from \$2,618,093 to \$3,465,280 for interest and principal. The annual requirements to amortize all debts outstanding as of August 31, 2010, are as follows and have not been adjusted for the default of the bonds. Under the original terms of the Indenture, a total of \$575,000 in principal and \$2,047,593 in interest is due in fiscal 2010. The total interest to be paid will depend on the ultimate maturities of the bonds.

| Year Ending <u>August 31,</u> | Principal | Interest | Total |
|----------------------------------|----------------------|----------------------|----------------------|
| 2011 | \$ <u>29,620,000</u> | \$ <u>27,532,225</u> | \$ <u>57,152,225</u> |

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

Deferred Revenue

Deferred revenue in the proprietary fund of \$411,859 relates to the collection of the entire amount due on six Ductbank leases as follows: One 25-year lease with AT&T local network services and five 20, 25 and 30-year leases with Verizon Southwest for use of the Town's Ductbank.

Commitments and Contingencies

Lease Obligations

The Town has commitments relative to municipal services, and contractual relationships concerning certain utilities and public safety resources, which are normal in its ongoing activity. Noncancellable obligations consist of agreements for services at September 30, 2010.

Minimum lease payments and contractual obligations under these noncancellable leases and agreements as of September 30, 2010, are as follows:

| Year Ending <u>September 30,</u> | Amount |
|-------------------------------------|-------------------|
| 2011 | \$ 151,040 |
| 2012 | <u>1,238</u> |
| Total | \$ <u>152,278</u> |

Rental expenditures in 2010 were \$223,033.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Commitments and Contingencies (Continued)

Interlocal Agreement with the City of Southlake

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

Federal and State Program Revenues

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

Sources of federal and state program revenues for the year ended September 30, 2010, were as follows:

| Source | Westlake Academy | Total |
|---|---------------------|--------------|
| Federal program revenues: | | |
| U. S. Department of Education - Passed through State Department of Education | \$ 199,436 | \$ 199,436 |
| Total federal program revenues: | \$ 199,436 | \$ 199,436 |
| State program revenues: | | |
| State Department of Education | \$ 3,687,706 | \$ 3,687,706 |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Balances and Transactions

Interfund receivables and payables at September 30, 2010, were as follows:

| | Due from Other Funds | Due to Other Funds |
|---|-------------------------|-----------------------|
| Property tax reduction fund: | | |
| 4B Economic Development Corporation fund | \$ 341,026 | \$ - |
| 4B Economic Development Corporation fund: | | |
| Property Tax Reduction fund | - | 341,026 |
| Utility fund | 267,577 | - |
| Utility fund: | | |
| 4B Economic Development Corporation fund | - ----- | 267,577 ----- |
| | <u>\$ 608,603</u> | <u>\$ 608,603</u> |

The amount payable to the property tax reduction fund is related to payments made to the debt service fund on behalf of the 4B economic development fund, which will be repaid by the end of the 2010-2011 fiscal year. The amount payable to the 4B economic development fund from the utility fund is related to an interfund loan made for several waterlines and connections and is scheduled to be repaid at a rate of \$29,731 per year through fiscal year 2018-2019.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Balances and Transactions (Continued)

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

| | Transfers To Funds | Transfers From Funds |
|---|-----------------------|-------------------------|
| Primary Government | | |
| General fund: | | |
| Westlake Academy | \$ - | \$ 100,000 |
| Economic Development fund | 35,758 | - |
| Capital Projects fund | 60,701 | - |
| Property Tax Reduction fund | - | 23,000 |
| Vehicle and Equipment Replacement fund | 5,000 | - |
| Debt Service fund: | | |
| Visitors Association fund | - | 179,266 |
| 4B Economic Development Corporation fund | - | 948,096 |
| Property Tax Reduction fund | - | 372,008 |
| Visitors Association fund: | | |
| Debt service fund | 179,266 | - |
| Capital Projects fund | 20,447 | - |
| FM 1938 fund: | | |
| Property Tax Reduction fund | - | 1,256 |
| Property Tax Reduction fund: | | |
| General fund | 23,000 | - |
| Debt Service fund | 372,008 | - |
| FM 1938 fund | 1,256 | - |
| Capital Projects fund | 41,316 | - |
| Vehicle and Equipment Replacement fund | 17,729 | - |
| Vehicle and Equipment Replacement fund: | | |
| General fund | - | 5,000 |
| Property Tax Reduction fund | - | 17,729 |
| 4B Economic Development Corporation fund: | | |
| Debt Service fund | 948,096 | - |
| Capital Projects fund: | | |
| General fund | - | 60,701 |
| Visitors Association fund | - | 20,447 |
| Property Tax Reduction fund | - | 41,316 |
| Economic Development fund: | | |
| General fund | - | 35,758 |
| Westlake Academy: | | |
| General fund | <u>100,000</u> | - |
| Totals | <u>\$ 1,804,577</u> | <u>\$ 1,804,577</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.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Balances and Transactions (Continued)

Transfers are used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) reimburse one fund for services provided to another fund and (4) move unrestricted general fund revenues either to build up the fund balance in the Vehicle and Equipment Replacement Fund for future expenditures or transfer payment for economic development agreement into newly created fund specifically for this purpose.

The non-recurring transfer from Westlake Academy to the General Fund was to help offset indirect costs for the Academy provided by the Town during the year.

Receivables

| | Governmental Funds | | | | | | Enterprise Funds | |
|------------------------------------|--------------------|----------------------|-------------------|-----------------------------|---------------------------|-------------------------|-------------------|---------------------|
| | General | Visitors Association | Westlake Academy | Property Tax Reduction Fund | Economic Development Fund | Westlake 4B Corporation | Utility Fund | Total |
| Receivables: | | | | | | | | |
| Sales tax | \$ 208,881 | \$ - | \$ - | \$ 201,047 | \$ 193,213 | \$ 201,047 | \$ - | \$ 804,188 |
| Other taxes | - | 79,765 | - | - | - | - | - | 79,765 |
| Franchise fees | 149,254 | - | - | - | - | - | - | 149,254 |
| Accounts | - | - | - | - | - | - | 917,254 | 917,254 |
| Other | 31,913 | 3,980 | 246,139 | 1,047 | - | - | 785 | 283,864 |
| Gross receivables | 390,048 | 83,745 | 246,139 | 202,094 | 193,213 | 201,047 | 918,039 | 2,234,325 |
| Less: Allowance for uncollectibles | - | - | - | - | - | - | 221,111 | 221,111 |
| Net total receivables | <u>\$ 390,048</u> | <u>\$ 83,745</u> | <u>\$ 246,139</u> | <u>\$ 202,094</u> | <u>\$ 193,213</u> | <u>\$ 201,047</u> | <u>\$ 696,928</u> | <u>\$ 2,013,214</u> |

Water Purchase and Wastewater Treatment Contracts

The Town has a contract with the City of Fort Worth, Texas, to purchase water. Under the contract, the Town may obtain from the City of Fort Worth, a supply of potable water at a reasonable rate based on water usage. The rate charges are subject to minimum annual contract payments. Water expense for the year ended September 30, 2010 was \$745,890.

