

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WINDCREST, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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CITY OF WINDCREST, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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INTRODUCTORY SECTION

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CITY OF WINDCREST, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2011

Mayor

Alan Baxter

Mayor Pro-Tem

Pam Dodson

City Council

Gerd E. Jacobi
Jim Shelton
Rita Davis
John Gretz

City Manager

Rafael Castillo

Attorney

Michael Brenan

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FINANCIAL SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of City Council
City of Windcrest, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

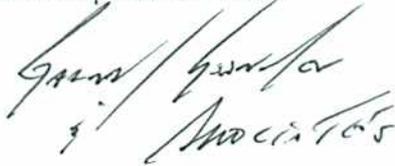
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and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

In fiscal year 2011, the City reported the City of Windcrest Economic Development Corporation (Corporation) as a blended component unit, which was previously reported as a discretely presented component unit. Management believes the Corporation meets the criteria for inclusion in its primary government governmental activities. The effect of the changes was to increase the assets, liabilities, fund balance, revenues and expenditures of the City's governmental funds and corresponding accounts of the City's governmental activities in the government-wide financial statements and to decrease the same accounts and amounts of the discretely presented component unit in the government-wide financial statements. There is no cumulative effect on prior years since the ending net assets/fund balance as of September 30, 2010 is the beginning net assets/fund balance for the year ended September 30, 2011.

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The management's discussion and analysis, budgetary comparison information, and schedule of funding progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken 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 express no opinion on them.



Grant Gardner
i
Associates

June 15, 2012

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**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Windcrest's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

City

- The City's total combined net assets were \$7,367,441 at September 30, 2011.
- During the year, the City's expenses were \$1,136,422 less than the \$6,309,887 generated in taxes and program revenues for governmental activities and the expenses were \$41,313 less than revenues for the business-type activities.
- The City's general fund reported a year end fund balance of \$2,034,478.
- The City entered into one new lease during the year for the purchase of 1 street sweeper.

City of Windcrest Economic Development Corporation (Corporation) – Blended Component Unit

- The Corporation, which is reported as a major Special Revenue Fund and created in 1998 exclusively for the purpose of promoting economic development in the City, generated sales tax revenue in the amount of \$322,536 during the current year.
- The Corporation's net assets were \$353,277 at September 30, 2011. Of this amount \$267,141 is restricted for economic development projects and the remaining amount of \$86,136 is invested in capital assets.
- The Corporation reported total revenues of \$322,600 and expenses of \$167,041 during the year, thereby increasing its net assets by \$155,559.
- The Corporation reported a fund balance this year of \$1,844,050, an increase of \$1,698,029 as a result of the proceeds from the \$1,600,000 loan from the Texas Leverage Fund for the purpose of building a road for handling the increased traffic within the City.

City of Windcrest Crime Control and Prevention District (District) – Blended Component Unit

- The District, which is reported as a non-major Special Revenue Fund and created from a ¼ cent sales tax adopted in 2004 for the purpose of crime control and prevention activities, generated sales tax revenue in the amount of \$404,789 in the current year.
- The District reported total revenues of \$408,685 and expenses of \$410,522 during the year.
- The District reported a fund balance this year of \$186,417.

**CITY OF WINDCREST, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the City’s basic financial statements which are comprised of three parts—*government-wide financial statements, fund financial statements, and notes to financial statements*. In addition to the basic financial statements, *required supplementary information* is also presented. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
 - *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*; such as, garbage collection.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

(Continued)

**CITY OF WINDCREST, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Figure A-1 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of the District's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Government-wide	Fund Statements	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: garbage fund
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses & changes in fund net assets • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF WINDCREST, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net assets* presents the City's assets and liabilities including capital assets and long term liabilities. This statement reports the difference between the City's assets and liabilities as net assets which is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. Changes in net assets are recorded when the underlying event giving rise to the change occurs regardless of the timing of the cash flows. Therefore, revenues and expenses reported in this statement for some items will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). Governmental activities include general government, public safety, public works, animal control, economic development, special services and EMS/Tech Support Services.

The *business-type activities* of the City include the garbage utility services.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into two categories: governmental and proprietary.

Governmental funds—Governmental funds are used for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on the 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 the City's near-term financing requirements.

CITY OF WINDCREST, TEXAS MANAGEMENT’S DISCUSSION AND ANALYSIS

As the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers 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 City maintains four individual governmental fund types for financial reporting purposes — General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service 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, City of Windcrest Economic Development Corporation, Capital Projects, and Debt Service Funds all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled “Other Non-major Funds.” Individual fund data for each of these non-major governmental funds is provided in the form of combining statements included as other supplementary information. The City adopts an appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and the Corporation to demonstrate compliance with the budget.

Proprietary Funds—The City maintains one type of proprietary fund: *Enterprise Fund* which is used to report the Garbage Utility function presented in business-type activities in the government-wide financial statements. Information is presented separately in the proprietary funds statement of net assets and in the proprietary funds statement of revenues, expenses, and changes in fund net assets for the Garbage Utility Fund, which is considered to be the major fund.

Notes to the Basic 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.

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s General Fund and the Corporation’s budgetary comparisons and the progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier as the City’s nonmajor governmental funds are presented immediately following the required supplementary information.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

See Table A-1. The total assets of the City exceeded its total liabilities at the close of the most recent fiscal year by \$7,367,441 (net assets). Of this amount, \$1,330,117 (18.1%) (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net assets, \$5,335,703 (72.4%) is its investment in capital assets (e.g. land, building, infrastructure, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, 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 City's net assets \$701,621 (9.5%) represents resources that are subject to external restrictions on how they may be used.

Table A-1
City of Windcrest Net Assets
As of September 30, 2011
(With Comparative totals as of September 30, 2010)
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 Restated	2011	2010	2011	2010 Restated
<i>Current Assets:</i>						
Cash and Cash Equivalents	\$ 4,365	\$ 2,270	\$ 156	\$ 124	\$ 4,521	\$ 2,394
Receivables, Net	744	615	50	49	794	664
Prepaid Expenses	4	26	-	-	4	26
Deferred Charges	4	7	-	-	4	7
Restricted Assets, Cash	1,898	1,831	-	-	1,898	1,831
<i>Total Current Assets</i>	<u>7,015</u>	<u>4,749</u>	<u>206</u>	<u>173</u>	<u>7,221</u>	<u>4,922</u>
<i>Non-Current Assets:</i>						
Land	269	269	-	-	269	269
Construction in Progress	191	-	-	-	191	-
Building and Improvements	2,394	2,394	-	-	2,394	2,394
Furniture & Equipment	3,979	3,480	-	-	3,979	3,480
Infrastructure	5,167	4,868	-	-	5,167	4,868
Less Accumulated Depreciation	<u>(6,553)</u>	<u>(5,209)</u>	<u>-</u>	<u>-</u>	<u>(6,553)</u>	<u>(5,209)</u>
<i>Total Non-Current Assets</i>	<u>5,447</u>	<u>5,802</u>	<u>-</u>	<u>-</u>	<u>5,447</u>	<u>5,802</u>
TOTAL ASSETS	<u>\$ 12,462</u>	<u>\$ 10,551</u>	<u>\$ 206</u>	<u>\$ 173</u>	<u>\$ 12,668</u>	<u>\$ 10,724</u>

(Continued)

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-1
City of Windcrest Net Assets
As of September 30, 2011
(With Comparative totals as of September 30, 2010)
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 Restated	2011	2010	2011	2010 Restated
<i>Current Liabilities:</i>						
Accounts Payable and Other Current Liabilities	\$ 492	\$ 367	\$ 63	\$ 71	\$ 555	\$ 438
Deposits	1,628	1,841	-	-	1,628	1,841
Accrued Interest Payable	27	26	-	-	27	26
Total Current Liabilities	2,147	2,234	63	71	2,210	2,305
<i>Non-Current Liabilities:</i>						
Due within One Year	610	637	-	-	610	637
Due in more than One Year	2,481	1,593	-	-	2,481	1,593
Total Non-Current Liabilities	3,091	2,230	-	-	3,091	2,230
TOTAL LIABILITIES	5,238	4,464	63	71	5,301	4,535
<i>Net Assets:</i>						
Invested in Capital Assets Net of Related Debt	5,336	3,573	-	-	5,336	3,573
Restricted	702	-	-	-	702	-
Unrestricted	1,187	2,516	143	102	1,330	2,618
TOTAL NET ASSETS	\$ 7,225	\$ 6,089	\$ 143	\$ 102	\$ 7,368	\$ 6,191

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

See Table A-2. As of September 30, 2011, the City's total net assets increased by \$1,177,735, since total revenues were \$7,095,222 and expenses were \$5,917,487. A significant portion, 73.3% of the City's revenues come from sales and ad valorem taxes, 26.5% comes from grants and charges for services, while the remaining, which is less than 1%, comes from investment earnings and other miscellaneous revenues.

The following table indicates changes in net assets for the governmental and business-type activities for the City as of September 30, 2011 compared to 2010.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-2
Changes in City of Windcrest's Net Assets
As of September 30, 2011
(With Comparative totals as of September 30, 2010)
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010 Restated	2011	2010	2011	2010 Restated
REVENUES						
Program Revenues:						
Charges for Services	\$ 990	\$ 1,298	\$ 872	\$ 812	\$ 1,862	\$ 2,110
Grants & Contributions	14	12	-	-	14	12
General Revenues:						
Property Taxes	1,910	1,954	-	-	1,910	1,954
Non Property Taxes	3,289	2,935	-	-	3,289	2,935
Investment Earnings	3	12	-	2	3	14
Other	16	-	-	-	16	-
TOTAL REVENUES	6,222	6,211	872	814	7,094	7,025
EXPENSES						
General Government	1,073	1,329	-	-	1,073	1,329
Public Safety	2,330	2,213	-	-	2,330	2,213
Public Works	1,207	1,296	-	-	1,207	1,296
Animal Control	59	49	-	-	59	49
Economic Development	155	580	-	-	155	580
Special Services	45	270	-	-	45	270
EMS/Tech Support	202	291	-	-	202	291
Loss on Sale of Equipment	-	1	-	-	-	1
Capital Outlay	-	181	-	-	-	181
Interest on Long-Term Debt	102	102	-	-	102	102
Garbage	-	-	744	809	744	809
TOTAL EXPENSES	5,173	6,312	744	809	5,917	7,121
Changes in Net Assets						
Before Transfers	1,049	(101)	128	5	1,177	(96)
Transfers In (Out)	87	-	(87)	-	-	-
Increase (Decrease) in Net Assets	1,136	(101)	41	5	1,177	(96)
Net Assets - Beginning	6,089	6,190	102	97	6,191	6,287
Net Assets - Ending	\$ 7,225	\$ 6,089	\$ 143	\$ 102	\$ 7,368	\$ 6,191

Governmental Activities

Key elements of changes in governmental activities over the prior year follows:

- Charges for services decreased by \$307,404
- Sales taxes increased by \$306,016
- Property taxes decreased by \$44,027
- General government expenses decreased by \$255,302
- Public safety expenses increased by \$116,866
- Public works expenses decreased by \$89,073
- Economic development expenses decreased by \$424,877

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Property tax rates remained at \$.436495. Property tax rates for general operations increased to \$0.362654. The Interest and Sinking portion, to pay the General Obligation refunding bonds for street improvements, is \$0.073841. Property taxes levied changed from \$1,989,202 in 2010 to \$1,917,559, a decrease of \$71,643.

