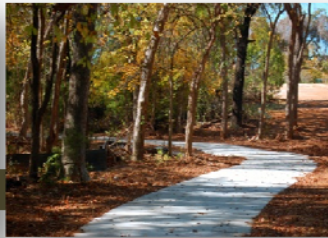


# Town of Westlake, Texas Comprehensive Annual Financial Report

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](http://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 12<sup>th</sup> 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**

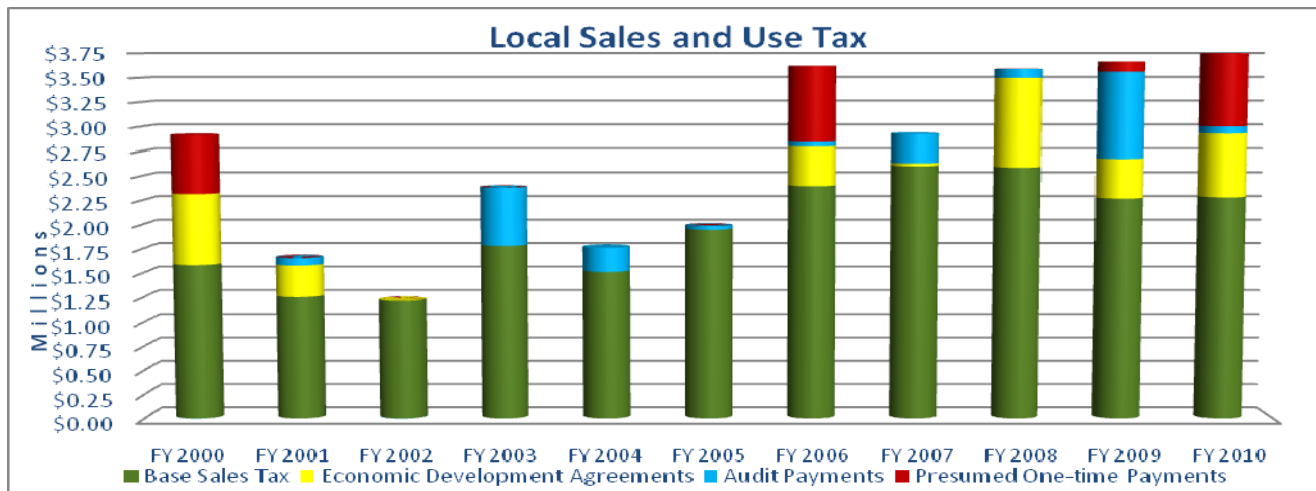
There is no question that Texas, and especially the Fort Worth-Dallas Metroplex, has fared better than most of the country in the current recession. Nonetheless, the Town of Westlake has been affected by the current economic downturn, as have other municipalities across our area, state, and nation. This 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 "situated 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**

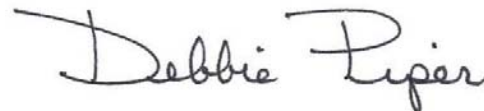
The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to Town employees throughout the organization, especially those employees who were instrumental in the successful completion of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