IV. OTHER INFORMATION

Retirement Plan

Plan Description

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

(continued)

IV. OTHER INFORMATION (Continued)

Retirement Plan (Continued)

Plan Description (Continued)

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

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 2009</u> | <u>Plan Year 2010</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.

(continued)

IV. OTHER INFORMATION (Continued)

Retirement Plan (Continued)

Contributions (Continued)

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

| | |
|---|------------|
| Annual Required Contribution (ARC) | \$ 130,590 |
| Interest on Net Pension Obligation | - |
| Adjustment to the ARC | - |
| Annual Pension Cost | 130,590 |
| Contributions Made | (130,590) |
| Increase (Decrease) in Net Pension Obligation | - |
| Net Pension Obligation/(Asset), beginning of year | - |
| | |
| Net Pension Obligation/(Asset), ending of year | \$ - |

| Accounting Year Ending | Annual Pension Cost (APC) | Actual Contribution Made | Percentage of APC Contributed | Net Pension Obligation |
|------------------------|---------------------------|--------------------------|-------------------------------|------------------------|
| 09/30/08 | \$ 108,827 | \$ 108,827 | 100% | \$ - |
| 09/30/09 | 138,554 | 138,554 | 100% | - |
| 09/30/10 | 130,590 | 130,590 | 100% | - |

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

| Valuation Date | 12/31/07 | 12/31/08 | 12/31/09 |
|--|---------------------------|---------------------------|---------------------------|
| 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 | 25 years; closed period | 24 years; closed period | 23 years; closed period |
| Amortization Period for new Gains/Losses | 25 years | 25 years | 25 years |
| Asset Valuation Method | Amortized Cost | Amortized Cost | 10-year Smoothed Market |
| Actuarial Assumptions: | | | |
| Investment Rate of Return* | 7% | 7.5% | 7.5% |
| 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% | 3.0% | 3.0% |
| | 0.0% | 0.0% | 0.0% |

(continued)

IV. OTHER INFORMATION (Continued)

Retirement Plan (Continued)

Contributions (Continued)

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Percentage Funded | Actuarial Accrued Liability | Annual Covered Payroll | Accrued Liability as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------|-------------------|-----------------------------|------------------------|--|
| 12/31/2007 | \$ 792,775 | \$ 1,059,135 | 74.9% | \$ 266,360 | \$ 1,257,653 | 21.2% |
| 12/31/2008 | 1,052,148 | 1,445,196 | 72.8% | 393,048 | 1,536,837 | 25.6% |
| 12/31/2009 | 1,337,183 | 1,810,429 | 73.9% | 473,246 | 1,658,452 | 28.5% |

The schedule of funding progress presents 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.

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

(continued)

IV. OTHER INFORMATION (Continued)

Other Postemployment Benefits (Continued)

Supplemental Death Benefits Fund (Continued)

The Town's contributions to the TMRS SDBF for the fiscal years ended 2010 and 2009 were \$2,070 and \$2,141, respectively, which equaled the required contributions each year. Fiscal year 2009 was the transition year for the implementation of GASB 45; therefore, two years of contributions are disclosed.

| Schedule of Contribution Rates | | | |
|---------------------------------------|--|--|--|
| Plan/ Calendar Year | Annual Required Contribution (Rate) | Actual Contribution Made (Rate) | Percentage of ARC Contributed |
| 2008 | 0.17% | 0.17% | 100% |
| 2009 | 0.12% | 0.12% | 100% |
| 2010 | 0.14% | 0.14% | 100% |

Risk Management

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

Contingent Liabilities

Litigation

The Town and Academy are currently involved in a lawsuit for wrongful termination brought by the former head of school and his wife, a former teacher. The Town and Academy deny liability. The lawsuit is being handled by the Academy's insurance carrier and no additional liability to the Academy is anticipated.

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

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

(continued)

IV. OTHER INFORMATION (Continued)

Contingent Liabilities (Continued)

Circle T Municipal Utility Districts

The Town has agreements in place with 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, AIL Investments, L.P. 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.

Westlake Academy Building Site

In 2002, the Town purchased 24.59 acres for the site of Westlake Academy and executed a Promissory Note in the amount of \$1,475,400 with a rate of 6% interest. The \$1,475,400 was placed into escrow in July, 2002. In July, 2003 the Escrow Agent delivered total funds in the amount of \$1,495,665 to the "Seller", leaving a balance of \$68,259 at that date. The "Seller" has informed the Town that this amount plus accrued interest is now payable. The Town is in negotiations with the "Seller" and contends that it has satisfied the terms and the intent of the sales agreement.

Subsequent Event

In December 2010, the Town Council approved a list of capital improvements, which are to be funded by a combination of cash from the Property Tax Reduction Fund, available fund balance in the General Fund and issuance of new debt. The debt is expected to be issued in early 2011 and the capital improvements are expected to be completed over the next five years.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF WESTLAKE, TEXAS

GENERAL FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| | General Fund | | | | Variance Favorable (Unfavorable) | |
|--|---------------------|---------------------|---------------------|-------------------|--|--|
| | Budgeted Amounts | | Actual | | | |
| | Original | Amended | | | | |
| REVENUES | | | | | | |
| Taxes | | | | | | |
| Sales | \$ 1,452,600 | \$ 1,574,000 | \$ 1,597,194 | \$ 23,194 | | |
| Mixed beverages | 17,750 | 17,750 | 17,902 | 152 | | |
| Franchise | 646,675 | 609,500 | 603,233 | (6,267) | | |
| Federal program revenues | 180 | - | - | - | | |
| Interest income | 11,200 | 14,425 | 24,220 | 9,795 | | |
| Building permits and fees | 505,220 | 1,877,165 | 1,746,954 | (130,211) | | |
| Fines and penalties | 547,460 | 578,860 | 647,170 | 68,310 | | |
| Contributions from others | - | 1,200 | 90,249 | 89,049 | | |
| Other miscellaneous income | 106,756 | 96,394 | 105,345 | 8,951 | | |
| Total revenues | <u>3,287,841</u> | <u>4,769,294</u> | <u>4,832,267</u> | <u>62,973</u> | | |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government and administration | 1,584,933 | 1,600,083 | 1,644,587 | (44,504) | | |
| Public safety | 1,869,429 | 1,865,364 | 1,634,936 | 230,428 | | |
| Cultural and recreational | 120,021 | 132,639 | 105,997 | 26,642 | | |
| Public works | 519,634 | 515,664 | 400,615 | 115,049 | | |
| Economic development | 488,327 | - | - | - | | |
| Capital Outlay | <u>23,000</u> | <u>23,000</u> | <u>-</u> | <u>23,000</u> | | |
| Total expenditures | <u>4,605,344</u> | <u>4,136,750</u> | <u>3,786,135</u> | <u>350,615</u> | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | | | |
| | <u>(1,317,503)</u> | <u>632,544</u> | <u>1,046,132</u> | <u>413,588</u> | | |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 541,000 | 213,000 | 123,000 | (90,000) | | |
| Transfers out | <u>(8,050)</u> | <u>(120,791)</u> | <u>(101,459)</u> | <u>19,332</u> | | |
| Total other financing sources (uses) | <u>532,950</u> | <u>92,209</u> | <u>21,541</u> | <u>(70,668)</u> | | |
| NET CHANGE IN FUND BALANCE | | | | | | |
| | <u>(784,553)</u> | <u>724,753</u> | <u>1,067,673</u> | <u>342,920</u> | | |
| FUND BALANCE, BEGINNING | | | | | | |
| | <u>2,725,312</u> | <u>2,725,312</u> | <u>2,725,312</u> | <u>-</u> | | |
| FUND BALANCE, ENDING | | | | | | |
| | <u>\$ 1,940,759</u> | <u>\$ 3,450,065</u> | <u>\$ 3,792,985</u> | <u>\$ 342,920</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, 2010