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less charges for services and operating grants and contributions). The net cost is funded by general revenues, which include property, sales and use, and all other taxes; and, interest revenue.

Table A-3
Net Cost of Selected City Functions
(In thousands dollars)

	Total Cost of Services			Net Cost of Services		
	2011	2010 Restated	% Change	2011	2010 Restated	% Change
General Government	\$ 1,073	\$ 1,329	-19.3%	\$ (495)	\$ (930)	-46.8%
Public Safety	2,330	2,213	5.3%	(1,953)	(1,855)	5.3%
Public Works	1,207	1,296	-6.9%	(1,157)	(1,000)	15.7%
Garbage Utility	744	801	-7.1%	128	33	287.9%
Economic Development	155	580	-73.3%	(155)	(323)	-52.0%

The net cost of all governmental activities this year was \$4,168,772. However, the amount that our taxpayers paid for these activities through property taxes was \$1,909,897.

Business Type Activities

Revenues of the City's business type activities (garbage utility) were \$872,402, and expenses were \$744,022, yielding a "net profit" of \$128,380 before interest revenue of \$16 and transfers to the General Fund of \$87,083.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$6,204,774, an increase of \$7,611 over the prior year. Local revenues are comprised of property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses, permits, court fines, charges for services, grants, interest and miscellaneous revenue. Expenditures totaled \$5,602,647, a decrease of \$794,165 over the prior year.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

Over the course of the year, the City had numerous budget adjustments.

Final actual revenues were \$181,223 more than final budgeted revenues. This does not include revenue from other financing sources of \$165,762 which consists primarily of transfers from other funds and proceeds from capital lease financing that were budgeted for but not included with revenue.

Final actual expenditures were \$276,624 less than final budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the City had invested \$5,448,467 in a broad range of capital assets, including land, equipment, buildings, vehicles and street improvements, net of accumulated depreciation. (See Table A-4.) This amount represents a net decrease (including additions, deductions, and depreciation) of \$809,561 over last year.

Although the City has not completely paid for these lease purchases, they are in our possession and generally accepted accounting principles requires that the City report them as a "capital outlay expenditure" equal to the net present value of the minimum lease payments. They are also recorded as an "other financing source" in the same amount in the financial statements of the above mentioned funds.

The City's fiscal year 2011 capital outlay spending totaled \$420,839 principally for facility repairs, vehicles, equipment, and improvements. Please note that the lease purchases are included in this figure. More detailed information about the City's capital assets is presented in the Note III E to the financial statements.

Table A-4
City's Capital Assets
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2011-2010
	2010		2011	2010	2010		
	2011	Restated			2011	Restated	
Land	\$ 269	\$ 269	\$ -	\$ -	\$ 269	\$ 269	0.0%
Construction in Progress	191	-	-	-	191	-	100.0%
Buildings and Improvements	2,394	2,394	-	-	2,394	2,394	0.0%
Improvements Other Than Bldgs	5,167	5,112	-	-	5,167	5,112	1.1%
Furniture & Equipment	3,515	2,739	-	-	3,515	2,739	28.3%
Equip Under Capital Lease	464	1,187	-	-	464	1,187	-60.9%
Totals at Historical Cost	12,000	11,701	-	-	12,000	11,701	2.6%
Total Accum. Depreciation	(6,553)	(5,899)	-	-	(6,553)	(5,899)	11.1%
Net Capital Assets	\$ 5,447	\$ 5,802	\$ -	\$ -	\$ 5,447	\$ 5,802	-6.1%

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long Term Debt

During the current year, the Corporation obtained a \$1,600,000 loan from the Texas Leverage Fund to finance the infrastructure improvements. At year end the City has the following outstanding debt

- \$1,335,000 of general obligation refunding bonds
- \$112,764 of capital leases
- Loan payable of \$1,572,810
- Compensated absences of \$69,949

See Table A-5. More detailed information about the City's debt is presented in Note III F and G to the financial statements.

Table A-5
City of Windcrest's Long Term Debt
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2011-2010
Leases Payable	\$ 113	\$ 379	\$ -	\$ -	\$ 113	\$ 379	-70.2%
Loan Payable	1,572	-	-	-	1,572	-	100%
GO Refunding Bonds	1,335	1,750	-	-	1,335	1,750	-23.7%
Compensated Absences Payable	70	119	-	-	70	119	-41.2%
Total Long Term Debt	<u>\$ 3,090</u>	<u>\$ 2,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,090</u>	<u>\$ 2,248</u>	<u>37.5%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the general fund budget for 2011-12.

- Assessed taxable property value increased from \$442,447,015 in 2010, to \$442,928,797 in 2011 an increase of \$481,782.
- 2011-2012 General fund revenues available for appropriation are \$4,821,749.
- 2011-2012 General fund budgeted operating expenditures are \$4,525,331.
- With the ongoing Walzem Road area revitalization efforts including the boundary change that acquired the old Windsor Park Mall and adjacent land, and the relocation of Rackspace Managed Hosting, the City and surrounding region will see increased development in the form of multi-family housing, retail, office, restaurant, entertainment facilities and single family neighborhoods.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the City's finances and to show the City's accountability to its taxpayers. If you have any questions about this report or need additional information, contact:

Sarah Mangham, CGFO
Municipal Finance Officer
City of Windcrest
8601 Midcrown
Windcrest, TX 78239
smangham@windcrest-tx.gov

Basic Financial Statements

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Government-Wide Financial Statements

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CITY OF WINDCREST, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,365,408	\$ 155,818	\$ 4,521,226
Receivables (Net of Allowance for Uncollectibles)			
Taxes	25,533	-	25,533
Municipal Court Fines	120,399	-	120,399
Accounts	597,900	49,996	647,896
Prepays	3,552	-	3,552
Deferred Charges	3,696	-	3,696
Restricted Assets			
Cash and Cash Equivalents	1,898,010	-	1,898,010
Capital Assets			
Land	269,345	-	269,345
Construction in Progress	191,332	-	191,332
Buildings and Improvements, Net	1,049,713	-	1,049,713
Improvements Other Than Buildings, Net	3,742,381	-	3,742,381
Furniture and Equipment, Net	63,488	-	63,488
Equipment Under Capital Lease, Net	132,209	-	132,209
Total Assets	<u>\$ 12,462,966</u>	<u>\$ 205,814</u>	<u>\$ 12,668,780</u>
LIABILITIES			
Accounts Payable	\$ 386,823	\$ 63,043	\$ 449,866
Retainage Payable	14,381	-	14,381
Accrued Liabilities	91,441	-	91,441
Deposits	1,627,935	-	1,627,935
Accrued Interest Payable	27,193	-	27,193
Noncurrent Liabilities:			
Due Within One Year	609,501	-	609,501
Due In More Than One Year	2,481,022	-	2,481,022
Total Liabilities	<u>5,238,296</u>	<u>63,043</u>	<u>5,301,339</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,335,703	-	5,335,703
Restricted for Debt Service	5,615	-	5,615
Restricted for Economic Development Projects	267,141	-	267,141
Restricted for Special Revenue Funds	428,865	-	428,865
Unrestricted	1,187,346	142,771	1,330,117
Total Net Assets	<u>\$ 7,224,670</u>	<u>\$ 142,771</u>	<u>\$ 7,367,441</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General Government	\$ 1,073,204	\$ 578,204	\$ -
Public Safety	2,329,645	362,397	14,211
Public Works	1,207,103	49,881	-
Animal Control	58,885	-	-
Economic Development	155,221	-	-
Special Services	45,296	-	-
EMS/Tech Support	201,655	-	-
Interest on Long-Term Debt	102,456	-	-
Total Governmental Activities	5,173,465	990,482	14,211
Business-Type Activities:			
Garbage Utility	744,022	872,402	-
Total Business-Type Activities	744,022	872,402	-
Total Primary Government	\$ 5,917,487	\$ 1,862,884	\$ 14,211

General Revenues:

Property Taxes
 Sales and Use Taxes
 Franchise Taxes
 Mixed Beverage Taxes
 Hotel Occupancy Taxes
 Investment Earnings
 Miscellaneous Revenue
 Loss on Disposal of Capital Asset
 Transfers

Total General Revenues, Loss on Disposal,
 and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (495,000)	\$ -	\$ (495,000)
(1,953,037)	-	(1,953,037)
(1,157,222)	-	(1,157,222)
(58,885)	-	(58,885)
(155,221)	-	(155,221)
(45,296)	-	(45,296)
(201,655)	-	(201,655)
(102,456)	-	(102,456)
<u>(4,168,772)</u>	<u>-</u>	<u>(4,168,772)</u>
<u>-</u>	<u>1,616,424</u>	<u>1,616,424</u>
<u>-</u>	<u>1,616,424</u>	<u>1,616,424</u>
<u>(4,168,772)</u>	<u>1,616,424</u>	<u>(2,552,348)</u>
1,909,897	-	1,909,897
2,662,547	-	2,662,547
453,851	-	453,851
19,188	-	19,188
153,690	-	153,690
3,179	16	3,195
17,704	-	17,704
(1,945)	-	(1,945)
<u>87,083</u>	<u>(87,083)</u>	<u>-</u>
<u>5,305,194</u>	<u>(87,067)</u>	<u>5,218,127</u>
1,136,422	1,529,357	2,665,779
<u>6,088,248</u>	<u>101,458</u>	<u>6,189,706</u>
<u>\$ 7,224,670</u>	<u>\$ 1,630,815</u>	<u>\$ 8,855,485</u>

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Governmental Funds Financial Statements

CITY OF WINDCREST, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Major Funds			
	General Fund	City of Windcrest Economic Development Corporation	Capital Projects	Debt Service Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,793,374	\$ 1,797,806	\$ 399,419	\$ 5,615
Receivables (Net of Allowances for Uncollectibles)				
Taxes	25,533	-	-	-
Municipal Court Fines	120,399	-	-	-
Accounts	385,299	71,929	71,929	-
Prepaid Items	3,552	-	-	-
Cash and Cash Equivalents - Restricted	1,898,010	-	-	-
Total Assets	<u>\$ 4,226,167</u>	<u>\$ 1,869,735</u>	<u>\$ 471,348</u>	<u>\$ 5,615</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 326,381	\$ 25,685	\$ 25,685	\$ -
Retainage Payable	-	-	14,381	-
Accrued Liabilities	91,441	-	-	-
Deposits	1,627,935	-	-	-
Deferred Revenues	145,932	-	-	-
Total liabilities	<u>2,191,689</u>	<u>25,685</u>	<u>40,066</u>	<u>-</u>
Fund Balances:				
Nonspendable Fund Balance:				
Prepaid Items	3,552	-	-	-
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	-	-	5,615
Economic Development Projects	-	1,844,050	-	-
Special Revenue Funds	-	-	-	-
Committed Fund Balance:				
Capital Improvements	475,000	-	431,282	-
Economic Development	175,000	-	-	-
Unassigned Fund Balance	1,380,926	-	-	-
Total Fund Balances	<u>2,034,478</u>	<u>1,844,050</u>	<u>431,282</u>	<u>5,615</u>
Total Liabilities and Fund Balances	<u>\$ 4,226,167</u>	<u>\$ 1,869,735</u>	<u>\$ 471,348</u>	<u>\$ 5,615</u>

The notes to the financial statements are an integral part of this statement.