Presented to

Town of Westlake  
Texas

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

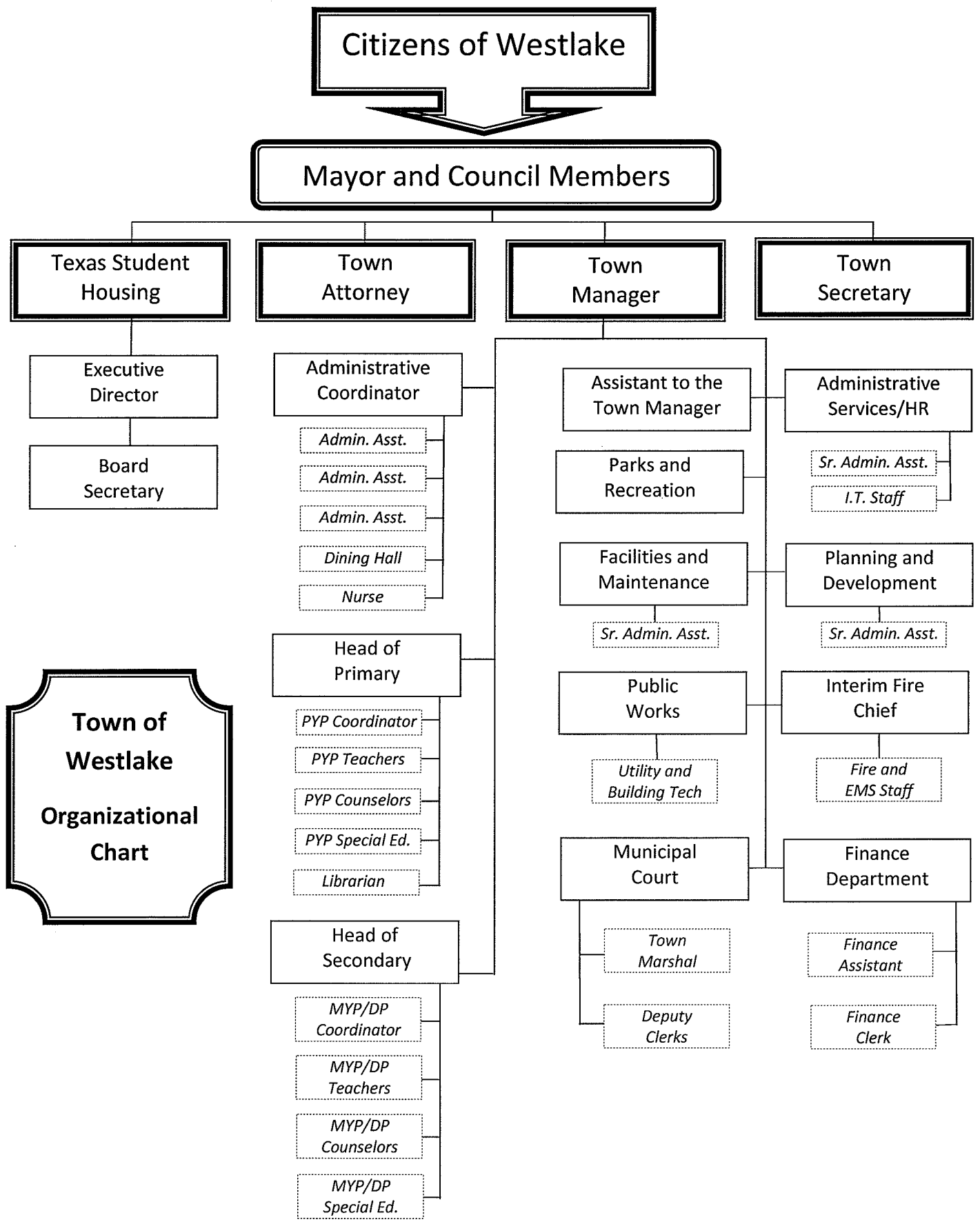
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

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.

*Patillo, 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	33,051,736	33,197,958	12,692,719	13,083,223	45,744,455	46,281,181
Total Assets	42,305,331	40,792,571	14,859,713	14,809,765	57,165,044	55,602,336
Long-term liabilities outstanding	19,241,788	19,721,208	5,589,204	5,658,888	24,830,992	25,380,096
Other liabilities	1,999,144	1,943,421	4,240,278	3,747,423	6,239,422	5,690,844
Total Liabilities	21,240,932	21,664,629	9,829,482	9,406,311	31,070,414	31,070,940
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	1,564,868	1,773,068	-	-	1,564,868	1,773,068
Unrestricted	5,866,046	4,110,185	(2,003,600)	(1,945,578)	3,862,446	2,164,607
Total Net Assets	\$ 21,064,399	\$ 19,127,942	\$ 5,030,231	\$ 5,403,454	\$ 26,094,630	\$ 24,531,396

**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
<b>Revenues:</b>						
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	676,638	568,782	60,070	77,266	736,708	646,048
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>
<b>Expenses:</b>						
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	-	-	27,822	473	27,822	473
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	<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>

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	\$ <u>19,828,669</u>	\$ <u>20,316,945</u>	\$ <u>5,668,692</u>	\$ <u>5,734,191</u>	\$ <u>25,497,361</u>	\$ <u>26,051,136</u>