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) |
|--|-------------------------|-------------------|---------------------|---|
| | Original | Amended | Actual | |
| REVENUES | | | | |
| Taxes | | | | |
| Hotel occupancy | \$ 450,000 | \$ 450,000 | \$ 457,693 | \$ 7,693 |
| Interest income | 3,700 | 1,700 | 2,183 | 483 |
| Other miscellaneous income | 23,275 | 28,275 | 16,102 | (12,173) |
| Total revenues | <u>476,975</u> | <u>479,975</u> | <u>475,978</u> | <u>(3,997)</u> |
| EXPENDITURES | | | | |
| Visitors services | 424,696 | 507,336 | 420,270 | 87,066 |
| Total expenditures | <u>424,696</u> | <u>507,336</u> | <u>420,270</u> | <u>87,066</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>52,279</u> | <u>(27,361)</u> | <u>55,708</u> | <u>83,069</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (282,275) | (279,275) | (199,713) | 79,562 |
| Total other financing sources (uses) | <u>(282,275)</u> | <u>(279,275)</u> | <u>(199,713)</u> | <u>79,562</u> |
| NET CHANGE IN FUND BALANCE | <u>(229,996)</u> | <u>(306,636)</u> | <u>(144,005)</u> | <u>162,631</u> |
| FUND BALANCE, BEGINNING | <u>1,244,946</u> | <u>1,244,946</u> | <u>1,244,946</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ 1,014,950</u> | <u>\$ 938,310</u> | <u>\$ 1,100,941</u> | <u>\$ 162,631</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, 2010

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) |
|--|-------------------------|-------------------|-------------------|---|
| | Original | Amended | Actual | |
| REVENUES | | | | |
| State program revenues | \$ 3,637,109 | \$ 3,665,938 | \$ 3,687,706 | \$ 21,768 |
| Federal program revenues | 119,976 | 198,416 | 199,436 | 1,020 |
| Interest income | 3,000 | 625 | 908 | 283 |
| Other miscellaneous income | 552,464 | 678,294 | 655,601 | (22,693) |
| Total revenues | 4,312,549 | 4,543,273 | 4,543,651 | 378 |
| EXPENDITURES | | | | |
| Education | 4,015,713 | 4,321,524 | 4,138,875 | 182,649 |
| Debt Service | | | | |
| Principal Retirement | 38,703 | 38,703 | 38,703 | - |
| Interest | 3,297 | 2,793 | 2,793 | - |
| Total expenditures | 4,057,713 | 4,363,020 | 4,180,371 | 182,649 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 254,836 | 180,253 | 363,280 | (183,027) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (100,000) | (100,000) | (100,000) | - |
| Total other financing sources (uses) | (100,000) | (100,000) | (100,000) | - |
| NET CHANGE IN FUND BALANCE | 154,836 | 80,253 | 263,280 | 183,027 |
| FUND BALANCE, BEGINNING | 504,653 | 504,653 | 504,653 | - |
| FUND BALANCE, ENDING | \$ 659,489 | \$ 584,906 | \$ 767,933 | \$ 183,027 |

TOWN OF WESTLAKE, TEXAS

FM 1938 FUND

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| | <u>Budgeted Amounts</u> | | | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Amended</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Contributions | \$ <u> -</u> | \$ <u> -</u> | \$ <u> -</u> | \$ <u> -</u> |
| Total revenues | <u> -</u> | <u> -</u> | <u> -</u> | <u> -</u> |
| EXPENDITURES | | | | |
| Public Works | <u> -</u> | <u>1,264</u> | <u>1,264</u> | <u> -</u> |
| Total expenditures | <u> -</u> | <u>1,264</u> | <u>1,264</u> | <u> -</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u> -</u> | (<u>1,264</u>) | (<u>1,264</u>) | <u> -</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u> -</u> | <u>1,256</u> | <u>1,256</u> | <u> -</u> |
| Total other financing sources (uses) | <u> -</u> | <u>1,256</u> | <u>1,256</u> | <u> -</u> |
| NET CHANGE IN FUND BALANCE | <u> -</u> | (<u> 8</u>) | (<u> 8</u>) | <u> -</u> |
| FUND BALANCE, BEGINNING | <u> 8</u> | <u> 8</u> | <u> 8</u> | <u> -</u> |
| FUND BALANCE, ENDING | <u>\$ 8</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF WESTLAKE, TEXAS
PROPERTY TAX REDUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) |
|--|-------------------------|---------------------|---------------------|---|
| | Original | Amended | Actual | |
| REVENUES | | | | |
| Taxes | | | | |
| Sales | \$ 726,300 | \$ 912,000 | \$ 947,633 | \$ 35,633 |
| Interest income | 1,000 | 5,800 | 9,393 | 3,593 |
| Total revenues | <u>727,300</u> | <u>917,800</u> | <u>957,026</u> | <u>39,226</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>727,300</u> | <u>917,800</u> | <u>957,026</u> | <u>39,226</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (1,035,680) | (635,511) | (455,309) | 180,202 |
| Total other financing sources (uses) | <u>(1,035,680)</u> | <u>(635,511)</u> | <u>(455,309)</u> | <u>180,202</u> |
| NET CHANGE IN FUND BALANCE | (308,380) | 282,289 | 501,717 | 219,428 |
| FUND BALANCE, BEGINNING | <u>1,068,034</u> | <u>1,068,034</u> | <u>1,068,034</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ 759,654</u> | <u>\$ 1,350,323</u> | <u>\$ 1,569,751</u> | <u>\$ 219,428</u> |