Other Non-Major Funds	Total Governmental Funds
\$ 369,194	\$ 4,365,408
-	25,533
-	120,399
68,743	597,900
-	3,552
-	1,898,010
<u>\$ 437,937</u>	<u>\$ 7,010,802</u>

\$ 9,072	\$ 386,823
-	14,381
-	91,441
-	1,627,935
-	145,932
<u>9,072</u>	<u>2,266,512</u>

-	3,552
-	5,615
-	1,844,050
428,865	428,865
-	906,282
-	175,000
-	1,380,926
<u>428,865</u>	<u>4,744,290</u>
<u>\$ 437,937</u>	<u>\$ 7,010,802</u>

CITY OF WINDCREST, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

Total Fund Balances--Governmental Funds \$ 4,744,290

Capital assets used in governmental activities are not financial resources and are therefore not reported in governmental funds. At the beginning of the year, the cost of these assets was \$11,701,735, as restated, and the accumulated depreciation was (\$5,898,825), as restated. In addition, bonds payable and other long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds. At the beginning of the year, bonds payable and other long-term liabilities were (\$2,230,397) and interest payable was (\$25,787). In addition, the bond issuance cost balance at the beginning of the year was \$7,391. The net effect of including the beginning balances for capital assets (net of depreciation), bonds payable and other long-term liabilities, interest payable, and bond issuance costs in the governmental activities is to increase net assets.

3,554,117

Transactions related to current year capital outlays and long-term debt are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows:

- Capital asset additions totaled \$420,839
- Disposal of capital assets was (\$120,946) and related accumulated depreciation was \$118,594
- Principal payments on long term debt totaled \$736,859
- Issuance of loan payable was (\$1,600,000)
- Issuance of capital lease was (\$46,500)
- Change in interest payable was (\$1,406)
- Amortization of bond issuance cost was (\$3,695)
- Change in compensated absences was \$49,515

The net effect is to increase net assets.

(446,740)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net assets.

(772,929)

Various other reclassifications and eliminations are necessary to convert from the modified accrual to the accrual basis of accounting. These include recognizing deferred revenue as revenue from the current year tax levy in the amount of \$13,457 and from the prior year tax levies in the amount of \$12,076, recognizing municipal court fines deferred revenue as revenue in the amount of \$29,109; and, adjusting beginning net assets by \$91,290 for prior year's municipal court fines revenue. The net effect is to increase net assets.

145,932

Net Assets of Governmental Activities

\$ 7,224,670

The notes to the financial statements are an integral part of this statement.

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CITY OF WINDCREST, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Major Funds			
	General Fund	City of Windcrest Economic Development Corporation	Capital Projects	Debt Service Fund
REVENUES				
Taxes	\$ 3,711,220	322,536	\$ 322,537	\$ 311,239
Licenses and Permits	197,657	-	-	-
Intergovernmental	-	-	-	-
Public Safety	-	-	-	-
Municipal Court Fines	309,354	-	-	-
Charges for Services	95,165	-	-	-
Interest	3,015	64	68	2
Donations	-	-	-	-
Other Revenue	320,365	-	-	-
Total Revenues	<u>4,636,776</u>	<u>322,600</u>	<u>322,605</u>	<u>311,241</u>
EXPENDITURES				
Current				
General Government	962,128	-	-	-
Public Safety	1,697,448	-	-	-
Public Works	932,824	-	-	-
Animal Control	59,164	-	-	-
Economic Development	-	129,670	-	-
Special Services	45,296	-	-	-
EMS/Tech Support	190,325	-	-	-
Capital Outlay	174,682	49,914	196,242	-
Debt Service				
Principal	191,483	27,190	-	415,000
Interest and Fiscal Charges	10,673	17,797	-	61,075
Total Expenditures	<u>4,264,023</u>	<u>224,571</u>	<u>196,242</u>	<u>476,075</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	372,753	98,029	126,363	(164,834)
OTHER FINANCING SOURCES (USES)				
Transfers In	155,262	-	-	156,000
Transfers Out (Use)	(36,000)	-	(120,000)	-
Proceeds from Loan	-	1,600,000	-	-
Proceeds from Capital Lease Financing	46,500	-	-	-
Total Other Financing Sources (Uses)	<u>165,762</u>	<u>1,600,000</u>	<u>(120,000)</u>	<u>156,000</u>
Net Change in Fund Balances	538,515	1,698,029	6,363	(8,834)
Fund Balance - October 1 (Beginning as Restated)	<u>1,495,963</u>	<u>146,021</u>	<u>424,919</u>	<u>14,449</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,034,478</u>	<u>\$ 1,844,050</u>	<u>\$ 431,282</u>	<u>\$ 5,615</u>

The notes to the financial statements are an integral part of this statement.

Other Non-Major Funds	Total Governmental Funds
\$ 558,479	\$ 5,226,011
-	197,657
26,104	26,104
15,640	15,640
-	309,354
-	95,165
30	3,179
2,130	2,130
9,169	329,534
611,552	6,204,774
-	962,128
330,740	2,028,188
-	932,824
-	59,164
-	129,670
-	45,296
-	190,325
-	420,838
103,186	736,859
7,810	97,355
441,736	5,602,647
169,816	602,127
-	311,262
(68,179)	(224,179)
-	1,600,000
-	46,500
(68,179)	1,733,583
101,637	2,335,710
327,228	2,408,580
\$ 428,865	\$ 4,744,290

CITY OF WINDCREST, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Net Change in Fund Balances--Governmental Funds	\$ 2,335,710
Transactions related to current year capital outlays and long-term debt are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting, as follows:	
- Capital asset additions totaled \$420,839	
- Disposal of capital assets was (\$120,946) and related accumulated depreciation was \$118,594	
- Principal payments on long term debt totaled \$736,859	
- Issuance of loan payable was (\$1,600,000)	
- Issuance of capital lease was (\$46,500)	
- Change in interest payable was (\$1,406)	
- Amortization of bond issuance cost was (\$3,695)	
- Change in compensated absences was \$49,515	
The net effect is to increase net assets.	(446,740)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net assets.	(772,929)
Various other reclassifications and eliminations are necessary to convert from the modified accrual to the accrual basis of accounting, as follows:	
- Remove tax collections from prior year levies in the amount of (\$14,522)	
- Recognize deferred revenue as revenue from the current year tax levy in the amount of \$13,457	
- Recognize additional tax revenue in the amount of (\$7,663) for the difference between what was estimated in the prior year and collected in the current year.	
- Recognize deferred revenue as revenue from the current year municipal court fines in the amount of \$29,109	
The net effect is to increase net assets.	<u>20,381</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,136,422</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Financial Statements

CITY OF WINDCREST, TEXAS

STATEMENT OF NET ASSETS
PROPRIETARY FUND

SEPTEMBER 30, 2011

	<u>Business-Type Activities Garbage Utility Fund</u>
ASSETS	
Cash	\$ 155,818
Accounts Receivable, Net of Allowance for Uncollectibles	<u>49,996</u>
Total Assets	<u>205,814</u>
LIABILITIES	
Liabilities	
Accounts Payable	<u>63,043</u>
Total Liabilities	<u>63,043</u>
NET ASSETS	
Unrestricted	<u>142,771</u>
Total Net Assets	<u><u>\$ 142,771</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities
	Garbage Utility Fund
OPERATING REVENUES	
Commercial Customer Charges	\$ 373,029
Residential Customer Charges	487,710
Other Charges	11,663
	<hr/>
Total Revenues	872,402
	<hr/>
OPERATING EXPENSES	
Commercial Contract Sanitation	333,823
Residential Contract Sanitation	351,859
Administrative Expenses	58,340
	<hr/>
Total Operating Expenses	744,022
	<hr/>
Operating Income	128,380
	<hr/>
NONOPERATING REVENUES	
Interest Income	16
	<hr/>
Income Before Transfers	128,396
	<hr/>
TRANSFERS OUT	(87,083)
	<hr/>
CHANGE IN NET ASSETS	41,313
	<hr/>
Total Net Assets, October 1 (Beginning)	101,458
	<hr/>
Total Net Assets, September 30 (Ending)	\$ 142,771
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities
	Garbage Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 871,587
Payments to Suppliers	(752,050)
Net Cash Provided by Operating Activities	<u>119,537</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer to General Fund	(87,083)
Net Cash (Used) by Non-Capital Financing Activities	<u>(87,083)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>16</u>
Net Cash Provided by Investing Activities	<u>16</u>
Net Increase in Cash and Cash Equivalents	32,470
Cash and Cash Equivalents at Beginning of the Year	<u>123,348</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 155,818</u></u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income	\$ 128,380
Effect of Increase and Decrease in Current Assets and Liabilities:	
(Increase) in Accounts Receivable	(815)
(Decrease) in Accounts Payable	<u>(8,028)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 119,537</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Windcrest, Texas (City) have been prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The City Council, as elected, is comprised of a Mayor and four (4) members, and has all powers of the City and the determination of all matters of policy. Therefore, the City is a financial reporting entity as defined by GASB Statement No. 14, as amended by Statement No. 39, and is not included in any other governmental entity.

Component Units

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government. On September 20, 2004, the Windcrest Crime Control and Prevention District (District) was created for the promotion, development, and enhancement of crime control and prevention within the City. On September 25, 1998, the City of Windcrest Economic Development Corporation (Corporation) was created to act on behalf of the City for the promotion, development, and enhancement of economic development within the City. At September 30, 2011, the District and the Corporation, are reflected as blended component units since the Boards of Directors are appointed by the City Council and are controlled by the City. The District and the Corporation are reported as Special Revenue Funds. A copy of the Corporation's financial statements can be obtained from the City's finance department.

Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the primary government. There are no discretely presented component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report information on all of the City's activities with the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The net assets are segregated into three (3) categories, to include: invested in capital assets, net of related debt; restricted net assets; and, unrestricted net assets.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates how other parties or entities that participate in programs the City operates have shared in the payment of the direct costs. The “charges for services” column includes payment made by parties that purchase, use, or directly benefit from goods or services provided by a given function of the City. Examples include license and permit fees and court fines. The “operating grants and contributions” column includes amounts paid by organizations outside the City to help meet the operational requirements of a given function. Examples include grants. If a revenue is not a program revenue, it is a general revenue used to support all of the City’s functions. Taxes are always considered general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/from other funds on the Governmental Funds Balance Sheet and as other financing sources and uses on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated in the government-wide financial statements.

The fund financial statements report on the financial condition and results of operations for two (2) fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column in the governmental funds financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with the proprietary fund’s principal ongoing operations. All other revenues and expenses are considered non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide and proprietary fund financial statements use the economic resources measurement focus and the accrual basis of accounting. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included in the Statement of Net Assets. With the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The total net assets for these funds are segregated into invested in capital assets, net of related debt; restricted net assets; and, unrestricted net assets.

The City’s proprietary fund applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with, or contradict GASB pronouncements.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. 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 City 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, if measurable; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund used to account for all financial resources except those required to be accounted for in another fund. It is a budgeted fund, and any fund balances are considered resources available for current operations. Major revenue sources include property and other taxes, licenses and permits, municipal court fines, charges for services, and interest.

City of Windcrest Economic Development Corporation – This is a Special Revenue Fund that accounts for the accumulation and use of the sales tax revenue.

Capital Projects Fund – Accounts for resources and expenditures for the acquisition or major repair/upgrade of capital facilities.

Debt Service Fund – Accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Additionally, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds – Accounts for revenues restricted for a specific purpose.

Proprietary Fund:

Garbage Utility Fund – Accounts for the provisions of residential and commercial garbage collection services.

D. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, and investments with original maturities of three (3) months or less from the date of acquisition.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Investments

At September 30, 2011, the City's current investments are comprised of a local government investment pool, which are reflected as cash and cash equivalents.