## 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	
<b>ASSETS</b>				
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>
<b>LIABILITIES</b>				
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>
<b>NET ASSETS</b>				
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	<u>10,565,817</u>	<u>2,497,350</u>	<u>853,151</u>	<u>83,250</u>
Business-type activities:				
Water utilities	2,567,675	2,101,510	46,810	-
Cemetery	27,822	5,550	-	-
Total business-type activities	<u>2,595,497</u>	<u>2,107,060</u>	<u>46,810</u>	<u>-</u>
Total primary government	<u>\$ 13,161,314</u>	<u>\$ 4,604,410</u>	<u>\$ 899,961</u>	<u>\$ 83,250</u>
Component units:				
Business-type activities	\$ 22,211,846	\$ 16,199,988	\$ -	\$ -
Total component units	<u>\$ 22,211,846</u>	<u>\$ 16,199,988</u>	<u>\$ -</u>	<u>\$ -</u>

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

# TOWN OF WESTLAKE, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

	General	Visitors Association	Westlake Academy	Debt Service Fund	Capital Projects
<b>ASSETS:</b>					
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	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 4,088,655</b>	<b>\$ 1,141,164</b>	<b>\$ 1,142,346</b>	<b>\$ -</b>	<b>\$ 329,091</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	295,670	40,223	374,413	-	91,914
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>295,670</b>	<b>40,223</b>	<b>374,413</b>	<b>-</b>	<b>91,914</b>
<b>Fund Equity:</b>					
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	-	-
<b>Total fund equity</b>	<b>3,792,985</b>	<b>1,100,941</b>	<b>767,933</b>	<b>-</b>	<b>237,177</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 4,088,655</b>	<b>\$ 1,141,164</b>	<b>\$ 1,142,346</b>	<b>\$ -</b>	<b>\$ 329,091</b>

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

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

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

Net assets of governmental activities

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

<u>FM 1938 Fund</u>	<u>Property Tax Reduction Fund</u>	<u>Vehicle/Equip. Replacement Fund</u>	<u>Economic Development Fund</u>	<u>Lone Star Public Facility Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total Governmental Funds</u>
\$ -	\$ 219,204	\$ 62,064	\$ 4,280	\$ 13,598	\$ 169,710	\$ 4,040,499
-	807,427	-	-	-	-	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
-	1,569,751	45,256	-	13,598	297,308	6,272,081
<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>
<b>REVENUES:</b>			
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	105,345	16,102	655,601
Total revenues	<u>4,832,267</u>	<u>475,978</u>	<u>4,543,651</u>
<b>EXPENDITURES:</b>			
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>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,046,132</u>	<u>55,708</u>	<u>363,280</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
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>
<b>NET CHANGE IN FUND BALANCES</b>	1,067,673	( 144,005)	263,280
<b>FUND BALANCES, BEGINNING</b>	<u>2,725,312</u>	<u>1,244,946</u>	<u>504,653</u>
<b>FUND BALANCES, ENDING</b>	<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.

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

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

(continued)

	<u>Lone Star Public Facility Corporation</u>	<u>4B Economic Development Corporation</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
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>
<b>EXPENDITURES:</b>			
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	-	-	977,163
Total expenditures	<u>-</u>	<u>-</u>	<u>10,903,344</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>29</u>	<u>948,096</u>	<u>1,598,110</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	1,804,577
Transfers out	-	(948,096)	( 1,804,577)
Total other financing sources (uses)	<u>-</u>	<u>(948,096)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	29	-	1,598,110
<b>FUND BALANCES, BEGINNING</b>	<u>13,569</u>	<u>297,308</u>	<u>6,238,839</u>
<b>FUND BALANCES, ENDING</b>	<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
<b>ASSETS</b>			
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	128,490	-	128,490
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	( 4,323,584)	-	( 4,323,584)
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>
<b>LIABILITIES</b>			
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	78,508	-	78,508
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	5,580,380	-	5,580,380
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>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,033,831	-	7,033,831
Unrestricted	( 2,144,749)	141,149	( 2,003,600)
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**