TOWN OF WESTLAKE, TEXAS
VEHICLE/EQUIPMENT REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|------------------|--|
| | Original | Amended | Actual | |
| REVENUES | | | | |
| Interest income | \$ - | \$ 50 | \$ 63 | \$ 13 |
| Total revenues | <u>-</u> | <u>50</u> | <u>63</u> | <u>13</u> |
| EXPENDITURES | | | | |
| Capital Outlay | 41,000 | 41,000 | 27,536 | 13,464 |
| Total expenditures | <u>41,000</u> | <u>41,000</u> | <u>27,536</u> | <u>13,464</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (41,000) | (40,950) | (27,473) | 13,477 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 89,336 | 94,336 | 22,729 | (71,607) |
| Total other financing sources (uses) | <u>89,336</u> | <u>94,336</u> | <u>22,729</u> | <u>(71,607)</u> |
| NET CHANGE IN FUND BALANCE | 48,336 | 53,386 | (4,744) | (58,130) |
| FUND BALANCE, BEGINNING | <u>62,000</u> | <u>62,000</u> | <u>62,000</u> | <u>-</u> |
| FUND BALANCE, ENDING | \$ <u>110,336</u> | \$ <u>115,386</u> | \$ <u>57,256</u> | \$ <u>(58,130)</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, 2010

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) |
|--|-------------------------|-------------------|-------------------|---|
| | Original | Amended | Actual | |
| REVENUES | | | | |
| Taxes | | | | |
| Sales | \$ <u> -</u> | \$ <u>250,000</u> | \$ <u>298,073</u> | \$ <u>48,073</u> |
| Total revenues | <u> -</u> | <u>250,000</u> | <u>298,073</u> | <u>48,073</u> |
| EXPENDITURES | | | | |
| Economic Development | <u> -</u> | <u>285,758</u> | <u>333,831</u> | <u>(48,073)</u> |
| Total expenditures | <u> -</u> | <u>285,758</u> | <u>333,831</u> | <u>(48,073)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u> -</u> | <u>(35,758)</u> | <u>(35,758)</u> | <u> -</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u> -</u> | <u>35,758</u> | <u>35,758</u> | <u> -</u> |
| Total other financing sources (uses) | <u> -</u> | <u>35,758</u> | <u>35,758</u> | <u> -</u> |
| NET CHANGE IN FUND BALANCE | <u> -</u> | <u> -</u> | <u> -</u> | <u> -</u> |
| FUND BALANCE, BEGINNING | <u> -</u> | <u> -</u> | <u> -</u> | <u> -</u> |
| FUND BALANCE, ENDING | \$ <u> -</u> | \$ <u> -</u> | \$ <u> -</u> | \$ <u> -</u> |

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, 2010

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) |
|-----------------------------------|------------------|-----------|-----------|--|
| | Original | Amended | Actual | |
| REVENUES | | | | |
| Interest income | \$ 100 | \$ 100 | \$ 29 | \$(71) |
| Total revenues | 100 | 100 | 29 | (71) |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| NET CHANGE IN FUND BALANCE | 100 | 100 | 29 | (71) |
| FUND BALANCE, BEGINNING | 13,569 | 13,569 | 13,569 | - |
| FUND BALANCE, ENDING | \$ 13,669 | \$ 13,669 | \$ 13,598 | \$(71) |

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, 2010

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Amended | Actual | |
| REVENUES | | | | |
| Taxes | | | | |
| Sales | \$ 726,300 | \$ 912,000 | \$ 947,633 | \$ 35,633 |
| Interest income | 1,100 | 375 | 463 | 88 |
| Total revenues | <u>727,400</u> | <u>912,375</u> | <u>948,096</u> | <u>35,721</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Total expenditures | - | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>727,400</u> | <u>912,375</u> | <u>948,096</u> | <u>35,721</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (757,131) | (942,106) | (948,096) | (5,990) |
| Total other financing sources (uses) | <u>(757,131)</u> | <u>(942,106)</u> | <u>(948,096)</u> | <u>(5,990)</u> |
| NET CHANGE IN FUND BALANCE | (29,731) | (29,731) | - | 29,731 |
| FUND BALANCE, BEGINNING | <u>297,308</u> | <u>297,308</u> | <u>297,308</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ 267,577</u> | <u>\$ 267,577</u> | <u>\$ 297,308</u> | <u>\$ 29,731</u> |

TOWN OF WESTLAKE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010
(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 recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.
8. Expenditures exceeded appropriations in the general government and administration function of the General Fund. The excess was covered by unspent budget in other functions and available fund balances. Expenditures exceeded appropriations in the Economic Development Fund for the year. The deficit was covered by additional collections of revenue. In addition, transfers out exceeded appropriations in the 4B Economic Development Corporation Fund. The deficit was covered by additional collections of revenue.

INDIVIDUAL FUND SCHEDULE

TOWN OF WESTLAKE, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

| | <u>Final Budgeted</u> <u>Amounts</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|---|--------------------|--|
| REVENUES | | | |
| Contributions | \$ <u> -</u> | \$ <u> -</u> | \$ <u> -</u> |
| Total revenues | <u> -</u> | <u> -</u> | <u> -</u> |
| EXPENDITURES | | | |
| Debt service | | | |
| Principal retirement | 525,000 | 525,000 | - |
| Interest and other fiscal charges | 974,750 | 974,370 | 380 |
| Total expenditures | <u>1,499,750</u> | <u>1,499,370</u> | <u>380</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,499,750)</u> | <u>(1,499,370)</u> | <u>380</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | <u>1,499,750</u> | <u>1,499,370</u> | <u>(380)</u> |
| Total other financing sources (uses) | <u>1,499,750</u> | <u>1,499,370</u> | <u>(380)</u> |
| NET CHANGE IN FUND BALANCE | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, BEGINNING | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

STATISTICAL SECTION

STATISTICAL SECTION (Unaudited)

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

| Contents | Page |
|---|-------|
| 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> | 78-83 |
| Revenue Capacity <i>This schedule 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 5.</i> | 84 |
| 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> | 85-87 |
| 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> | 88-89 |
| 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> | 90-92 |

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

TOWN OF WESTLAKE, TEXAS

NET ASSETS BY COMPONENT

LAST FIVE FISCAL YEARS

(Accrual Basis of Accounting - unaudited)

| | | 2006 | 2007 | 2008 | 2009 | Fiscal Year | 2010 |
|---|--|----------------------|----------------------|----------------------|----------------------|----------------------|-------------|
| Governmental activities: | | | | | | | |
| Invested in capital assets, net of related debt | | \$ 9,171,657 | \$ 9,646,644 | \$ 10,313,743 | \$ 13,244,690 | \$ 13,633,485 | |
| Restricted | | 1,406,756 | 1,719,771 | 2,004,763 | 1,761,067 | 1,564,868 | |
| Unrestricted | | 3,023,875 | 3,305,542 | 3,835,751 | 4,122,185 | 5,866,046 | |
| Total governmental activities net assets | | \$ <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> | |
| Business-type activities: | | | | | | | |
| Invested in capital assets, net of related debt | | \$ 8,436,729 | \$ 8,097,807 | \$ 7,726,576 | \$ 7,349,032 | \$ 7,033,831 | |
| Unrestricted | | (<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>) | |
| Total business-type activities net assets | | \$ <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> | |
| Primary government: | | | | | | | |
| Invested in capital assets, net of related debt | | \$ 17,608,386 | \$ 17,744,451 | \$ 18,040,319 | \$ 20,593,722 | \$ 20,667,316 | |
| Restricted | | 1,406,756 | 1,719,771 | 2,004,763 | 1,761,067 | 1,564,868 | |
| Unrestricted | | 1,177,024 | 1,297,299 | 1,838,470 | 2,176,607 | 3,862,446 | |
| Total primary government net assets | | \$ <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> | |

