

CITY OF WESTON
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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Independent Auditor's Report

To the City Council
City of Weston, Texas

I have audited the accompanying financial statements of the governmental activities and major funds of the City of Weston, Texas as of September 30, 2012, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Weston, Texas, management. My responsibility is to express an opinion on these general purpose financial statements based upon my audit.

I conducted my 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of Weston, Texas, as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the City of Weston's basic financial statements taken as a whole. The other supplementary information schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

William C. Spore, P.C.

Certified Public Accountants

December 11, 2012

CITY OF WESTON

CITY OFFICIALS

September 30, 2012

MAYOR

Patti Harrington

MAYOR PRO TEM

Bruce Morrell

COUNCILMEN

Kevin Deal

Carol Decker

Randall Hales

Vacant

SECRETARY

Kay Lokey

CITY ATTORNEY

Taylor, Olsen, Adkins, Stralla & Elam

CITY OF WESTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Weston, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. The information provided here should be used in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at September 30, 2012 by \$557,937, an increase of \$413,479.
- The City's governmental fund balance increased \$514,715 during the 2012 fiscal year to a total of \$603,647.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole - Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Assets (page 9) presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (page 10) presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences). Capital grant funds are reported as revenues in the Statement of Activities.

The City currently provides only Governmental type activities. Governmental activities include basic services such as ambulance, inspection, streets and general administration. Property taxes, sales taxes, franchise fees and permit revenues finance most of these activities. The City does not provide any Business-type activities such as water or sewer systems.

Reporting the City's Most Significant Funds

Fund Financial Statements

All of the City's activities are accounted for in governmental funds. Governmental funds focus on how money flows into and out of the funds and the balances left at the end of the year that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 13.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net assets as of September 30, 2012 and 2011 are as follows:

NET ASSETS			
	2012		2011
Current and Other Assets	\$ 621,560	\$	119,896
Capital Assets	75,647		31,228
Total Assets	<u>697,207</u>		<u>151,124</u>
Long-Term Debt	(113,916)		0
Other Liabilities	(25,354)		(6,666)
Total Liabilities	<u>(139,270)</u>		<u>(6,666)</u>
Net Assets:			
Invested in Capital Assets, net of debt	22,748		31,228
Restricted	72,647		0
Unrestricted	462,542		113,230
Total Net Assets	<u>\$ 557,937</u>	\$	<u>144,458</u>

The City has two significant assets, its cash balances and its investment in capital assets, (buildings, office equipment, public works.) The City has restricted cash accounts for Honey Creek Ranch

development expenses (\$2,589), for debt service (\$2,017) and for capital improvements (\$70,630). The remaining cash balances of \$540,030 at September 30, 2012 are unrestricted and the City uses these funds for operations and reserves. The City uses its capital assets to provide services to the City's citizens, consequently these assets are not available for future spending.

During 2012 the City entered into an interlocal agreement with Collin County for improvements to roads shared by the City and Collin County. The City agreed to pay for their share of the paving of the identified roads and Collin County agreed to finance the City's portion of the total cost (\$123,529) of the improvements. The loan agreement calls for 120 monthly installments of \$1,220. The agreement included improvements to three shared roads, one of which was completed during fiscal year 2012. It is anticipated that the other two roads will be completed in 2013.

Analysis of City's Operations

The following table provides a summary of the City's Changes in Net Assets for the years ended September 30, 2012 & 2011.

	2012	2011
REVENUES		
Program Revenues:		
Charges for Services	\$ 2,998	\$ 1,528
Developer Reimbursements	0	14,105
Capital Grants	(14,195)	16,138
General Revenues:		
Property Taxes	38,053	94,899
Sales Taxes	5,357	5,917
Franchise Fees	13,231	14,014
Oncor Easement Agreement	474,291	0
Interest Income	134	24
Total Revenues	<u>519,869</u>	<u>146,625</u>
PROGRAM EXPENSES		
General Government	66,056	49,337
Development	28,327	13,975
Public Health	6,079	9,795
Streets	5,928	8,388
Total Expenses	<u>106,390</u>	<u>81,495</u>
Increase (Decrease) in Net Assets	\$ <u>413,479</u>	\$ <u>65,130</u>

During the past two fiscal years the City has been in negotiations with Oncor Electric Delivery Company L.L.C. (Oncor) for the placement of an electric delivery transmission line in the City limits. In July 2012 City and Oncor reached an agreement and the City received a one time payment of \$479,666 for the easement rights for the transmission line. The funds received by the City from Oncor are unrestricted. For government-wide reporting purposes \$5,375 of these funds were recorded as revenues in fiscal year 2011 and the remaining \$474,291 were recorded as revenues in fiscal year 2012 revenues.