<b>Business-type Activities-Enterprise Funds</b>			
	<b>Utility Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 2,101,510	\$ 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>
<b>OPERATING EXPENSES:</b>			
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>
<b>OPERATING INCOME</b>	215,575	( 22,272)	193,303
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
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>
<b>CHANGE IN NET ASSETS</b>	( 351,016)	( 22,207)	( 373,223)
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>5,240,098</u>	<u>163,356</u>	<u>5,403,454</u>
<b>TOTAL NET ASSETS, ENDING</b>	<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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	<u>8,269</u>	<u>65</u>	<u>8,334</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	270,216	( 18,254)	251,962
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>1,320,234</u>	<u>64,026</u>	<u>1,384,260</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,590,450</u>	<u>\$ 45,772</u>	<u>\$ 1,636,222</u>
<b>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</b>			
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>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
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**

	Texas Student Housing Authority - Ballpark Austin Project	Texas Student Housing Corporation - The Ridge at North Texas	Texas Student Housing Authority - Town Lake Austin Project
<b>ASSETS</b>			
Cash and cash equivalents	\$ 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>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
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>
<b>NET ASSETS</b>			
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	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
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)
-	( 1,208,331)	( 1,208,331)
-	( 6,011,858)	( 6,011,858)
-	( 6,011,858)	( 6,011,858)
-	40,716	40,716
-	3,636	3,636
-	44,352	44,352
-	( 5,967,506)	( 5,967,506)
-	( 34,505,288)	( 34,505,288)
-	3,610,713	3,610,713
\$ -	\$ ( 36,862,081)	\$ ( 36,862,081)

# **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:

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

#### **Compensated Absences**

The Town's policy allows employees to earn 5 days of vacation and 5 days of sick leave between six months and one year of service, and 10 days of vacation and 10 days of sick leave between one year and two years of service. 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 71<sup>st</sup> Texas Legislature to facilitate the creation of local government investment pools in Texas. This act permits the creation of investment pools to which a majority of political subdivisions (local governments) may delegate, by contract, the authority to make investments purchased with local investment funds and to hold legal title as custodian of the investments. TexPool was organized to conform with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

(continued)

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

#### Deposits and Investments (Continued)

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

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

At September 30, 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:

<u>Primary government</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year-end</u>
Investments:				
TexPool	\$ 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.

<u>Component units</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
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
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 11,530,663	\$ -	\$ -	\$ -	\$ 11,530,663
Construction in progress	135,270	87,217	147,566	-	74,921
Total assets not being depreciated	11,665,933	87,217	147,566	-	11,605,584
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	52,430	-	-	-	52,430
Total capital assets being depreciated	27,809,304	773,291	-	-	28,582,595
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	52,430	-	-	-	52,430
Total accumulated depreciation	6,277,279	859,164	-	-	7,136,443
Total capital assets being depreciated, net	21,532,025	( 85,873)	-	-	21,446,152
Governmental activities capital assets, net	\$ 33,197,958	\$ 1,344	\$ 147,566	\$ -	\$ 33,051,736
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total assets not being depreciated	-	-	-	-	-
Capital assets, being depreciated:					
Capital improvements	12,853,855	67,428	-	-	12,921,283
Wastewater treatment rights	635,199	-	-	-	635,199
Machinery and equipment	3,459,821	-	-	-	3,459,821
Total capital assets being depreciated	16,948,875	67,428	-	-	17,016,303
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	1,034,587	124,993	-	-	1,159,580
Total accumulated depreciation	3,865,652	457,932	-	-	4,323,584
Total capital assets being depreciated, net	13,083,223	( 390,504)	-	-	12,692,719
Business-type activities capital assets, net	\$ 13,083,223	\$ ( 390,504)	\$ -	\$ -	\$ 12,692,719