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Source: Annual financial reports

Table 2

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

| EXPENSES | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Governmental activities: | | | | | |
| General government | \$ 1,811,281 | \$ 1,941,289 | \$ 2,031,460 | \$ 2,203,882 | \$ 2,272,127 |
| Public Safety | 1,705,528 | 1,738,080 | 1,795,782 | 1,939,441 | 1,698,164 |
| Cultural and Recreational | 91,444 | 86,560 | 129,641 | 115,770 | 105,997 |
| Economic Development | 35,759 | 120,753 | 473,451 | 207,044 | 309,653 |
| Public Works | 613,956 | 455,481 | 1,013,804 | 1,028,934 | 594,705 |
| Visitor Services | 393,115 | 217,992 | 312,777 | 341,270 | 420,270 |
| Education | 2,249,998 | 2,672,698 | 3,305,220 | 3,722,705 | 4,138,875 |
| Interest on long-term debt | 1,021,779 | 869,327 | 991,184 | 1,068,935 | 1,026,026 |
| Total governmental activities expenses | <u>7,922,860</u> | <u>8,102,180</u> | <u>10,053,319</u> | <u>10,627,981</u> | <u>10,565,817</u> |
| Business-type activities: | | | | | |
| Water and Sewer | 2,137,831 | 2,206,618 | 2,410,765 | 2,694,407 | 2,567,675 |
| Cemetery | - | - | 13,299 | 473 | 27,822 |
| Total business-type activities expenses | <u>2,137,831</u> | <u>2,206,618</u> | <u>2,424,064</u> | <u>2,694,880</u> | <u>2,595,497</u> |
| Total primary government program expenses | <u>\$ 10,060,691</u> | <u>\$ 10,308,798</u> | <u>\$ 12,477,383</u> | <u>\$ 13,322,861</u> | <u>\$ 13,161,314</u> |
| PROGRAM REVENUES | | | | | |
| Governmental activities: | | | | | |
| Fees, fines, and charges for services: | | | | | |
| General Government | \$ 742,176 | \$ 785,771 | \$ 522,215 | \$ 677,948 | \$ 716,624 |
| Public Safety | 136,870 | 165,255 | 113,755 | 107,634 | 80,665 |
| Public Works | 699,753 | 625,340 | 902,875 | 594,338 | 1,597,655 |
| Education | 98,357 | 85,925 | 42,839 | 98,314 | 102,406 |
| Operating grants and contributions | 3,686,964 | 1,257,058 | 1,296,378 | 1,522,935 | 853,151 |
| Capital grants and contributions | 1,455,626 | - | - | 2,059,624 | 83,250 |
| Total governmental activities program revenues | <u>6,819,746</u> | <u>2,919,349</u> | <u>2,878,062</u> | <u>5,060,793</u> | <u>3,433,751</u> |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Water and Sewer | 1,842,238 | 1,657,186 | 2,037,306 | 2,345,236 | 2,101,510 |
| Cemetery | 19,653 | - | 2,100 | - | 5,550 |
| Operating grants and contributions | - | - | 169,034 | - | 46,810 |
| Capital grants and contributions | | | | | |
| Total business-type activities program revenues | <u>\$ 1,861,891</u> | <u>\$ 1,657,186</u> | <u>\$ 2,208,440</u> | <u>\$ 2,345,236</u> | <u>\$ 2,153,870</u> |
| Total primary government program revenues | <u>\$ 8,681,637</u> | <u>\$ 4,576,535</u> | <u>\$ 5,086,502</u> | <u>\$ 7,406,029</u> | <u>\$ 5,587,621</u> |

(Continued)

Table 2

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

| | Fiscal Year | | |
|---|---------------------|-------------------|-------------------|
| | 2006 | 2007 | 2008 |
| NET (EXPENSE) REVENUES | | | |
| Governmental activities | \$ 1,103,114 | \$ 5,182,831 | \$ 7,175,257 |
| Business-type activities | (275,940) | (549,432) | (215,624) |
| Total primary government net expense | (1,379,054) | (5,732,263) | (7,390,881) |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS | | | |
| Governmental activities: | | | |
| Taxes | \$ 1,810,706 | \$ 2,197,756 | \$ 3,590,575 |
| Sales | 415,544 | 458,471 | 527,662 |
| Hotel Occupancy | 13,674 | 14,066 | 16,177 |
| Mixed Beverage | | | 17,869 |
| Franchise | 457,004 | 560,312 | 649,108 |
| Unrestricted grants and contributions | 1,822,200 | 2,259,643 | 2,500,817 |
| Investment earnings | 98,824 | 261,622 | 188,459 |
| Miscellaneous | 448,827 | 466,654 | 564,973 |
| Transfers | 45,319 | 33,976 | 220,819 |
| Total governmental activities | <u>5,112,098</u> | <u>6,252,500</u> | <u>8,258,590</u> |
| Business-type activities: | | | |
| Investment earnings | 25,604 | 46,158 | 32,103 |
| Miscellaneous | 56,025 | 36,936 | 44,071 |
| Transfers | (45,319) | (33,976) | (220,819) |
| Total business-type activities | <u>36,310</u> | <u>49,118</u> | <u>(144,645)</u> |
| Total primary government | <u>5,148,408</u> | <u>6,301,618</u> | <u>8,113,945</u> |
| CHANGE IN NET ASSETS | | | |
| Governmental activities | 4,008,984 | 1,069,669 | 1,083,333 |
| Business-type activities | (239,630) | (500,314) | (360,269) |
| Total primary government | <u>\$ 3,769,354</u> | <u>\$ 569,355</u> | <u>\$ 723,064</u> |

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Source: Annual financial reports

(Concluded)

Table 3

TOWN OF WESTLAKE, TEXAS

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

| | Fiscal Year | | | | | |
|------------------------------------|--------------|---------------|--------------|--------------|--------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| General fund | | | | | | |
| Reserved | \$ 2,006,348 | \$ 1,700,025 | \$ 1,608,248 | \$ 1,608,248 | \$ 329,608 | \$ 131,657 |
| Unreserved | | | | | | |
| Total general fund | \$ 2,006,348 | \$ 1,700,025 | \$ 1,608,248 | \$ 1,608,248 | \$ 1,000,073 | \$ 937,426 |
| All other governmental funds | | | | | | |
| Reserved | \$ 6,002,623 | \$ 5,287,758 | \$ 539,019 | \$ 818,525 | \$ 779,244 | \$ 869,694 |
| Special revenue funds | - | 11,071,320 | 2,748,579 | 213,297 | - | 102,687 |
| Capital projects funds | | | | | | |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | - | - | - | 12,391 | 181,960 | 427,720 |
| Total all other governmental funds | \$ 6,002,623 | \$ 16,359,078 | \$ 3,287,598 | \$ 1,044,213 | \$ 961,204 | \$ 1,400,101 |
| | | | | | | |
| | | | | | | |