Texas Local Government Investment Pool ("TexPool"): TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool. Financial information for TexPool can be accessed on the internet (<http://www.texpool.com>).

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust company, which is authorized to operate TexPool. Administrative and investment services are provided by Federated Investors, Inc., acting on behalf of the Texas Treasury Safekeeping Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

3. Property Tax Receivable

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure payments of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the general fund and debt service fund based on the tax rate approved by the City Council. For the year ended September 30, 2011, the general and debt service fund rates were \$0.362654 and \$0.073841, respectively, for a total of \$0.436495 per \$100 of assessed valuation.

Allowances for uncollectible tax receivables within the general fund is based on tax receivables that have been outstanding for four (4) years or more at September 30, 2011.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, improvements other than buildings, furniture and equipment, and equipment under capital lease, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more or an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

General infrastructure assets acquired prior to October 1, 2003, are not reported in the financial statements. General infrastructure assets that are reported in the financial statements include all streets and other infrastructure assets acquired subsequent to October 1, 2003.

Capital assets are depreciated and equipment under capital lease is amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Building Improvements	5 – 50
Improvements Other than Buildings	20 – 50
Vehicles	3 – 10
Furniture and Equipment	3 – 10
Equipment Under Capital Lease	3 – 7

6. Compensated Absences

The City permits full-time employees to accumulate earned but unused vacation pay benefits up to certain limits. Upon resignation, the employee may receive pay for any unused accrued vacation provided the employee gives two (2) weeks written notice of the resignation and is not subject to discharge for misconduct. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment) and recognized as a long term liability in the government-wide statements. All governmental funds, with the exception of the debt service fund, generally liquidate the liability when it matures.

Unused sick leave may be accumulated to certain limits; however, in the event of termination, reimbursement to the employee is not made for accumulated sick leave; therefore, a liability does not exist at September 30, 2011.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Long Term Obligations

In the government-wide financial statements, long-term debt is reported as non-current liabilities in the Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

8. Fund Balance

During the year the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. In applying this Statement, the initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable and then identifying other amounts to be classified as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The City uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts that are not in spendable form or are required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation.

Committed – amounts that can be used only for the specific purposes determined by the City Council. The formal action required to be taken to establish, modify, or rescind a commitment is a resolution approved by the City Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned – amounts intended to be used by the City for specific purposes. Intent can be expressed by the City Council, Municipal Finance Officer, or City Manager. Assignments may occur after fiscal year end. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – residual amount of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. In other funds, this classification is used only to report a deficit balance resulting from over spending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Minimum Unassigned Fund Balance

The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 30% of the current year's expenditures. At September 30, 2011, the general fund's unassigned fund balance is \$1,380,926, which represents 32.39% of the current year's expenditures.

10. Spending Order

Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when an expenditure is incurred for the respective purpose. If an expenditure is incurred that meets the criteria for more than one fund balance category, the City relieves fund balance in the following order: restricted, committed, assigned, and then unassigned.

11. Sales and Use Tax

The City's sales and use tax is currently levied at 2.00%. The sales and use tax is used for the promotion and development of new and expanded business enterprises, and is allocated as follows: 1.25% to the City's general fund; .25% to the City's capital projects fund; .25% to the City's crime control and prevention district, which is a special revenue fund; and, .25% to the Corporation. At September 30, 2011, the sales and use tax revenue reported totaled \$2,662,547.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. BUDGETARY INFORMATION

The City Council adopts a budget for the General Fund and presents the original adopted and final amended budget for revenues and expenditures and compares the actual revenues and expenditures in the accompanying financial statements to the final amended budgeted amounts. Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. At September 30, 2011, although the total budgeted expenditures were not exceeded, the budget was exceeded at the department level in three (3) instances.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

II. BUDGETARY INFORMATION (Continued)

The Corporation's Board of Directors adopts a budget for the Corporation, which is approved by the City Council. The original adopted and final amended budget for revenues and expenditures and a comparison of the actual revenues and expenditures in the accompanying financial statements to the final amended budgeted amount is presented. The budget can be amended by the Board of Directors, subject to City Council approval. Actual expenditures may not legally exceed appropriations at the fund level. At September 30, 2011, although the total budgeted expenditures were not exceeded, three (3) individual line items exceeded their budget.

III. DETAILED NOTES

A. CASH AND INVESTMENTS

At September 30, 2011, cash and cash equivalents are comprised of the following:

	Governmental Funds					Total	Proprietary Fund	Grand Total
	General Fund	Economic Development Corporation	Capital Projects	Debt Service	Other Funds			
Primary Government:								
Demand Accounts	\$ 800,278	\$ 1,767,951	\$ 241,133	\$ 5,142	\$ 340,890	\$ 3,155,394	\$ 115,386	\$ 3,270,780
Cash on Hand	1,200	-	-	-	-	1,200	-	1,200
Investment Pools	991,896	29,855	158,286	473	28,304	1,208,814	40,432	1,249,246
Total	<u>\$ 1,793,374</u>	<u>\$ 1,797,806</u>	<u>\$ 399,419</u>	<u>\$ 5,615</u>	<u>\$ 369,194</u>	<u>\$ 4,365,408</u>	<u>\$ 155,818</u>	<u>\$ 4,521,226</u>
Restricted:								
Demand Accounts	\$ 1,670,070	\$ -	\$ -	\$ -	\$ -	\$ 1,670,070	\$ -	\$ 1,670,070
Certificate of Deposit	227,940	-	-	-	-	227,940	-	227,940
Total	<u>\$ 1,898,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898,010</u>	<u>\$ -</u>	<u>\$ 1,898,010</u>

The City's cash deposits at September 30, 2011 and during the year then ended were entirely covered by FDIC insurance or pledged collateral held in the name of the City.

Investments: At September 30, 2011, the City's investments in Texpool were \$1,249,246.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturities of investment pools to less than 12 months. At September 30, 2011, the weighted average of the Texpool investments is 44 days.

Credit Risk. In accordance with the City's investment policy, investments in investment pools must be rated at least AAA, AAAM, or its equivalent. At September 30, 2011, the Texpool investment rating is AAAM.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

B. RECEIVABLES

Receivables at September 30, 2011 are as follows:

	Governmental Funds						Grand Total
	General Fund	Economic Development Corporation	Capital Projects	Other Funds	Total	Proprietary Fund	
Taxes –							
Delinquent Property Taxes	\$ 30,298	\$ -	\$ -	\$ -	\$ 30,298	\$ -	\$ 30,298
Less: Allowance for Uncollectibles	(4,765)	-	-	-	(4,765)	-	(4,765)
Property Taxes Receivable, Net	\$ 25,533	\$ -	\$ -	\$ -	\$ 25,533	\$ -	\$ 25,533
Municipal Court Fines –							
Delinquent Fines	\$ 1,203,997	\$ -	\$ -	\$ -	\$ 1,203,997	\$ -	\$ 1,203,997
Less: Allowance for Uncollectibles	(1,083,598)	-	-	-	(1,083,598)	-	(1,083,598)
Municipal Court Fines Receivable, Net	\$ 120,399	\$ -	\$ -	\$ -	\$ 120,399	\$ -	\$ 120,399
Accounts –							
Sales and Use Taxes	\$ 359,946	\$ 71,929	\$ 71,929	\$ 68,743	\$ 572,547	\$ -	\$ 572,547
Franchise Taxes	11,937	-	-	-	11,937	-	11,937
Mixed Beverage Taxes	4,403	-	-	-	4,403	-	4,403
Grant Funds	7,020	-	-	-	7,020	-	7,020
Garbage Accounts	-	-	-	-	-	61,219	61,219
Other	1,993	-	-	-	1,993	-	1,993
Less: Allowance for Uncollectibles	-	-	-	-	-	(11,223)	(11,223)
Accounts Receivable, Net	\$ 385,299	\$ 71,929	\$ 71,929	\$ 68,743	\$ 597,900	\$ 49,996	\$ 647,896

These amounts are expected to be collected within one (1) year, with the exception of delinquent property taxes and municipal court fines receivable, which may be collected over several years.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

C. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered available to liquidate liabilities in the current period. At September 30, 2011, deferred revenue reported in the general fund were as follows:

	<u>General Fund</u>
Net Property Tax Revenue	\$ 25,533
Net Municipal Court Fines Revenue	120,399
Total	<u>\$ 145,932</u>

D. TRANSFERS IN AND OUT

Transfers during the year ended September 30, 2011 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund:		
Debt Service Fund	\$ -	\$ 36,000
Other Governmental Funds	68,179	-
Proprietary Funds (Garbage Utility Fund)	87,083	-
Capital Projects Fund:		
Debt Service Fund	-	120,000
Debt Service Fund:		
General Fund	36,000	-
Capital Projects Fund	120,000	-
Other Government Funds:		
General Fund	-	68,179
Total Transfers – Governmental Funds	<u>311,262</u>	<u>224,179</u>
Proprietary Fund (Garbage Utility):		
General Fund	-	87,083
Grand Total	<u>\$ 311,262</u>	<u>\$ 311,262</u>

The transfers from the General Fund and Capital Projects Fund to the Debt Service Fund were for payment of principal and interest on long-term debt. The transfer from the Other Governmental Funds to the General Fund was for tourism related expenditures incurred. The transfer from the Proprietary Fund to the General Fund was for administrative support.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

E. CAPITAL ASSETS

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

	Balance October 1, 2010 (Restated)	Increases	Decreases	Transfers	Balance September 30, 2011
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	\$ 269,345	\$ -	\$ -	\$ -	\$ 269,345
Construction in Progress	-	191,332	-	-	191,332
Total Capital Assets Not Being Depreciated	269,345	191,332	-	-	460,677
Capital Assets, Being Depreciated					
Buildings and Improvements	2,394,605	-	-	-	2,394,605
Improvements Other Than Buildings	5,112,419	54,823	-	-	5,167,242
Furniture and Equipment	2,722,387	102,184	(120,946)	794,606	3,498,231
Vehicles	16,368	-	-	-	16,368
Equipment Under Capital Lease	1,186,611	72,500	-	(794,606)	464,505
Total Capital Assets Being Depreciated	11,432,390	229,507	(120,946)	-	11,540,951
Less Accumulated Depreciation For:					
Buildings and Improvements	(1,255,683)	(89,209)	-	-	(1,344,892)
Improvements Other Than Buildings	(1,182,748)	(242,113)	-	-	(1,424,861)
Furniture and Equipment	(2,541,551)	(217,180)	118,594	(794,606)	(3,434,743)
Vehicles	(16,368)	-	-	-	(16,368)
Equipment Under Capital Lease	(902,475)	(224,427)	-	794,606	(332,296)
Total Accumulated Depreciation	(5,898,825)	(772,929)	118,564	-	(6,553,160)
Total Capital Assets Being Depreciated, Net	5,533,565	(543,422)	(2,352)	-	4,987,791
Governmental Activities Capital Assets, Net	\$ 5,802,910	\$ (352,090)	\$ (2,352)	\$ -	\$ 5,448,468

(Continued)

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

Depreciation expense of the governmental activities was charged to functions/programs as follows:

General Government	\$	118,692
Public Safety		331,114
Public Works		285,552
Animal Control		690
Economic Development		25,551
EMS/Tech Support		11,330
Total Depreciation Expense	\$	<u>772,929</u>

F. LONG-TERM LIABILITIES

1. Bonds Payable

On September 30, 2008, the City issued \$2,545,000 in General Obligation Refunding Bonds, Series 2008 for the purpose of refunding certain obligations. The interest rate is 3.49 percent and is payable May 1 and November 1 each year, with final maturity on May 1, 2014.