(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	\$ 4,788,265	\$ -	\$ -	\$ 4,788,265
Total capital assets, not being depreciated	<u>4,788,265</u>	<u>-</u>	<u>-</u>	<u>4,788,265</u>
Capital assets, being depreciated:				
Building	21,345,305	-	-	21,345,305
Furniture and fixtures	<u>6,993,063</u>	<u>-</u>	<u>-</u>	<u>6,993,063</u>
Total capital assets, being depreciated	<u>28,338,368</u>	<u>-</u>	<u>-</u>	<u>28,338,368</u>
Less accumulated depreciation for:				
Building	5,454,911	711,510	-	6,166,421
Furniture and fixtures	<u>3,661,686</u>	<u>149,166</u>	<u>-</u>	<u>3,810,852</u>
Total accumulated depreciation	<u>9,116,597</u>	<u>860,676</u>	<u>-</u>	<u>9,977,273</u>
Total capital assets, being depreciated, net	<u>19,221,771</u>	<u>( 860,676)</u>	<u>-</u>	<u>18,361,095</u>
Capital assets, net	<u>\$ 24,010,036</u>	<u>\$ ( 860,676)</u>	<u>\$ -</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**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
Total capital assets, not being depreciated	<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>2,200,000</u>
Capital assets, being depreciated:				
Building	25,705,000	-	-	25,705,000
Furniture and fixtures	<u>1,253,841</u>	<u>-</u>	<u>-</u>	<u>1,253,841</u>
Total capital assets, being depreciated	<u>26,958,841</u>	<u>-</u>	<u>-</u>	<u>26,958,841</u>
Less accumulated depreciation for:				
Building	5,987,874	856,833	-	6,844,707
Furniture and fixtures	<u>2,355,184</u>	<u>13,203</u>	<u>-</u>	<u>2,368,387</u>
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.

	<u>Governmental Activities</u>
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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Combination tax and limited Pledge Revenue Certificates of Obligation, Series 2002	\$ 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	<u>201,402</u>	<u>-</u>	<u>24,178</u>	<u>177,224</u>	<u>25,568</u>
	<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:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	<u>2,470,000</u>	<u>166,218</u>	<u>2,636,218</u>
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:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	<u>33,814</u>	<u>1,944</u>	<u>35,758</u>
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 constructions of the Dove Road Water Line and the West Pump Station that will service the residents of the Town. The Town agreed to reimburse Hillwood for the cost of the project upon completion and the Town's acceptance of the project, which occurred in June 2001, solely from a \$.25 charge per 1,000 gallons of usage. The Town further agreed to deposit debt service revenue of \$.25 per 1,000 gallons of usage collected from Town residents to fund its repayment to Hillwood. Debt service revenue will be allocated between Hillwood service area and Town service area by 52% and 48%, respectively and deposited into two separate debt service funds that will result in debt service revenue to pay the respective share of the construction cost. The Town recorded a limited pledge contractual obligation of \$4,679,944 for the project cost based upon the terms of the agreement, which requires 239 monthly principal and interest payments to Hillwood, at an interest rate of 6.75%. If the Town collects insufficient funds to pay current interest on the debt, the interest payment may be deferred. No portion of debt payments will be applied to the principal component, until all current and deferred interest is fully paid. The obligation of the Town to pay the purchase price and interest thereon is not a general obligation of the Town but is a limited recourse obligation payable solely from debt service revenue.

(continued)

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

#### 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	-	11,489	1,685	9,804	980
	<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:

<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
\$ 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:

<u>Class (Series)</u>	<u>Offering Total</u>
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	<u>( 1,341,906)</u>	<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	( 784,779)	-	( 37,485)	( 747,294)	( 747,294)
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.

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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:

<u>Year Ending September 30,</u>	<u>Amount</u>
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:

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

(continued)

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

#### Interfund Balances and Transactions

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
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	<u>-</u>	<u>267,577</u>
	<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
<b>Primary Government</b>		
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	100,000	-
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	Total
	General	Visitors Association	Westlake Academy	Property Tax Reduction Fund	Economic Development Fund	Westlake 4B Corporation	Utility Fund	
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](http://www.TMRS.com).