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

Table 4

TOWN OF WESTLAKE, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

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

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 2,663,738 | \$ 1,863,255 | \$ 1,874,312 | \$ 1,656,628 | \$ 1,741,788 | \$ 2,696,928 | \$ 3,230,605 | \$ 4,783,522 | \$ 4,804,448 | \$ 4,869,361 |
| Licenses, fees and permits | 700,313 | 253,919 | 508,154 | 802,060 | 740,027 | 748,016 | 900,121 | 1,108,083 | 860,697 | 1,746,954 |
| Fines and penalties | 401,755 | 548,375 | 680,794 | 1,007,142 | 751,036 | 651,090 | 554,376 | 523,515 | 647,170 | 647,170 |
| State program revenues | 53,309 | 995,784 | 1,597,362 | 1,925,043 | 2,387,733 | 2,673,680 | 3,163,129 | 3,687,706 | 3,687,706 | 3,687,706 |
| Federal program revenues | 311,298 | 462,315 | 285,392 | 75,662 | 49,200 | 75,207 | 56,134 | 199,436 | 199,436 | 199,436 |
| Investment earnings | 343,107 | 351,243 | 151,591 | 33,180 | 41,786 | 98,824 | 261,622 | 188,459 | 61,224 | 38,383 |
| Contributions | | | | 1,286,611 | 1,324,264 | 4,964,085 | 1,079,768 | 1,048,308 | 1,264,262 | 533,400 |
| Other revenues | 1,475 | 233,675 | 16,099 | 184,221 | 292,690 | 547,184 | 552,579 | 607,812 | 673,400 | 779,044 |
| Total revenues | <u>3,708,633</u> | <u>3,103,847</u> | <u>3,463,138</u> | <u>6,101,593</u> | <u>7,030,451</u> | <u>11,806,778</u> | <u>9,112,718</u> | <u>11,039,447</u> | <u>11,406,809</u> | <u>12,501,454</u> |
| EXPENDITURES | | | | | | | | | | |
| General government | 857,217 | 1,592,597 | 1,087,368 | 1,725,211 | 2,243,162 | 2,542,295 | 1,385,492 | 1,516,346 | 1,519,600 | 1,644,587 |
| Public safety | 409,512 | 1,007,589 | 1,282,112 | 1,547,857 | 1,554,115 | 1,627,641 | 1,665,879 | 1,731,317 | 1,890,469 | 1,634,936 |
| Cultural and recreational | 5,967 | 10,472 | 14,043 | 9,099 | 96,617 | 91,444 | 86,560 | 129,641 | 115,770 | 105,997 |
| Economic development | 661,077 | 1,093,673 | 56,832 | 53,006 | 35,758 | 35,759 | 141,197 | 495,071 | 229,907 | 401,879 |
| Public works | - | - | 68,979 | 125,499 | 112,764 | 434,716 | 276,789 | 846,604 | 841,822 | 333,831 |
| Protective inspection | - | - | 187,922 | 80,935 | 172,542 | 448,604 | 393,115 | - | - | - |
| Visitor services | - | - | 131,395 | 1,877,398 | 2,249,998 | 2,672,698 | 226,992 | 312,777 | 341,270 | 420,270 |
| Education | - | - | 156,870 | 1,368,113 | 1,877,398 | 2,249,998 | 3,305,220 | 3,722,705 | 4,138,875 | 4,138,875 |
| Debt service | | | | | | | | | | |
| Principal | - | - | 1,475,400 | - | 350,000 | 470,000 | 395,000 | 593,937 | 563,703 | 563,703 |
| Interest | - | 78,012 | 836,533 | 986,534 | 1,028,104 | 1,028,634 | 1,240,950 | 923,944 | 990,641 | 977,163 |
| Bond issuance cost | | | | | | | | 33,000 | - | - |
| Capital outlay | <u>174,959</u> | <u>1,344,137</u> | <u>14,096,533</u> | <u>2,917,185</u> | <u>263,681</u> | <u>371,860</u> | <u>836,787</u> | <u>463,918</u> | <u>4,335,114</u> | <u>682,103</u> |
| Total expenditures | <u>2,108,732</u> | <u>5,126,480</u> | <u>19,393,987</u> | <u>8,985,981</u> | <u>7,660,203</u> | <u>9,125,462</u> | <u>9,003,344</u> | <u>10,152,838</u> | <u>14,581,235</u> | <u>10,903,344</u> |
| EXCESS (DEFICIENCY) | | | | | | | | | | |
| OF REVENUES OVER (UNDER) EXPENDITURES | \$ 1,599,901 | \$ (2,022,633) | \$ (15,930,849) | \$ (2,884,388) | \$ (629,752) | \$ 2,681,316 | \$ 109,374 | \$ 886,609 | \$ (3,174,426) | \$ 1,598,110 |

(Continued)

Table 4

TOWN OF WESTLAKE, TEXAS

CHANGES IN FINANCIAL BALANCES GOVERNMENT FUNDS

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

| OTHER FINANCING SOURCES (USES): | Fiscal Year | | | | | |
|---|-------------|---------------|--------------|------------|------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Proceeds from sale of land | \$ - | \$ 12,400,000 | \$ 6,351,613 | \$ - | \$ 412,239 | \$ - |
| Issuance of debt | - | - | - | - | - | - |
| Refunding bonds issued | | | | | | |
| Payments to bond escrow agent | | | | | | |
| Cost to issue debt | (451,613) | | | | | |
| Proceeds from capital lease | | | | | | |
| Transfer in from component u | - | 1,155,912 | - | - | - | - |
| Transfers in | - | 588,852 | 225,000 | 172,010 | 704,577 | 1,212,558 |
| Transfers out | - | (588,852) | (225,000) | (100,153) | (659,258) | (1,178,582) |
| Total other financing sources (uses) | - | 12,400,000 | 7,055,912 | - | 484,096 | 45,319 |
| Prior period adjustment | | | | | | |
| Correction of an error | | | | | | |

\$ 1,599,901 \$ 10,050,132 \$ (8,874,937) \$ (2,851,560) \$ (145,656) \$ 2,786,635 \$ 542,644 \$ 3,607,428 \$ (2,995,465) \$ 1,598,110

DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL

15.0%
15.4%
14.0%
20.9%
15.7%
13.9%
16.3%
43.6%
2.1%
%
-

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)

Table 5

TOWN OF WESTLAKE, TEXAS
TAXABLE SALES BY INDUSTRY TYPE

LAST FIVE FISCAL YEARS
(Unaudited)

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

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.

The Town does not currently levy property tax. The main source of direct rate revenue is sales tax, which does not have overlapping governments.