The following is a summary of changes in bonds payable for the year ended September 30, 2011:

Balance – October 1, 2010	\$	1,750,000
Retired		<u>(415,000)</u>
Balance – September 30, 2011	\$	<u>1,335,000</u>
Due Within One Year	\$	<u>430,000</u>

The City has never defaulted on any principal or interest payments. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2011.

The annual debt service requirements to maturity for the bonds payable are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2012	\$ 430,000	\$ 46,592	\$ 476,592
2013	445,000	31,584	476,584
2014	460,000	16,054	476,054
Total	<u>\$ 1,335,000</u>	<u>\$ 94,230</u>	<u>\$ 1,429,230</u>

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

2. Capital Leases

The City has commitments under capital lease agreements for various public works equipment. The agreements bear interest rates of 3.44 – 7.10 percent and contain bargain purchase options.

The following is a summary of changes in capital leases for the year ended September 30, 2011:

Balance – October 1, 2010 (Restated)	\$	360,933
Issued		46,500
Retired		(294,669)
Balance – September 30, 2011	\$	<u>112,764</u>
Due Within One Year	\$	<u>77,179</u>

Commitments under capital lease agreements provide for minimum lease payments as of September 30, 2011, as follows:

Year Ending September 30	Amounts
2012	\$ 82,439
2013	12,877
2014	12,877
2015	12,877
Total Minimum Lease Payments	<u>121,070</u>
Less: Amount Representing Interest	<u>(8,306)</u>
Present Value of Minimum Lease Payments	<u>\$ 112,764</u>

3. Loan Payable

During the year, the Corporation obtained a Texas Leverage Fund (TLF) loan from the Office of the Governor Economic Development and Tourism Division in the amount of \$1,600,000 for the purpose of building a road for handling the increased employment traffic to the Rackspace location in the City. The interest rate is variable based on the federal funds rate plus 3%; the federal funds rate ranged from 0.00%-0.25%. The loan has a first lien on economic development sales and use tax receipts. The final maturity on the loan is April 1, 2026.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

A summary of changes in the loan payable for the year ended September 30, 2011 follows:

Balance – October 1, 2010	\$ -
Additions	1,600,000
Payments	<u>(27,190)</u>
Balance – September 30, 2011	<u>\$ 1,572,810</u>
Amount Due Within One Year	<u>\$ 92,322</u>

Annual debt service requirements to maturity for the loan payable follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2012	\$ 92,322	\$ 53,885	\$ 146,207
2013	88,150	46,810	134,960
2014	91,058	43,902	134,960
2015	94,062	40,898	134,960
2016	97,165	37,795	134,960
2017-2021	536,071	138,731	674,802
2022-2026	573,982	44,588	618,570
Total	<u>\$ 1,572,810</u>	<u>\$ 406,609</u>	<u>\$ 1,979,419</u>

4. Compensated Absences

Compensated absences activity for the year ended September 30, 2011 was as follows:

Balance – October 1, 2010	\$ 119,464
Additions	89,492
Payments	<u>(139,007)</u>
Balance – September 30, 2011	<u>\$ 69,949</u>
Amount Due Within One Year	<u>\$ 10,000</u>

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

G. SUMMARY CHANGES IN LONG-TERM LIABILITIES

Change in long-term liabilities for the year ended September 30, 2011 were as follows:

	Balance October 1, 2010 (Restated)	Issued / Additions	Retired / Payments	Balance September 30, 2011	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 1,750,000	\$ -	\$ (415,000)	\$ 1,335,000	\$ 430,000
Capital Leases	360,933	46,500	(294,669)	112,764	77,179
Loan Payable	-	1,600,000	(27,190)	1,572,810	92,322
Compensated Absences	119,464	89,492	(139,007)	69,949	10,000
Total Governmental Activities	\$ 2,230,397	\$ 1,735,992	\$ (875,866)	\$ 3,090,523	\$ 609,501

Interest expense of the governmental activities for the current year totaled \$102,456.

H. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its fulltime 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 City are within the options available in the governing statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. The 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.tmr.com.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

The plan provisions adopted by the City Council were as follows:

	<u>Plan Year 2010 and 2011</u>
Employee Deposit Rate	6%
Matching Ratio (City to Employee)	1.5 to 1
Years Required for Vesting	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	60 / 5, 0 / 20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate 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 amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as updated service credits and annuity increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a 1 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 City's plan is 100% funded, therefore, the City has no net pension obligation/(asset) at September 30, 2011.

Contributions to TMRS made for the last 3 years follows:

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 174,508	\$ 174,508	100%	\$ -
2010	226,247	226,247	100%	-
2011	182,822	182,822	100%	-

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

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

Actuarial Valuation Date:	December 31, 2008	December 31, 2009	December 31, 2010
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
Amortization Period:	29.0 – Closed Period	28.1 – Closed Period	27.1 – Closed Period
Asset Valuation Method:	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return:	7.5%	7.5%	7.0%
Projected Salary Increases:	Varies by Ages and Service	Varies by Ages and Service	Varies by Ages and Service
Inflation Rate:	3.0%	3.0%	3.0%
Cost of Living Adjustments:	2.1%	2.1%	2.1%

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	\$ 5,122,505	\$ 5,854,397	87.5%	731,892	\$2,449,618	29.9%

The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, 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 for benefits.

I. OTHER POST-EMPLOYMENT BENEFITS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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 post-employment benefit" or OPEB.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

The City 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 1 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 life insurance during the employees' entire careers.

The City's contribution to the TMRS SDBF for the years September 30, 2011, 2010, and 2009 were \$4,592; \$6,587; and \$5,685, respectively, which equaled the required contributions each year. Therefore, the City does not have an OPEB liability at September 30, 2011.

J. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and, natural disasters. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML and liability to the City is generally limited to the contributed amounts. There were no significant reductions in coverage in the past fiscal year, and settlements did not exceed insurance coverage for each of the past three (3) fiscal years.

K. CONTINGENCIES AND COMMITMENTS

Litigation

The City and the Corporation filed a lawsuit against a former City Manager alleging various causes of action in the nature of fraud and theft of public funds, which is on hold until certain criminal charges, for which he has been indicted, are resolved. The former City Manager has filed a counterclaim against the City alleging compensation and benefits. The City and the Corporation will vigorously pursue its claims against him and will vigorously defend any claims asserted by him against the City.

The City and the Corporation have also intervened in a claim against a former developer of a revitalization project, to recover funds or property to recoup losses that occurred during the former City Manager's tenure. The former developer has filed a counterclaim against the City alleging compensation and benefits. The City and the Corporation will vigorously pursue its claims against the former developer and will vigorously defend any claims asserted by him against the City.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

Commitments

The revitalization and redevelopment of the Walzem Road area includes the redevelopment of Windsor Park Mall (the Mall) for the purpose of providing corporate headquarters to Rackspace U.S., Inc., an internet storage company that plans to relocate a total of 4,500 full-time jobs to the City.

The terms of the agreement call for a long-term direct financing lease to purchase and transfer the Mall to Rackspace U.S., Inc. The Corporation served as a conduit to the transaction and holds title to the Mall in trust for the parties to the transaction, consisting of City of Windcrest, Windcrest Economic Development Company, LLC, (the Developer) and Rackspace U.S., Inc. (the Lessee).

Pursuant to the lease agreement, Rackspace U.S., Inc., advanced \$5,000,000 to the Corporation for the purpose of providing funding to the Developer for infrastructure improvements. The Corporation holds the funds in escrow pending development of the planned infrastructure, at which time the funds will be reimbursed for such infrastructure. The Corporation and the City liability for infrastructure is limited to the amount of the original escrowed funds, including interest earned less other agreed upon costs. As of September 30, 2011 there was a balance of \$1,670,070 of remaining escrowed funds, which are held at Frost Bank.

The Corporation also serves as a conduit to facilitate the purchase of various tracts of land in the surrounding region commonly referred to as the "180 Acres", for the purpose of development of multi-family housing, retail, office, restaurant, entertainment facilities, and single-family neighborhoods. The Corporation holds the various tracts of land in trust for the Developer (beneficiary), Buddin Properties, LLC (Buddin). The tracts of land are secured by deeds of trust subject to various liens. The liens do not represent debt of the Corporation or the City, and accordingly, have not been reported in the accompanying financial statements. As of September 30, 2011, outstanding liens on the various tracts of land from the Buddin Properties were \$12,604,692.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. DETAILED NOTES (Continued)

L. RESTATED NET ASSETS

Beginning net assets for the governmental activities reported in the government-wide financial statements were restated, as follows:

Description	Amount
Net Assets – September 30, 2010 (as reported)	\$ 6,234,153
Reclassify the Corporation from a Discretely Presented to a Blended Component Unit	199,468
Adjust Capital Assets:	
Improvements Other Than Buildings, Net	(231,838)
Equipment Under Capital Lease, Net	(466,102)
Accumulated Depreciation – Buildings & Improvements	175,145
Accumulated Depreciation – Furniture and Equipment	69,426
Furniture and Equipment	(1,749)
Adjust Long-Term Liabilities:	
Capital Leases	18,455
Adjust Municipal Court Fine Revenue	<u>91,290</u>
Net Assets – September 30, 2010 (as restated)	<u>\$ 6,088,248</u>
Beginning fund balance for the governmental funds reported in the fund financial statements were restated as follows:	
Fund Balance – September 30, 2010 (as reported)	\$ 2,262,559
Reclassify the Corporation from a Discretely Presented Component Unit to a Blended Component Unit	<u>146,021</u>
Fund Balance – September 30, 2010 (as restated)	<u>\$ 2,408,580</u>

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WINDCREST, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Property Taxes				
Ad Valorem Tax	\$ 1,655,401	\$ 1,590,401	\$ 1,625,496	\$ 35,095
Total Property Taxes	1,655,401	1,590,401	1,625,496	35,095
Non-Property Taxes				
Sales and Use Tax	1,625,000	1,625,000	1,612,685	(12,315)
Franchise Tax	403,500	403,500	453,851	50,351
Mixed Beverage Tax	19,000	19,000	19,188	188
Total Non-Property Taxes	2,047,500	2,047,500	2,085,724	38,224
Total Taxes	3,702,901	3,637,901	3,711,220	73,319
Licenses and permits	154,500	154,500	197,657	43,157
Municipal Court Fines	335,000	335,000	309,354	(25,646)
Charges for services				
Swimming Pool Fees	25,000	25,000	29,409	4,409
Vehicle Storage Fees	20,500	20,500	20,472	(28)
Civic Center Fees	18,500	18,500	25,615	7,115
Other Miscellaneous Fees	12,200	16,200	19,669	3,469
Total Charges for Services	76,200	80,200	95,165	14,965
Interest Income	2,500	2,500	3,015	515
Other Revenue				
Post Office Subsidy	25,000	25,000	25,000	-
Grant Proceeds	-	22,000	14,211	(7,789)
Contributions	-	-	100	100
Lease Revenue	-	50,000	50,000	-
Other Miscellaneous Revenue	95,000	148,452	231,054	82,602
Total Other Revenue	120,000	245,452	320,365	74,913
TOTAL REVENUES	\$ 4,391,101	\$ 4,455,553	\$ 4,636,776	\$ 181,223