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

	<u>Plan Year 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	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	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
	Budgeted Amounts			Favorable
	Original	Amended	Actual	(Unfavorable)
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<u>( 1,317,503)</u>	<u>632,544</u>	<u>1,046,132</u>	<u>413,588</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 784,553)</u>	<u>724,753</u>	<u>1,067,673</u>	<u>342,920</u>
<b>FUND BALANCE, BEGINNING</b>	<u>2,725,312</u>	<u>2,725,312</u>	<u>2,725,312</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<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		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
Visitors services	<u>424,696</u>	<u>507,336</u>	<u>420,270</u>	<u>87,066</u>
Total expenditures	<u>424,696</u>	<u>507,336</u>	<u>420,270</u>	<u>87,066</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>52,279</u>	<u>( 27,361)</u>	<u>55,708</u>	<u>83,069</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(282,275)</u>	<u>( 279,275)</u>	<u>( 199,713)</u>	<u>79,562</u>
Total other financing sources (uses)	<u>( 282,275)</u>	<u>( 279,275)</u>	<u>( 199,713)</u>	<u>79,562</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 229,996)</u>	<u>( 306,636)</u>	<u>( 144,005)</u>	<u>162,631</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,244,946</u>	<u>1,244,946</u>	<u>1,244,946</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<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	
<b>REVENUES</b>				
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	<u>4,312,549</u>	<u>4,543,273</u>	<u>4,543,651</u>	<u>378</u>
<b>EXPENDITURES</b>				
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	<u>4,057,713</u>	<u>4,363,020</u>	<u>4,180,371</u>	<u>182,649</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>254,836</u>	<u>180,253</u>	<u>363,280</u>	<u>( 183,027)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 100,000)	( 100,000)	( 100,000)	-
Total other financing sources (uses)	<u>( 100,000)</u>	<u>( 100,000)</u>	<u>( 100,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	154,836	80,253	263,280	183,027
<b>FUND BALANCE, BEGINNING</b>	<u>504,653</u>	<u>504,653</u>	<u>504,653</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 659,489</u>	<u>\$ 584,906</u>	<u>\$ 767,933</u>	<u>\$ 183,027</u>

# 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

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

# 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
	Original	Amended	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>727,300</u>	<u>917,800</u>	<u>957,026</u>	<u>39,226</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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>
<b>NET CHANGE IN FUND BALANCE</b>	( 308,380)	282,289	501,717	219,428
<b>FUND BALANCE, BEGINNING</b>	<u>1,068,034</u>	<u>1,068,034</u>	<u>1,068,034</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<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		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
Interest income	\$ -	\$ 50	\$ 63	\$ 13
Total revenues	-	50	63	13
<b>EXPENDITURES</b>				
Capital Outlay	41,000	41,000	27,536	13,464
Total expenditures	41,000	41,000	27,536	13,464
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 41,000)	( 40,950)	( 27,473)	13,477
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	89,336	94,336	22,729	( 71,607)
Total other financing sources (uses)	89,336	94,336	22,729	( 71,607)
<b>NET CHANGE IN FUND BALANCE</b>	48,336	53,386	( 4,744)	( 58,130)
<b>FUND BALANCE, BEGINNING</b>	62,000	62,000	62,000	-
<b>FUND BALANCE, ENDING</b>	<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		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
<b>REVENUES</b>				
Taxes				
Sales	\$ -	\$ 250,000	\$ 298,073	\$ 48,073
Total revenues	-	250,000	298,073	48,073
<b>EXPENDITURES</b>				
Economic Development	-	285,758	333,831	( 48,073)
Total expenditures	-	285,758	333,831	( 48,073)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	( 35,758)	( 35,758)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	35,758	35,758	-
Total other financing sources (uses)	-	35,758	35,758	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, BEGINNING</b>	-	-	-	-
<b>FUND BALANCE, ENDING</b>	\$ -	\$ -	\$ -	\$ -

# TOWN OF WESTLAKE, TEXAS

## LONE STAR PUBLIC FACILITY CORPORATION

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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

# 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	
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>727,400</u>	<u>912,375</u>	<u>948,096</u>	<u>35,721</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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>
<b>NET CHANGE IN FUND BALANCE</b>	( 29,731)	( 29,731)	-	29,731
<b>FUND BALANCE, BEGINNING</b>	<u>297,308</u>	<u>297,308</u>	<u>297,308</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<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 recoded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.
8. Expenditures exceeded appropriations in the 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 Amounts</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Contributions	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Debt service			
Principal retirement	525,000	525,000	-
Interest and other fiscal charges	<u>974,750</u>	<u>974,370</u>	<u>380</u>
Total expenditures	<u>1,499,750</u>	<u>1,499,370</u>	<u>380</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 1,499,750)</u>	<u>( 1,499,370)</u>	<u>380</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
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>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
<b>FUND BALANCE, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<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)