Source: Texas State Comptroller reports

Table 6

TOWN OF WESTLAKE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST NINE FISCAL YEARS

| Fiscal Year | General Bonded Debt Outstanding | | | Percentage of Actual Taxable Sales | Per Capita |
|-------------|---------------------------------|----------------------------|---------------|------------------------------------|------------|
| | General Obligation Bonds | Certificates of Obligation | Total | | |
| 2002 | \$ - | \$ 12,400,000 | \$ 12,400,000 | 21.00% | \$ 42,907 |
| 2003 | - | 18,810,000 | 18,810,000 | 15.77% | 62,079 |
| 2004 | - | 18,810,000 | 18,810,000 | 21.31% | 57,348 |
| 2005 | - | 18,810,000 | 18,810,000 | 18.91% | 52,986 |
| 2006 | - | 18,460,000 | 18,460,000 | 10.19% | 26,447 |
| 2007 | 7,365,000 | 11,755,000 | 19,120,000 | 13.05% | 27,198 |
| 2008 | 9,850,000 | 11,375,000 | 21,225,000 | 11.82% | 27,038 |
| 2009 | 9,735,000 | 10,975,000 | 20,710,000 | 11.30% | 26,382 |
| 2010 | 9,630,000 | 10,555,000 | 20,185,000 | 10.65% | 23,831 |

Note: 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 9 for population data.

TOWN OF WESTLAKE, TEXAS

Table 7

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 | Other Contractual Obligations | | | | |
| 2001 | \$ - | \$ - | \$ - | \$ 6,145,944 | \$ 6,145,944 | 55% | \$ 24,102 | |
| 2002 | - | 12,400,000 | - | 6,113,904 | 18,513,904 | 143% | 64,062 | |
| 2003 | - | 18,810,000 | - | 6,100,577 | 24,910,577 | 178% | 82,213 | |
| 2004 | - | 18,810,000 | - | 6,027,387 | 24,837,387 | 159% | 75,724 | |
| 2005 | - | 18,810,000 | - | 5,980,921 | 24,790,921 | 143% | 69,834 | |
| 2006 | - | 18,460,000 | - | 5,878,381 | 24,338,381 | 69% | 34,869 | |
| 2007 | 7,365,000 | 11,755,000 | 23,000 | 5,822,299 | 24,965,299 | 68% | 35,513 | |
| 2008 | 9,850,000 | 11,375,000 | 15,264 | 5,763,022 | 27,003,286 | 64% | 34,399 | |
| 2009 | 9,735,000 | 10,975,000 | 46,559 | 5,734,191 | 26,490,750 | 27% | 33,746 | |
| 2010 | 9,630,000 | 10,555,000 | - | 5,658,888 | 25,843,888 | 24% | 30,512 | |

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 9 for personal income and population data.

Table 8

TOWN OF WESTLAKE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2010
(Unaudited)

| Taxing Body | Amount of Debt Outstanding | Overlapping | | |
|---|-------------------------------|-------------|---------|----------------------|
| | | As of | Percent | Amount |
| Keller ISD (net debt) | \$ 726,828,078 | 09/01/2009 | 4.57% | \$ 33,216,043 |
| Northwest ISD (net debt) | 503,926,021 | 09/30/2008 | 0.50% | 2,519,630 |
| Carroll ISD (gross debt) | 195,080,040 | 03/31/2010 | 5.72% | 11,158,578 |
| Trophy Club MUD #1 (net debt) | 7,713,250 | 03/31/2010 | 36.99% | 2,853,131 |
| Tarrant County Hospital District (gross debt) | 28,000,000 | 03/31/2010 | 0.76% | 212,800 |
| Tarrant County College (net debt) | 36,495,000 | 03/31/2010 | 0.76% | 277,362 |
| Tarrant County (net debt) | 321,866,349 | 01/31/2009 | 0.76% | 2,446,184 |
| Total Overlapping Debt | | | | 52,683,729 |
| Town of Westlake Outstanding Debt | | | | 20,185,000 |
| Total Direct & Overlapping Debt | | | | <u>\$ 72,868,729</u> |

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

Table 9

TOWN OF WESTLAKE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
(Unaudited)

| Calendar Year | Estimated Population | Personal Income | Per Capita Personal Income | Tarrant County Unemployment Rate |
|----------------------|-----------------------------|------------------------|-----------------------------------|---|
| 2001 | 255 | \$ 11,093,548 | \$ 43,504 | 4.5% |
| 2002 | 289 | 12,949,868 | 44,809 | 6.1% |
| 2003 | 303 | 13,984,514 | 46,154 | 6.3% |
| 2004 | 328 | 15,592,502 | 47,538 | 5.6% |
| 2005 | 355 | 17,382,312 | 48,964 | 5.1% |
| 2006 | 698 | 35,202,364 | 50,433 | 4.7% |
| 2007 | 703 | 36,518,166 | 51,946 | 4.3% |
| 2008 | 785 | 42,001,086 | 53,505 | 4.9% |
| 2009 | 785 | 98,190,940 | 125,084 | 7.7% |
| 2010 | 847 | 109,124,532 | 128,837 | 8.2% |

Sources: Population for 2000 is from the 2000 census. 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. Fiscal Years 2001 through 2003 are estimated.

Tarrant County Unemployment Rate information taken from Texas Workforce Commission.

American Community Survey (ACS)

Note: Due to the size of the Town, per capita personal income was not available except for information taken from the 2000 census. Estimates have been made based on a 3% annual increase in cost of living.

TOWN OF WESTLAKE, TEXAS

Table 10

PRINCIPAL EMPLOYERS

CURRENT FISCAL YEAR

(Unaudited)

| Employer | Employees | 2010 | |
|-----------------------------------|------------------|--|--|
| | | Percentage of Estimated Total Town Employment | |
| Fidelity Investments | 3,600 | 41.63% | |
| Core Logic | 2,400 | 27.76% | |
| Wells Fargo | 600 | 6.94% | |
| Chrysler Financial | 950 | 10.99% | |
| McKesson Corporation | 187 | 2.16% | |
| Marriott Solana Hotel | 150 | 1.73% | |
| Walco International | 159 | 1.84% | |
| Vaquero Club | 132 | 1.53% | |
| Levi Strauss | 92 | 1.06% | |
| Town of Westlake/Westlake Academy | 83 | 0.96% | |
| Total | 8,353 | 97% | |

Note: Information on the Principal Employers from 1999 is not available. Information will be accumulated over the next ten years until a ten-year prior comparison can be made.