CITY OF WINDCREST, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Final Budget
		(GAAP Basis)			Positive or
					(Negative)
EXPENDITURES					
<u>General Government</u>					
501 & 525	Administrative/City Management				
	Salaries and Benefits	\$ 313,772	\$ 248,772	\$ 214,071	\$ 34,701
	Other Charges and Services	40,500	40,500	28,598	11,902
	Total Administrative/City Management	354,272	289,272	242,669	46,603
510	Facility Division				
	Other Charges and Services	92,500	92,500	92,466	34
	Capital Outlay	-	1,800	-	1,800
	Total Facility Division	92,500	94,300	92,466	1,834
520	Finance				
	Salaries and benefits	193,857	129,589	106,450	23,139
	Other Charges and Services	8,100	10,965	6,265	4,700
	Total Finance	201,957	140,554	112,715	27,839
Other Departments					
511	Civic Center	74,377	74,377	69,917	4,460
527	Post Office	52,046	52,046	27,729	24,317
	Total Other Departments	126,423	126,423	97,646	28,777
514	Nondepartmental				
	Legal	-	-	142,869	(142,869)
	EMS	-	-	70,000	(70,000)
	Municipal Insurance	-	-	57,897	(57,897)
	Mobility Impaired Transport	-	-	12,000	(12,000)
	Other Contractual Services	445,100	506,503	113,766	392,737
	Other Charges and Services	-	-	20,100	(20,100)
	Total Nondepartmental	445,100	506,503	416,632	89,871
	Total General Government	1,220,252	1,157,052	962,128	194,924
<u>Public Safety</u>					
502	Police Department				
	Salaries and benefits	1,271,352	1,271,352	1,241,672	29,680
	Other Charges and Services	40,500	40,500	16,206	24,294
	Capital Outlay	3,400	3,400	4,660	(1,260)
	Total Police Department	1,315,252	1,315,252	1,262,538	52,714
503	Fire Department				
	Salaries and benefits	105,647	105,647	91,169	14,478
	Other Charges and Services	47,175	47,175	41,943	5,232
	Capital Outlay	-	22,000	17,937	4,063
	Total Fire Department	152,822	174,822	151,049	23,773

CITY OF WINDCREST, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
EXPENDITURES (Continued)					
519	Inspection Department				
	Salaries and benefits	\$ 113,892	\$ 113,892	\$ 111,273	\$ 2,619
	Other Charges and Services	10,000	10,000	7,607	2,393
	Total Inspection Department	123,892	123,892	118,880	5,012
508	Municipal Court				
	Salaries and benefits	162,736	158,236	142,348	15,888
	Other Charges and Services	41,869	46,369	45,230	1,139
	Total Municipal Court	204,605	204,605	187,578	17,027
	Total Public Safety	1,796,571	1,818,571	1,720,045	98,526
	<u>Public Works</u>				
516	Public Works Department				
	Salaries and benefits	459,891	459,891	457,652	2,239
	Other Charges and Services	90,750	90,750	73,784	16,966
	Capital Outlay	80,000	80,000	-	80,000
	Total Public Works Department	630,641	630,641	531,436	99,205
507	Fleet Department				
	Salaries and benefits	40,944	40,944	40,507	437
	Debt Service - Principal	140,116	140,116	191,483	(51,367)
	Debt Service - Interest and Fiscal Charges	-	-	10,673	(10,673)
	Other Charges and Services	139,350	139,350	126,077	13,273
	Capital Outlay	-	-	72,500	(72,500)
	Total Fleet Department	320,410	320,410	441,240	(120,830)
506	Parks & Recreation Department				
	Salaries and benefits	46,003	46,003	60,218	(14,215)
	Other Charges and Services	98,500	96,500	174,586	(78,086)
	Capital Outlay	30,000	82,000	-	82,000
	Total Parks & Recreation Department	174,503	224,503	234,804	(10,301)
	Total Public Works	1,125,554	1,175,554	1,207,480	(31,926)
517	<u>Animal Control</u>				
	Salaries and benefits	38,973	38,973	49,290	(10,317)
	Other Charges and Services	8,700	8,700	9,874	(1,174)
	Total Animal Control	47,673	47,673	59,164	(11,491)
504	<u>Special Services</u>				
	Salaries and benefits	137	137	195	(58)
	Other Charges and Services	81,250	81,250	45,101	36,149
	Total Special Services	81,387	81,387	45,296	36,091

CITY OF WINDCREST, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
	Original	Final		
EXPENDITURES (Continued)				
515 <u>EMS Tech Support</u>				
Salaries and benefits	\$ 104,543	\$ 103,087	\$ 38,863	\$ 64,224
Other Charges and Services	155,867	157,323	151,462	5,861
Capital Outlay	-	-	79,585	(79,585)
Total EMS Tech Support	260,410	260,410	269,910	(9,500)
TOTAL EXPENDITURES	4,531,847	4,540,647	4,264,023	276,624
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(140,746)	(85,094)	372,753	457,847
Other Financing Sources (Uses)				
Transfers In	179,377	179,377	155,262	(24,115)
Transfers Out (Use)	-	-	(36,000)	(36,000)
Proceeds from Capital Lease Financing	-	-	46,500	46,500
Total Other Financing Sources (Uses)	179,377	179,377	165,762	(13,615)
Net Change in Fund Balance	38,631	94,283	538,515	444,232
Fund Balance - October 1 (Beginning)	1,495,963	1,495,963	1,495,963	-
Fund Balance - September 30 (Ending)	\$ 1,534,594	\$ 1,590,246	\$ 2,034,478	\$ 444,232

CITY OF WINDCREST, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CITY OF WINDCREST ECONOMIC DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Sales Tax	\$ 300,000	\$ 300,000	\$ 322,536	\$ 22,536
Interest	4,500	500	64	(436)
Other	50,000	-	-	-
Total Revenues	354,500	300,500	322,600	22,100
EXPENDITURES				
Current				
Salaries and Benefits	225,060	100,604	75,050	25,554
Administrative	-	-	9,236	(9,236)
Economic Development Projects	66,300	9,500	9,623	(123)
Other	56,300	50,596	35,761	14,835
Capital Outlay	-	1,600,000	49,914	1,550,086
Debt Service				
Principal	-	56,234	27,190	29,044
Interest	-	-	17,797	(17,797)
Total Expenditures	347,660	1,816,934	224,571	1,592,363
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,840	(1,516,434)	98,029	1,614,463
OTHER FINANCING SOURCES				
Proceeds from Loan	500	1,600,000	1,600,000	-
Total Other Financing Sources	500	1,600,000	1,600,000	-
Net Change in Fund Balance	7,340	83,566	1,698,029	1,614,463
Fund Balance - Beginning	146,021	146,021	146,021	-
Fund Balance - Ending	\$ 153,361	\$ 229,587	\$ 1,844,050	\$ 1,614,463

CITY OF WINDCREST, TEXAS

SCHEDULE OF FUNDING PROGRESS - TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/08	\$ 3,441,960	\$ 4,446,186	77.4%	\$ 1,004,226	\$ 2,420,533	41.5%
12/31/09	\$ 3,934,275	\$ 4,998,761	78.7%	\$ 1,064,486	\$ 2,484,657	42.8%
12/31/10	\$ 5,122,505	\$ 5,854,397	87.5%	\$ 731,893	\$ 2,449,618	29.9%

OTHER SUPPLEMENTARY INFORMATION

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Nonmajor Governmental Funds (Special Revenue Funds)

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CITY OF WINDCREST, TEXAS

SPECIAL REVENUE FUNDS DESCRIPTIONS

Special Revenue Funds are used to account for specific revenues where expenditures are legally restricted for particular purposes. Funds included in the Special Revenue Funds category that are non-major are described below.

School Crossing Guard Fund – used to account for revenues restricted by the State to provide for school crossing guards and maintenance of school zones.

D.A.R.E. Fund – used to account for revenues segregated for Drug Abuse Resistance Education (D.A.R.E.).

Asset Seizure and Forfeiture Fund – used to account for revenues provided by police seizures restricted by the State to provide crime prevention and detection.

County Fire Contribution Fund – used to account for funds provided by Bexar County to offset expenditures incurred in providing fire protection outside City limits.

Police Donations Fund – used to account for donations provided and expenditures incurred for police protection within the City of Windcrest, Texas.

Police Education And Training – used to account for L.E.O.S.E. funds received from the State to be used for police education and training.

Roosevelt Scholarship Fund – used to account for donations from the Windfest Family Fun Day to provide for a scholarship to be awarded to a graduating Roosevelt High School senior.

Court Technology Fund – used to account for fees assessed on fines for the purpose of improving technology.

Building Security Fund – used to account for fees assessed for providing security to City facilities.

Hotel/Motel Tax Fund – used to account for hotel occupancy tax proceeds collected to pay off long-term debt.

Crime Control and Prevention District (Blended Component Unit) – used to account for sales tax proceeds collected to support crime control and prevention.

CITY OF WINDCREST, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2011

	School Crossing Guard Fund	D.A.R.E Fund	Asset Seizure and Forfeiture Fund	County Fire Contribution Fund	Police Donations Fund
ASSETS					
Cash and Cash Equivalents	\$ 38,262	\$ -	\$ 20,773	\$ 11,615	\$ 4,283
Accounts Receivable	-	-	-	-	-
Total Assets	<u>\$ 38,262</u>	<u>\$ -</u>	<u>\$ 20,773</u>	<u>\$ 11,615</u>	<u>\$ 4,283</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 469	\$ -	\$ 1,444	\$ -	\$ -
Total Liabilities	469	-	1,444	-	-
Fund Balances:					
Restricted	<u>37,793</u>	<u>-</u>	<u>19,329</u>	<u>11,615</u>	<u>4,283</u>
Total Fund Balances	<u>37,793</u>	<u>-</u>	<u>19,329</u>	<u>11,615</u>	<u>4,283</u>
Total Liabilities and Fund Balances	<u>\$ 38,262</u>	<u>\$ -</u>	<u>\$ 20,773</u>	<u>\$ 11,615</u>	<u>\$ 4,283</u>

Police Education and Training Fund	Roosevelt Scholarship Fund	Court Technology Fund	Building Security Fund	Hotel/Motel Tax Fund	Crime Control and Prevention District Fund	Total Nonmajor Governmental Funds
\$ 10,456	\$ 4,093	\$ 17,664	\$ 10,743	\$ 127,029	\$ 124,276	\$ 369,194
-	-	-	-	-	68,743	68,743
<u>\$ 10,456</u>	<u>\$ 4,093</u>	<u>\$ 17,664</u>	<u>\$ 10,743</u>	<u>\$ 127,029</u>	<u>\$ 193,019</u>	<u>\$ 437,937</u>
\$ -	\$ -	\$ -	\$ 57	\$ 500	\$ 6,602	\$ 9,072
-	-	-	57	500	6,602	9,072
10,456	4,093	17,664	10,686	126,529	186,417	428,865
<u>10,456</u>	<u>4,093</u>	<u>17,664</u>	<u>10,686</u>	<u>126,529</u>	<u>186,417</u>	<u>428,865</u>
<u>\$ 10,456</u>	<u>\$ 4,093</u>	<u>\$ 17,664</u>	<u>\$ 10,743</u>	<u>\$ 127,029</u>	<u>\$ 193,019</u>	<u>\$ 437,937</u>