	Fiscal Year				
	2006	2007	2008	2009	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	( 1,846,851)	( 2,008,243)	( 1,997,281)	( 1,945,578)	( 2,003,600)
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

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

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

(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	2009	2010
<b>NET (EXPENSE) REVENUES</b>					
Governmental activities	\$( 1,103,114)	\$( 5,182,831)	\$( 7,175,257)	\$( 5,567,188)	\$( 7,132,066)
Business-type activities	( 275,940)	( 549,432)	( 215,624)	( 349,644)	( 441,627)
Total primary government net expense	( 1,379,054)	( 5,732,263)	( 7,390,881)	( 5,916,832)	( 7,573,693)
<b>GENERAL REVENUES AND OTHER</b>					
<b>CHANGES IN NET ASSETS</b>					
Governmental activities:					
Taxes					
Sales	\$ 1,810,706	\$ 2,197,756	\$ 3,590,575	\$ 3,664,409	\$ 3,790,533
Hotel Occupancy	415,544	458,471	527,662	497,769	457,693
Mixed Beverage	13,674	14,066	16,177	17,869	17,902
Franchise	457,004	560,312	649,108	624,401	603,233
Unrestricted grants and contributions	1,822,200	2,259,643	2,500,817	2,960,590	3,484,141
Investment earnings	98,824	261,622	188,459	61,224	38,383
Miscellaneous	448,827	466,654	564,973	568,782	676,638
Transfers	45,319	33,976	220,819	61,321	-
Total governmental activities	5,112,098	6,252,500	8,258,590	8,456,365	9,068,523
Business-type activities:					
Investment earnings	25,604	46,158	32,103	7,858	8,334
Miscellaneous	56,025	36,936	44,071	77,266	60,070
Transfers	( 45,319)	( 33,976)	( 220,819)	( 61,321)	-
Total business-type activities	36,310	49,118	( 144,645)	23,803	68,404
Total primary government	5,148,408	6,301,618	8,113,945	8,480,168	9,136,927
<b>CHANGE IN NET ASSETS</b>					
Governmental activities	4,008,984	1,069,669	1,083,333	2,889,177	1,936,457
Business-type activities	( 239,630)	( 500,314)	( 360,269)	( 325,841)	( 373,223)
Total primary government	\$ 3,769,354	\$ 569,355	\$ 723,064	\$ 2,563,336	\$ 1,563,234

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

Source: Annual financial reports

(Concluded)

## TOWN OF WESTLAKE, TEXAS

FUND BALANCES  
GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

*(Modified Accrual Basis of Accounting - unaudited)*

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$ -	\$ -	\$ -	\$ 329,608	\$ 131,657	\$ 434,375	\$ 563,176	\$ 303,639	\$ 193,105	\$ 214,750
Unreserved	<u>2,006,348</u>	<u>1,700,025</u>	<u>1,608,248</u>	<u>670,465</u>	<u>805,769</u>	<u>2,850,789</u>	<u>2,533,123</u>	<u>2,503,099</u>	<u>2,532,207</u>	<u>3,578,235</u>
Total general fund	<u>\$ 2,006,348</u>	<u>\$ 1,700,025</u>	<u>\$ 1,608,248</u>	<u>\$ 1,000,073</u>	<u>\$ 937,426</u>	<u>\$ 3,285,164</u>	<u>\$ 3,096,299</u>	<u>\$ 2,806,738</u>	<u>\$ 2,725,312</u>	<u>\$ 3,792,985</u>
All other governmental funds										
Reserved										
Special revenue funds	\$ 6,002,623	\$ 5,287,758	\$ 539,019	\$ 818,525	\$ 779,244	\$ 869,694	\$ 1,183,020	\$ 1,527,724	\$ 1,256,954	\$ 1,112,941
Capital projects funds	-	11,071,320	2,748,579	213,297	-	102,687	102,376	3,233,471	323,009	237,177
Unreserved, reported in:										
Special revenue funds	-	-	-	12,391	181,960	427,720	846,214	1,666,371	1,933,564	2,693,846
Total all other governmental funds	<u>\$ 6,002,623</u>	<u>\$ 16,359,078</u>	<u>\$ 3,287,598</u>	<u>\$ 1,044,213</u>	<u>\$ 961,204</u>	<u>\$ 1,400,101</u>	<u>\$ 2,131,610</u>	<u>\$ 6,427,566</u>	<u>\$ 3,513,527</u>	<u>\$ 4,043,964</u>