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

Table 11

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

| Function/Program | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| General government | | | | | | | | | | |
| Town manager | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Assistant to town manager | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Administrative | 0.50 | 1.50 | 1.50 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00 | 0.75 | 0.50 |
| Building official | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.33 |
| Town secretary | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Facilities/Grounds maintenance | 0.00 | 0.00 | 0.00 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 1.08 |
| Municipal | 0.00 | 2.00 | 2.00 | 3.50 | 3.75 | 3.75 | 4.00 | 4.00 | 4.25 | 4.50 |
| Finance | 0.00 | 1.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Payroll/Human Resources | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.00 | 1.33 | 1.33 |
| Public safety (EMS) | 0.00 | 1.00 | 10.00 | 10.00 | 10.00 | 11.00 | 11.00 | 11.00 | 9.00 | 9.00 |
| Culture and recreation | 0.00 | 0.00 | 0.00 | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.92 |
| Public works | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.50 | 1.50 | 1.50 |
| Marketing and public affairs | 0.00 | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Education | 0.00 | 0.00 | 0.00 | 20.50 | 25.15 | 32.40 | 36.40 | 43.00 | 48.10 | 55.62 |
| Total | 3.50 | 8.50 | 19.50 | 44.50 | 49.40 | 57.65 | 60.40 | 69.00 | 74.09 | 81.62 |

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.

Table 12

TOWN OF WESTLAKE, TEXAS
OPERATING INDICATORS
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

| Function/Program | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|
| General government | | | | | | | | | | |
| Building permits issued | 13 | 19 | 27 | 54 | 53 | 36 | 64 | 60 | 49 | 21 |
| Building permit values | \$ 8,684,000 | \$ 12,495,020 | \$ 23,620,817 | \$ 46,698,935 | \$ 56,415,093 | \$ 42,910,780 | \$ 46,923,814 | \$ 180,707,159 | \$ 39,278,318 | \$ 27,575,445 |
| Police (Contract with Keller PD) | | | | | | | | | | |
| Motor vehicle stops | 3,968 | 3,968 | 9,993 | 9,237 | 9,586 | 8,992 | 10,045 | 10,357 | 9,247 | 9,763 |
| Traffic accident investigations | 86 | 86 | 91 | 180 | 163 | 164 | 225 | 208 | 266 | 273 |
| Part I crimes | 16 | 16 | 46 | 19 | 26 | 30 | 25 | 26 | 23 | 19 |
| DWI arrests | 55 | 55 | 117 | 70 | 86 | 56 | 53 | 45 | 24 | 32 |
| Fire/EMS | | | | | | | | | | |
| Fire runs | N/A | N/A | N/A | 108 | 78 | 148 | 136 | 153 | 169 | 118 |
| Ambulance runs | N/A | N/A | N/A | 150 | 115 | 135 | 207 | 251 | 159 | 184 |
| Inspections | | | | N/A | N/A | 89 | 161 | 96 | 132 | 15 |
| Public Works - General | | | | | | | | | | |
| Street resurfacing (sq. footage) | 0.00 | 0.00 | 1.65 | 1.30 | 0.00 | 1.35 | 1.01 | 0.00 | 0.00 | 0.00 |
| Potholes repaired | 0.00 | 0.00 | 0.00 | 40.00 | 40.00 | 20.00 | 0.00 | 20.00 | 10.00 | 5.00 |
| Public Works - Utility | | | | | | | | | | |
| Number of water accounts | 67 | 102 | 130 | 177 | 271 | 338 | 386 | 419 | 437 | 478 |
| Water main breaks | N/A | N/A | N/A | 1 | 3 | 3 | 2 | 4 | 5 | 6 |
| Avg daily consumption MG (water) | 0.269 | 0.404 | 0.382 | 0.501 | 0.817 | 1.031 | 0.729 | 0.999 | 1.020 | 0.889 |
| Peak daily consumption MG (water) | 2,203 | 1,820 | 1,244 | 1,423 | 2,198 | 2,677 | 1,978 | 2,060 | 2,740 | 2,460 |
| System capacity - MG (water) | 0.685 | 0.685 | 0.685 | 1.685 | 1.685 | 1.685 | 1.685 | 1.685 | 1.685 | 1,685 |
| Water purchased (in gallons x 000) | 98,229 | 147,423 | 138,288 | 183,356 | 298,124 | 376,264 | 266,158 | 364,764 | 372,933 | 324,843 |
| Water sold (in gallons x 1000) | N/A | 154,702 | 127,998 | 150,869 | 230,657 | 338,085 | 246,280 | 340,743 | 313,495 | 290,000 |
| Wastewater | | | | | | | | | | |
| Number of new sewer connections | 40 | 75 | 105 | 139 | 179 | 211 | 235 | 240 | 251 | 254 |
| Avg daily sewage treatment (thousands of gallons) | 0.0630 | 0.0610 | 0.0710 | 0.0950 | 0.1270 | 0.1320 | 0.1370 | 0.124 | 0.101 | 0.063 |

Source: Various Town departments
Notes: N/A represents information that is unavailable.

Table 13

TOWN OF WESTLAKE, TEXAS
CAPITAL ASSET STATISTICS
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(Unaudited)

| Function/Program | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|-----------|--------|--------|--------|--------|--------|--------|----------|--------|--------|
| Fire Stations | 0.00 | 0.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Public Works - Utility | | | | | | | | | | |
| Pump station | 1.00 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Lift station | 0.00 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Telecommunications Duct Bank (LF) | 0.00 | 21,573 | 24,073 | 36,703 | 38,303 | 38,303 | 43,703 | 49,103 | 51,803 | 51,803 |
| Telecommunications Duct Bank Manhole: | 0.00 | 53 | 58 | 91 | 95 | 95 | 104 | 113 | 122 | 122 |
| Water | | | | | | | | | | |
| Water mains (LF) | 24,000.00 | 34,000 | 48,000 | 52,000 | 57,500 | 58,300 | 59,200 | 64,600 | 70,000 | 79,000 |
| Fire hydrants | 10.00 | 24 | 55 | 76 | 95 | 119 | 119 | 130 | 130 | 154 |
| Storage capacity MG | 0.69 | 0.69 | 0.69 | 1.69 | 1.69 | 1.68 | 1.69 | 1,685.00 | 1,69 | 1,69 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (LF) | 8,700.00 | 15,300 | 18,100 | 20,000 | 15,000 | 35,000 | 35,000 | 39,300 | 39,300 | 49,900 |
| Manholes | 20.00 | 50 | 115 | 160 | 200 | 250 | 250 | 267 | 284 | 304 |
| Public Works - Utility | | | | | | | | | | |
| Streets (miles) | 10.50 | 10.80 | 10.80 | 10.80 | 10.80 | 10.80 | 10.80 | 10.80 | 10.80 | 10.80 |
| Highways (miles) | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Streetlights | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Traffic signals (school zone flashers) | 0.00 | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 13.50 | 14 | 14 | 14 | 14 | 19 | 19 | 25 | 25 | 25 |
| Playgrounds | 0.00 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Softball/soccer field | 0.00 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Football field | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |

Source: Various Town departments

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

COMPLIANCE SECTION

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

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

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the Town of Westlake, Texas, (the “Town”) as of and for the year ended September 30, 2010, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated February 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town’s financial statements that is more than inconsequential will not be prevented or detected by the Town’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town’s internal control.

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

Compliance and Other Matters

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

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

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

February 22, 2011