In 2010 the City de-annexed the Pecan Farms subdivision which resulted in a significant decrease in property tax values in the City. The effect this de-annexation had on the City property tax revenues was not felt until 2012 when property tax revenues decreased from \$94,899 in 2011 to \$38,053 in 2012.

In 2011 the City was approved for a Energy Efficiency and Conservation Block Grant (energy grant) in the amount of \$23,030. Through September 30, 2011 the City had expended \$16,138 for building improvements related to the energy grant and this amount was reflected as a receivable and revenues in the 2011 statement of net assets and statement of activities. During 2012 the City received four of the six reimbursements it requested from the State of Texas totaling \$1,943. The remaining two reimbursement requests were rejected by the State of Texas due to missing information and the City has been unable to receive the proper paper work from the contractors it used for the energy improvements. The capital grant revenues above reflect a negative amount due to the City not receiving all of the grant reimbursement requests.

During 2012 the City incurred legal expenses related to a boundary dispute with the City of Anna which contributed to legal expenses increasing \$5,787 from the prior year. The boundary dispute was settled in October 2012. During 2012 the City expended \$16,000 for repairs to its City Hall and Community Center buildings. The increased legal fees and building repairs account for a large portion of the total increase in general government expenses in 2012 over 2011.

Development expenses include legal and engineering expenses related to the Oncor easement agreement and the Honey Creek developer agreement. These expenses totaled \$28,327 in 2012 compared to \$13,975 in 2011.

GOVERNMENTAL FUND ANALYSIS

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

A comparative schedule of General Fund revenues and expenditures is as follows:

	2012		2011
REVENUES			
Property Taxes	\$ 38,366	\$	95,178
Sales Taxes	5,357		5,917
Franchise Fees	13,231		14,014
Intergovernmental Revenues	1,943		0
Permits & Fees	2,303		1,125
Miscellaneous Revenues	695		403
Interest Income	134		24
Oncor Easement Agreement	479,966		0
Developer Reimbursements	0		7,423
Loan Proceeds	123,529		0
TOTAL REVENUES	665,524		124,084

	2012	2011
EXPENDITURES		
General Government	59,466	39,736
Development Expenses	28,327	16,841
Public Health	6,079	9,795
Streets	4,038	8,262
Capital Outlay	52,899	18,788
TOTAL EXPENDITURES	<u>150,809</u>	<u>93,422</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>514,715</u>	\$ <u>30,662</u>

Due to the de-annexation of the Pecan farms subdivision in 2010 and the related loss of property values in the City, property tax revenues decreased 60% from 2011 to 2012. During fiscal year 2012 the City received \$479,966 in a one time easement agreement from Oncor and the City entered into a loan agreement with Collin County from which the City received \$123,529 of loan proceeds to be used for road improvements. There were no comparative revenues for these items in 2011.

Due to increased legal fees related to the City of Anna boundary dispute and repairs made to the City Hall and the Community Center buildings, total governmental expenditures increased 50% in 2012 from 2011. The City incurred expenditures for legal and engineering fees related to the Oncor easement settlement and the Hickory Creek developer agreement in 2012 totaling \$28,327 which resulted in a 68% increase in development expenses over 2011.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total actual revenues exceeded budgeted revenues by \$607,213 primarily due to the receipt of the Oncor easement settlement of \$479,996 and the loan proceeds for road improvements from Collin County of \$123,529. Neither of these items were included in the budget.

Actual expenditures of \$150,809 exceeded budgeted expenditures of \$66,137 primarily due to expenditures for building maintenance (\$16,793 actual vs \$1,700 budgeted), development expenses related to Honey Creek and Oncor (\$28,327 actual vs zero budgeted), and road capital improvements (\$52,899 actual vs zero budgeted). The Oncor development expenditures were paid from the Oncor easement settlement funds and the road capital improvements were paid from the Collin County loan proceeds.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2012 amounts to \$75,647 (net of depreciation). The investment in capital assets includes buildings, office equipment and infrastructure. A schedule of capital assets is as follows:

**CAPITAL ASSETS AT YEAR END NET
OF ACCUMULATED DEPRECIATION**

	2012		2011
Buildings	\$ 19,598	\$	24,812
Office Equipment	2,006		3,382
Infrastructure	54,043		3,034
TOTAL	\$ <u>75,647</u>	\$	<u>31,228</u>

The capital additions during the current fiscal year were expenditures for road improvements of \$52,899. Additional information on the City’s capital assets can be found in Note 4.