CITY OF WINDCREST, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGED IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	School Crossing Guard Fund	D.A.R.E. Fund	Asset Seizure and Forfeiture Fund	County Fire Contribution Fund	Police Donations Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,430	-	-	20,674	-
Public Safety	-	-	-	-	-
Interest	3	-	-	1	-
Donations	-	-	-	-	2,130
Other Revenue	-	-	2,535	1,000	-
Total Revenues	<u>5,433</u>	<u>-</u>	<u>2,535</u>	<u>21,675</u>	<u>2,130</u>
EXPENDITURES					
Public Safety:					
Salaries and Benefits	-	-	-	-	-
Other Expenditures	1,121	320	1,443	24,584	712
Debt Service:					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>1,121</u>	<u>320</u>	<u>1,443</u>	<u>24,584</u>	<u>712</u>
Excess (Deficiency) of Revenues Revenues Over (Under) Expenditures	4,312	(320)	1,092	(2,909)	1,418
Other Financing Sources (Uses):					
Transfers Out (Use)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	4,312	(320)	1,092	(2,909)	1,418
Fund Balance - October 1 (Beginning)	<u>33,481</u>	<u>320</u>	<u>18,237</u>	<u>14,524</u>	<u>2,865</u>
Fund Balance - September 30 (Ending)	<u>\$ 37,793</u>	<u>\$ -</u>	<u>\$ 19,329</u>	<u>\$ 11,615</u>	<u>\$ 4,283</u>

Police Education and Training Fund	Roosevelt Scholarship Fund	Court Technology Fund	Building Security Fund	Hotel/Motel Tax Fund	Crime Control and Prevention District	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 153,690	\$ 404,789	\$ 558,479
-	-	-	-	-	-	26,104
-	-	8,938	6,702	-	-	15,640
1	1	1	1	7	15	30
-	-	-	-	-	-	2,130
1,753	-	-	-	-	3,881	9,169
<u>1,754</u>	<u>1</u>	<u>8,939</u>	<u>6,703</u>	<u>153,697</u>	<u>408,685</u>	<u>611,552</u>
-	-	-	-	-	218,116	218,116
-	2,000	91	443	500	81,410	112,624
-	-	-	-	-	103,186	103,186
-	-	-	-	-	7,810	7,810
<u>-</u>	<u>2,000</u>	<u>91</u>	<u>443</u>	<u>500</u>	<u>410,522</u>	<u>441,736</u>
1,754	(1,999)	8,848	6,260	153,197	(1,837)	169,816
-	-	-	-	(68,179)	-	(68,179)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,179)</u>	<u>-</u>	<u>(68,179)</u>
1,754	(1,999)	8,848	6,260	85,018	(1,837)	101,637
8,702	6,092	8,816	4,426	41,511	188,254	327,228
<u>\$ 10,456</u>	<u>\$ 4,093</u>	<u>\$ 17,664</u>	<u>\$ 10,686</u>	<u>\$ 126,529</u>	<u>\$ 186,417</u>	<u>\$ 428,865</u>

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STATISTICAL SECTION

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CITY OF WINDCREST, TEXAS

STATISTICAL SECTION OVERVIEW

This part of the City's annual financial report presents detailed information to provide the readers of the City's financial statements with a background for a better understanding of the information in the financial statements, note disclosures, and required supplementary information.

The statistical section is organized in the following sections:

Financial Trend Information – This section contains schedules of government-wide and fund financial statements.

Government-Wide Information – This section contains schedules that reflect current year and past years amounts on the City's government-wide financial statements.

Fund Information – This section contains schedules that reflect current year and past years amounts on the City's fund financial statements.

Revenue Capacity Information – This section contains schedules that provide information about the City's most significant major own source revenues, which is property taxes, and the factors that impact the City's ability to generate such revenue.

Debt Capacity Information – This section contains schedules that provide information on the City's current levels of outstanding debt.

CITY OF WINDCREST, TEXAS

NET ASSET BY COMPONENT

LAST SIX YEARS
(UNAUDITED)

	2006	2007	2008	2009	2010	2011 (A)
Governmental Activities:						
Invested in Capital Assets, Net of Related Debt	\$ 522,656	\$ 2,246,647	\$ 3,634,291	\$ 3,892,776	\$ 3,955,730	\$ 5,335,703
Restricted	-	-	37,620	30,273	14,449	701,621
Unrestricted	4,817,707	30,794	2,407,120	2,126,548	2,263,974	1,187,346
Total Governmental Activities Net Assets	\$ 5,340,363	\$ 2,277,441	\$ 6,079,031	\$ 6,049,597	\$ 6,234,153	\$ 7,224,670
Business-Type Activities:						
Unrestricted	\$ 30,225	\$ 40,393	\$ 56,112	\$ 96,481	\$ 109,649	\$ 142,771
Total Business-Type Activities Net Assets	\$ 30,225	\$ 40,393	\$ 56,112	\$ 96,481	\$ 109,649	\$ 142,771
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 522,656	\$ 2,246,647	\$ 3,634,291	\$ 3,892,776	\$ 3,955,730	\$ 5,335,703
Restricted	-	-	37,620	30,273	14,449	701,621
Unrestricted	4,847,932	71,187	2,463,232	2,223,029	2,373,623	1,330,117
Total Primary Government Net Assets	\$ 5,370,588	\$ 2,317,834	\$ 6,135,143	\$ 6,146,078	\$ 6,343,802	\$ 7,367,441

Source: The City's Statement of Net Assets

(A) The City reclassified the City of Windcrest Economic Development Corporation from a discretely presented component unit to a blended component unit effective for the fiscal year 2011. However, prior year balances were not restated.

CITY OF WINDCREST, TEXAS

GOVERNMENTAL ACTIVITIES EXPENSES & PROGRAM REVENUES

LAST SIX YEARS
(UNAUDITED)

	2006	2007	2008	2009	2010	2011 (A)
Expenses						
Governmental Activities:						
General Government	\$ 981,078	\$ 1,117,780	\$ 1,160,125	\$ 1,412,819	\$ 1,328,506	\$ 1,073,204
Public Safety	1,585,964	1,493,804	1,820,471	2,150,486	2,212,779	2,329,645
Public Works	666,177	893,629	1,260,839	1,290,905	1,296,176	1,207,103
Animal Control	5,576	5,019	10,547	49,290	48,941	58,885
Economic Development	483,888	367,109	540,042	197,712	243,801	155,221
EMS/Tech Support	-	191,364	205,468	343,686	270,179	201,655
Special Services	137,349	110,106	137,093	274,195	291,313	45,296
Loss on Sale of Equipment	-	-	-	3,386	892	-
Capital Outlay	45,533	108,729	61,611	18,219	181,370	-
Interest on Long-Term Debt	174,120	150,661	170,563	97,937	102,169	102,456
Total Governmental Activities Expenses	\$ 4,079,685	\$ 4,438,201	\$ 5,366,759	\$ 5,838,635	\$ 5,976,126	\$ 5,173,465
Business-Type Activities:						
Garbage Utility	449,880	449,880	604,072	692,375	808,770	744,022
Total Business-Type Activities Expenses	449,880	449,880	604,072	692,375	808,770	744,022
Total Primary Government	\$ 4,529,565	\$ 4,888,081	\$ 5,970,831	\$ 6,531,010	\$ 6,784,896	\$ 5,917,487
Program Revenues						
Governmental Activities:						
Charges for Services						
General Government	\$ 45,000	\$ 55,000	\$ 55,000	416,796	398,660	578,204
Public Safety	266,565	231,799	697,554	359,334	345,476	362,397
Public Works	295,774	236,636	511,802	164,681	296,182	49,881
Animal Control	-	-	-	1,825	889	-
Economic Development	74,987	137,776	-	196,558	206,679	-
Special Services	67,297	70,256	68,112	-	-	-
Operating Grants and Contributions	-	-	63,198	16,794	12,183	14,211
Total Government Activities Revenue	749,623	731,467	1,395,666	1,155,988	1,260,069	1,004,693
Business-Type Activities:						
Charges for Services:						
Garbage Utility	443,943	457,119	617,048	730,143	812,081	872,402
Total Business-Type Activities Revenue	443,943	457,119	617,048	730,143	812,081	872,402
Total Primary Government Program Revenue	\$ 1,193,566	\$ 1,188,586	\$ 2,012,714	\$ 1,886,131	\$ 2,072,150	\$ 1,877,095

Source: The City's Statement of Activities

(A) The City reclassified the City of Windcrest Economic Development Corporation from a discretely presented component unit to a blended component unit effective for the fiscal year 2011. However, prior year balances were not restated.

CITY OF WINDCREST, TEXAS

GENERAL REVENUES AND CHANGES IN NET ASSETS

LAST SIX YEARS
(UNAUDITED)

	2006	2007	2008	2009	2010	2011 (A)
Net Governmental Activities Revenue/(Expense)						
Governmental Activities	\$ (3,330,062)	\$ (3,706,734)	\$ (3,971,093)	\$ (4,682,647)	\$ (4,716,057)	\$ (4,168,772)
Business-Type Activities	(5,937)	7,239	12,976	37,768	3,311	128,380
Total Primary Government Net Revenue/(Expenses)	\$ (3,335,999)	\$ (3,699,495)	\$ (3,958,117)	\$ (4,644,879)	\$ (4,712,746)	\$ (4,040,392)
General Revenue and Changes in Net Assets						
Governmental Activities:						
Property Taxes	\$ 1,547,103	\$ 1,595,911	\$ 1,767,558	\$ 2,118,060	1,953,924	1,909,897
Nonproperty Taxes	2,683,493	2,328,914	2,624,980	2,508,686	2,935,174	3,289,276
Investment Earnings	280,085	175,293	77,945	26,467	11,515	3,179
Miscellaneous Revenue	38,929	103,712	76,390	-	-	17,704
Loss on Disposal of Capital Asset	-	-	-	-	-	(1,945)
Transfers	-	-	-	-	-	87,083
Total Governmental Activities	4,549,610	4,203,830	4,546,873	4,653,213	4,900,613	5,305,194
Business-Type Activities:						
Investment Earnings	2,303	2,929	2,743	2,601	1,666	16
Transfers	-	-	-	-	-	(87,083)
Total Business-Type Activities	2,303	2,929	2,743	2,601	1,666	(87,067)
Total Primary Government	\$ 4,551,913	\$ 4,206,759	\$ 4,549,616	\$ 4,655,814	\$ 4,902,279	\$ 5,218,127
Change in Net Assets						
Governmental Activities	\$ 1,219,548	\$ 497,096	\$ 575,780	\$ (29,434)	\$ 184,556	\$ 1,136,422
Business-Type Activities	(3,634)	10,168	15,719	40,369	4,977	41,313
Total Primary Government	\$ 1,215,914	\$ 507,264	\$ 591,499	\$ 10,935	\$ 189,533	\$ 1,177,735

Source: The City's Statement of Activities

(A) The City reclassified the City of Windcrest Economic Development Corporation from a discretely presented component unit to a blended component unit effective for the fiscal year 2011. However, prior year balances were not restated.