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

Source: Annual financial reports

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>REVENUES</b>										
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
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
Federal program revenues			311,298	462,315	285,392	75,662	49,200	75,207	56,134	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	3,708,633	3,103,847	3,463,138	6,101,593	7,030,451	11,806,778	9,112,718	11,039,447	11,406,809	12,501,454
<b>EXPENDITURES</b>										
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	-	-	-	-	-	-
Visitor services	-	-	131,395	172,542	448,604	393,115	226,992	312,777	341,270	420,270
Education	-	-	156,870	1,368,113	1,877,398	2,249,998	2,672,698	3,305,220	3,722,705	4,138,875
Debt service										
Principal	-	-	1,475,400	-	-	350,000	470,000	395,000	593,937	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	174,959	1,344,137	14,096,533	2,917,185	263,681	371,860	836,787	463,918	4,335,114	682,103
Total expenditures	2,108,732	5,126,480	19,393,987	8,985,981	7,660,203	9,125,462	9,003,344	10,152,838	14,581,235	10,903,344
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$ 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)

**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
<b>OTHER FINANCING</b>										
<b>SOURCES (USES):</b>										
Proceeds from sale of land	\$ -	\$ -	\$ -	\$ -	\$ 412,239	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of debt	-	12,400,000	6,351,613	-	-	-	-	2,500,000	117,640	-
Refunding bonds issued							7,465,000	-	-	-
Payments to bond escrow agent							( 7,088,706)	-	-	-
Cost to issue debt			( 451,613)					-	-	-
Proceeds from capital lease							23,000	-	-	-
Transfer in from component u	-	-	1,155,912	-	-	-	-	-	-	-
Transfers in	-	588,852	225,000	-	172,010	704,577	1,212,558	2,160,174	2,435,486	1,804,577
Transfers out	-	( 588,852)	( 225,000)	-	( 100,153)	( 659,258)	( 1,178,582)	( 1,939,355)	( 2,374,165)	( 1,804,577)
Total other financing sources (uses)	-	12,400,000	7,055,912	-	484,096	45,319	433,270	2,720,819	178,961	-
Prior period adjustment						60,000		-	-	-
Correction of an error				32,828						
				(327,235)						

<b>NET CHANGES IN FUND BALANCES</b>	\$ 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
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<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	- %	2.1%	43.6%	16.3%	13.9%	15.7%	20.9%	14.0%	15.4%	15.0%
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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.

Table 7

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

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Capital Leases</b>	<b>Other Contractual Obligations</b>			
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	As of	Overlapping	
			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")

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

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

<b>Calendar Year</b>	<b>Estimated Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Tarrant County Unemployment Rate</b>
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

## PRINCIPAL EMPLOYERS

## CURRENT FISCAL YEAR

*(Unaudited)*

Employer	2010	
	Employees	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

**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	1.33	1.33
Town secretary	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Facilities/Grounds maintainan	0.00	0.00	0.00	0.50	0.50	0.50	0.50	0.75	1.08	0.92
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	
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.

## TOWN OF WESTLAKE, TEXAS

OPERATING INDICATORS  
BY FUNCTION/PROGRAMLAST 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	108	78	148	136	153	169	118	172
Ambulance runs	N/A	N/A	150	115	135	207	251	159	184	187
Inspections	N/A	N/A	N/A	N/A	89	161	96	132	15	71
Public Works - General										
Street resurfacing (sq. footage)	0.00	0.00	1.65	1.30	0.00	1.35	1.01	0.00	0.00	0.00
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.

# 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	3
Telecommunications Duct Bank (LF)	0.00	21,573	24,073	36,703	38,303	38,303	38,303	43,703	49,103	51,803
Telecommunications Duct Bank Manhole:	0.00	53	58	91	95	95	95	104	113	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