DEBT ADMINISTRATION

The City issued long-term debt during 2012 for road improvements in the amount of \$123,529. Outstanding long-term debts are as follows:

	2012		2011
Note Payable-Collin County	\$ <u>123,529</u>	\$	<u>0</u>

Additional information on the City’s long-term debts can be found in Note 5.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The fiscal year 2013 budget included budgeted revenues of \$52,636 and budgeted expenditures of \$73,832. This budgeted deficit will be funded from funds on hand at the beginning of the 2013 fiscal year. Budgeted revenues include property taxes of \$38,000, which were based on the same tax rate as in 2012, sales tax revenues of \$4,000 and franchise fee revenues of \$11,168.

Budgeted 2012 expenditures include \$23,710, for salaries and benefits, \$5,000 for election costs, \$5,625 for legal fees, \$7,027 for ambulance services, and \$15,479 for road repairs, improvements and road debt service.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City of Weston. If you have questions about this report or need any additional information, contact the City Secretary at P.O. Box 248, Weston, TX 75097 or at (972) 729-7045.

CITY OF WESTON
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

September 30, 2012

GOVERNMENTAL
ACTIVITIES

ASSETS

CURRENT ASSETS

Cash	\$	540,030
Restricted Cash		75,236
Receivables:		
Sales & Franchise Taxes		4,122
Developer Reimbursements		1,007
Property Taxes		1,165

Capital Assets:

Buildings		70,650
Equipment		9,255
Public Works		56,689
Accumulated Depreciation		(60,947)
Net Capital Assets		75,647

TOTAL ASSETS

697,207

LIABILITIES

Accounts Payable		12,210
Accrued Expenses		954
Developer Advances Payable		2,577
Note Payable-Collin County		9,613

TOTAL CURRENT LIABILITIES

25,354

NONCURRENT LIABILITIES

Note Payable-Collin County		113,916
TOTAL NONCURRENT LIABILITIES		113,916

TOTAL LIABILITIES

139,270

NET ASSETS

Invested in Capital Asset, Net of Related Debt		22,748
Restricted For:		
Debt Service		2,017
Capital Improvements		70,630
Unrestricted		462,542

TOTAL NET ASSETS

\$ 557,937

CITY OF WESTON

**GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2012

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS</u>	<u>NET GOVERNMENTAL ACTIVITIES</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ (66,056)	\$ 2,998	\$ (14,195)	\$ (77,253)
Development	(28,327)	0	0	(28,327)
Public Health	(6,079)	0	0	(6,079)
Streets	(5,928)	0	0	(5,928)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (106,390)	\$ 2,998	\$ (14,195)	(117,587)
 GENERAL REVENUE				
Property Taxes				38,053
Sales Taxes				5,357
Franchise Fees				13,231
Oncor Easement Agreement				474,291
Interest Income				134
TOTAL GENERAL REVENUE				<u>531,066</u>
CHANGE IN NET ASSETS				413,479
NET ASSETS - BEGINNING				<u>144,458</u>
NET ASSETS - ENDING				<u><u>\$ 557,937</u></u>

CITY OF WESTON
BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2012

ASSETS		GENERAL FUND
Cash	\$	540,030
Restricted Cash - Developer Advances		2,589
Restricted Cash - Collin County Escrow Funds		72,647
Receivable - Sales & Franchise Taxes		4,122
Receivable - Property Taxes		1,165
TOTAL ASSETS	\$	<u>620,553</u>
LIABILITIES		
Accounts Payable	\$	12,210
Accrued Payroll Taxes		954
Developer Advances Payable		2,577
Deferred Revenues		1,165
TOTAL LIABILITIES		<u>16,906</u>
FUND BALANCE		
Restricted For:		
Debt Service		2,017
Capital Improvements		70,630
Unassigned, Reported In General Fund		531,000
TOTAL FUND BALANCE		<u>603,647</u>
TOTAL LIABILITIES & FUND EQUITY	\$	<u>620,553</u>

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

Fund Balance Above	\$	603,647
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the Fund Balance Sheet		
		75,647
Receivables that are not available to pay for current period expenditures are not considered current revenues in the fund statements:		
Property Taxes		1,165
Developer Reimbursements		1,007
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet		
		(123,529)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>557,937</u>