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CITY OF WINDCREST, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN YEARS

(UNAUDITED)

	2002	2003	2004	2005	2006
General Fund:					
Unreserved Designated For:					
Special Projects and Contingencies	\$ 435,000	\$ 465,000	\$ 458,153	\$ 648,873	\$ 773,873
Unreserved/Undesignated	551,951	874,475	949,453	1,094,691	1,191,839
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund Balance	\$ 986,951	\$ 1,339,475	\$ 1,407,606	\$ 1,743,564	\$ 1,965,712
All Other Governmental Funds:					
Unreserved/Undesignated, Reported In:					
Capital Project Funds	\$ -	\$ 6,186	\$ -	\$ 4,230,729	\$ 1,881,216
Debt Service Funds	-	-	7,356	9,108	9,148
Special Revenue Funds	660,516	675,733	770,149	903,397	1,055,350
Restricted:					
Retirement of Long-Term Debt	-	-	-	-	-
Economic Development Projects	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Committed:					
Capital Improvements	-	-	-	-	-
Total All Other Governmental Funds Balance	\$ 660,516	\$ 681,919	\$ 777,505	\$ 5,143,234	\$ 2,945,714
Total Governmental Funds - Fund Balance	\$ 1,647,467	\$ 2,021,394	\$ 2,185,111	\$ 6,886,798	\$ 4,911,426

Source: The City's Governmental Funds Balance Sheet

- (A) The City reclassified the City of Windcrest Economic Development Corporation from a discretely presented component unit to a blended component unit effective for the fiscal year 2011. However, prior year balances were not restated.
- (B) Effective fiscal year 2011, the City implemented GASB Statement No. 54 which changed classifications to classify amounts based on relative strength of the constraints that control how specific amounts can be spent.

2007	2008	2009	2010	2011 (A) (B)
\$ 823,873	\$ 914,693	\$ 796,559	\$ 796,559	\$ -
1,077,948	873,705	549,248	699,404	-
-	-	-	-	3,552
-	-	-	-	650,000
-	-	-	-	1,380,926
<u>\$ 1,901,821</u>	<u>\$ 1,788,398</u>	<u>\$ 1,345,807</u>	<u>\$ 1,495,963</u>	<u>\$ 2,034,478</u>
\$ 823,769	\$ 286,654	\$ 395,650	\$ 424,919	\$ -
9,333	37,620	30,273	14,449	-
449,543	439,250	375,245	327,228	-
-	-	-	-	5,615
-	-	-	-	1,844,050
-	-	-	-	428,865
-	-	-	-	431,282
<u>\$ 1,282,645</u>	<u>\$ 763,524</u>	<u>\$ 801,168</u>	<u>\$ 766,596</u>	<u>\$ 2,709,812</u>
<u>\$ 3,184,466</u>	<u>\$ 2,551,922</u>	<u>\$ 2,146,975</u>	<u>\$ 2,262,559</u>	<u>\$ 4,744,290</u>

CITY OF WINDCREST, TEXAS

CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

LAST SIX YEARS

(UNAUDITED)

	2006	2007	2008	2009	2010	2011 (A)
Revenues						
Taxes	\$ 4,216,211	\$ 3,934,965	\$ 4,397,581	\$ 4,645,184	\$ 4,875,513	\$ 5,226,011
Licenses and Permits	259,458	198,058	473,197	207,326	248,620	197,657
Intergovernmental	-	213,871	63,197	43,531	39,226	26,104
Public Safety	-	-	-	-	-	15,640
Municipal Court Fines	224,011	230,653	300,961	339,807	327,526	309,354
Charges for Services	82,894	83,833	81,716	102,985	82,528	95,165
Interest	280,085	175,293	77,945	26,467	11,517	3,179
Donations	-	-	-	-	-	2,130
Miscellaneous	232,087	331,271	691,442	452,180	562,233	329,534
Total Revenues	5,294,746	5,167,944	6,086,039	5,817,480	6,147,163	6,204,774
Expenditures						
General Government	903,384	989,447	1,091,009	1,362,109	1,277,901	962,128
Public Safety	1,545,025	1,535,718	1,847,022	2,028,763	2,089,665	2,028,188
Public Works	593,477	695,335	868,356	807,129	841,197	932,824
Animal Control	5,576	4,723	10,547	48,646	48,449	59,164
Economic Development	319,595	226,881	349,452	197,712	243,801	129,670
EMS/Tech Support	154,981	187,344	203,200	343,612	270,111	190,325
Special Services	218,226	112,048	138,151	233,343	248,890	45,296
Capital Outlay	2,914,756	1,701,940	1,522,431	392,913	201,332	420,838
Debt Service						
Principal	630,000	837,969	3,472,992	756,851	742,471	736,859
Interest and Fiscal Charges	123,756	156,464	191,284	94,858	105,689	97,355
Bond Issue Costs	-	-	9,700	300	-	-
Total Expenditures	7,408,776	6,447,869	9,704,144	6,266,236	6,069,506	5,602,647
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,114,030)	(1,279,925)	(3,618,105)	(448,756)	77,657	602,127
Other Financing Sources (Uses):						
Proceeds from Capital Lease	63,941	162,244	459,241	43,809	37,927	46,500
Proceeds from Bonded and Other Debt	-	-	2,545,000	-	-	1,600,000
Transfers In/(Out)	-	-	-	-	-	87,083
Total Other Financing Sources (Uses)	63,941	162,244	3,004,241	43,809	37,927	1,733,583
Net Change in Fund Balances	\$ (2,050,089)	\$ (1,117,681)	\$ (613,864)	\$ (404,947)	\$ 115,584	\$ 2,335,710

Source: The City's Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

(A) The City reclassified the City of Windcrest Economic Development Corporation from a discretely presented component unit to a blended component unit effective for the fiscal year 2011. However, prior year balances were not restated.

CITY OF WINDCREST, TEXAS

TAX REVENUE BY SOURCE
GOVERNMENTAL FUNDS

LAST SIX YEARS

(UNAUDITED)

Fiscal Year Ended	Property	Sales & Use	Hotel Occupancy	Franchise	Mixed Beverage	Total
2006	\$ 1,532,718	\$ 2,078,051	\$ 295,332	\$ 303,569	\$ 6,541	\$ 4,216,211
2007	1,606,050	1,704,690	324,034	293,672	6,519	3,934,965
2008	1,772,601	2,060,100	231,238	313,663	19,979	4,397,581
2009	2,119,007	1,926,773	163,442	417,211	18,751	4,645,184
2010	1,940,339	2,356,531	159,970	400,584	18,089	4,875,513
2011 (A)	1,936,735	2,662,547	153,690	453,851	19,188	5,226,011

Source: The City of Windcrest Finance Department

(A) The City reclassified the City of Windcrest Economic Development Corporation from a discretely presented component unit to a blended component unit effective for the fiscal year 2011. However, prior year balances were not restated.

CITY OF WINDCREST, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST FIVE YEARS

(UNAUDITED)

Fiscal Year	City Direct Rates			Overlapping Rates	
	General M&O	Debt Service	Total Direct	North East ISD	Bexar County
2007	0.332654	0.079800	0.412454	1.699000	0.326866
2008	0.332654	0.074585	0.407239	1.402900	0.326866
2009	0.362654	0.073573	0.436227	1.402900	0.326866
2010	0.362654	0.073841	0.436495	1.402900	0.326187
2011	0.362654	0.073841	0.436495	1.402900	0.326866

Source: The City's approved tax ordinance and NEISD and Bexar County CAFR

CITY OF WINDCREST, TEXAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS PRIOR

(UNAUDITED)

Taxpayer	Rank	2011		Rank	2002	
		Taxable Assessed Value	Percentage of Total City Assessed Value		Taxable Assessed Value	Percentage of Total City Assessed Value
HD Development Prop LP	1	\$ 10,832,830	2.46%	4	\$ 4,801,400	1.43%
HCP REIT Operating Co., LLC	2	10,749,142	2.44%	-	-	-
Frost National Bank	3	5,481,949	1.24%	7	3,693,036	1.10%
Cotter, James F.	4	4,900,000	1.11%	-	-	-
Sage Western Investments	5	4,387,310	1.00%	5	4,503,500	1.34%
Riverside 193 Inc. et al	6	4,000,000	0.91%	-	-	-
Gigante Flea Mart LP	7	3,596,460	0.82%	-	-	-
Terrard Inc	8	3,425,510	0.78%	-	-	-
Citibank NA	9	3,400,000	0.77%	-	-	-
Jones-Tradewinds Apartments LP	10	3,200,000	0.73%	-	-	-
Jamestown 16 LP	-	-	-	1	11,063,666	0.03
The Home Depot USA Inc.	-	-	-	2	5,418,490	0.02
Plano/Lancers Prop LP	-	-	-	3	5,400,000	0.02
Consolidated Capital Special	-	-	-	6	4,000,000	0.01
TVO Ivy Park Parterships LP	-	-	-	8	2,866,390	0.01
B&M Real Estate Ltd	-	-	-	9	2,200,000	0.01
Jones Apartment Properties	-	-	-	10	2,176,400	0.01
Total		<u>\$ 53,973,201</u>	<u>12%</u>		<u>\$ 46,122,882</u>	<u>14%</u>
Total Assessed Taxable Value		<u>\$ 440,712,311</u>			<u>\$ 335,060,971</u>	

Source:

Bexar County Appraisal District and Finance Department

CITY OF WINDCREST, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST FIVE YEARS

(UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within The Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections in Fiscal Year (Current and Delinquent)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 1,589,640	\$ 1,578,120	99.28%	\$ 7,834	\$ 1,585,954	99.77%
2008	1,751,877	1,736,825	99.14%	2,438	1,739,263	99.28%
2009	2,051,301	1,996,628	97.33%	7,489	2,004,117	97.70%
2010	1,989,202	1,933,373	97.19%	-	1,933,373	97.19%
2011	1,917,559	1,904,102	99.30%	-	1,904,102	99.30%

Source: Bexar County Tax Assessor Collector and City of Windcrest Finance Department

CITY OF WINDCREST, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST FIVE YEARS

(UNAUDITED)

Fiscal Year	General Obligation Bonds	Governmental Activities		Total Primary Government	Population	Per Capita
		Texas Tax Notes	Capital Leases & Other			
2007	\$ -	\$ 3,430,000	\$ 583,799	\$ 4,013,799	5,105	\$ 786
2008	2,545,000	215,000	785,048	3,545,048	5,105	694
2009	2,155,000	110,000	568,932	2,833,932	5,105	555
2010	1,750,000	-	379,388	2,129,388	5,405	394
2011	1,335,000	-	1,685,574	3,020,574	5,446	555

Source: The City's Long-Term Liabilities Note in the notes to the financial statements and US Census Data.

CITY OF WINDCREST, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST FIVE YEARS

(UNAUDITED)

Fiscal Year	General Bonded Debt Outstanding			Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property
	General Obligation Bonds	Texas Tax Notes	Total		
2007	\$ -	\$ 3,430,000	\$ 3,430,000	\$ 385,385,242	0.89%
2008	2,545,000	215,000	2,760,000	430,117,860	0.64%
2009	2,155,000	110,000	2,265,000	470,160,162	0.48%
2010	1,750,000	-	1,750,000	455,648,775	0.38%
2011	1,335,000	-	1,335,000	440,712,311	0.30%

Source: The City's long-term liabilities section in the notes to the financial statements and property tax roll.

CITY OF WINDCREST, TEXAS

LEGAL DEBT MARGIN

(UNAUDITED)

Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of general obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in the levy of a tax for bonded debt of over \$1.00 for cities under a population of 5,000 or \$1.50 for the cities over 5,000 in population. The City's charter restricts tax levy to no more than \$1.25 per \$100 of Assessed Valuation for payment of debt.

Taxable Value		<u>\$ 440,712,311</u>
Debt Limit - 10% of Taxable Value		\$ 44,071,231
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	\$ 1,335,000	
Less Fund Balance in Debt Service Fund	<u>(5,615)</u>	
Total Amount of Debt Applicable to Debt Limit		<u>1,329,385</u>
Legal Debt Margin		<u>\$ 42,741,846</u>

Source: The City's long-term liabilities section in the notes to the financial statements and Governmental Funds Balance Sheet.

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