CITY OF WESTON

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2012

REVENUES	GENERAL FUND
Property Taxes	\$ 38,366
Sales Taxes	5,357
Franchise Fees	13,231
Intergovernmental Revenues	1,943
Permits & Fees	2,303
Miscellaneous Revenues	695
Interest Income	134
TOTAL REVENUES	62,029
EXPENDITURES	
General Government	59,466
Public Health	6,079
Streets	4,038
Capital Outlay	52,899
TOTAL EXPENDITURES	122,482
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER SOURCES	(60,453)
OTHER SOURCES (USES)	
Oncor Easement Agreement	479,966
Development Expenses	(28,327)
Loan Proceeds - Collin County	123,529
NET OTHER SOURCES (USES)	575,168
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	514,715
FUND BALANCE - BEGINNING	88,932
FUND BALANCE - ENDING	\$ 603,647

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

The City of Weston operates under a Council-Mayor form of government, following the laws of a General Law City as defined by the State of Texas. The City provides the following services: ambulance, inspection, streets, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles accepted in the United States of America (GAAP) applicable to local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected to not apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are discussed below:

A. REPORTING ENTITY

These financial statements present the City (the primary government). The City has no component units (separately administered organizations that are controlled or dependent on the City).

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS:

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's ambulance, inspection, streets, and general administrative services are classified as governmental activities. The City does not provide any business-type activities.

In the government-wide Statement of Net Assets governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's Functions (general government, public safety, and streets). The functions are also supported by general government revenues (property, sales and franchise taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (building permits).

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Operating grants include operating-specific and discretionary grants while capital grants reflect capital specific grants.

The net costs (by function) are normally covered by general revenue (property, sales, franchise taxes).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C: BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City only provides Governmental Fund type activities and these activities are accounted for the General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City.

The City does not provide any Business-type activities.

The City does not have any Fiduciary Funds.

D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurements made, regardless of the measurement focus applied.

1. Government-wide financial statements and fund financial statements for proprietary funds are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total assets. Under the accrual basis of accounting revenues are recognized when earned and expensed are recognized at the time the liability is incurred.

2. Governmental fund financial statements are presented using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

“Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (typical within 60 days after year end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principle and interest on general obligation long-term debt, if any, is recognized only when payment is due.

3. Revenue Recognition:

The City considers property taxes, franchise fees, sanitation revenues and grants as available if collected within 60 days after year end. Sales and hotel/motel taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental revenues are recognized when received.

4. Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available the City first applies restricted resources.

5. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles to local governments in the United States of America requires management and those charged with governance to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6: New Accounting Principles:

The City has adopted all current GASB pronouncements that are applicable to its operations and activities. No new statements required adoption for the year ended September 30, 2012. The accounting principles governing the reported amounts, financial presentations, and disclosures are subject to change from time to time based on new pronouncements and / or rules issued by various standards-setting bodies. The GASB has issued the following new statements that are potentially applicable to the City of Weston and its components units.

- Statement No. 65, *Items previously reported as Assets and Liabilities*
- Statement No. 66, *Technical Corrections--2012--an amendment of GASB Statements No 10 and no. 62*

New pronouncements not yet in effect as of September 30, 2012, are not expected to have any significant impact on the City’s financial position, results of operations, or cash flows. The City is currently studying these new pronouncements and will adopt them in the fiscal year ending September 2013 as required.

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

E. FINANCIAL STATEMENT AMOUNTS:

1. Cash and cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, or improvements and other capital outlays that significantly extend the useful lives of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 years
Office Equipment	3 - 5 years
Infrastructure	10-30 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective with the with the fiscal year beginning October 1, 2003. Infrastructure includes roads, bridges and drainage systems. These infrastructure assets are likely to be the largest asset class of the City. General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements.

3. Taxes:

Property tax is levied each October 1 on the assessed (appraised) value as of the prior January 1 for all real and personal property located in the City. Taxes are due October 1, the levy date, and are delinquent after the following January 31. Property taxes are recorded as receivables in the period they are levied and available. For governmental fund financial reporting, delinquent taxes estimated not to be available are treated as deferred revenues at the time the taxes are assessed.

4. Prepaid Expenses:

Prepaid expenses represent payments made by the City in the current year to provide services occurring in the subsequent year.

5. Compensated Absences and Retirement Plan:

The City Secretary is the only paid employee of the City. The amount, if any, of any accrued compensated absences is immaterial and is not recorded in these financial statements. The City does not provide a retirement plan for its employee.

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

6. Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a: Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Any outstanding debt is reduced by any unspent debt proceeds at the end of the fiscal year before the reduction discussed above.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the criteria of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable (prepaid expenses), restricted (by parties outside of the government or by enabling legislation), committed (by City Council ordinance or resolution) and unassigned.

F: BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1: Prior to September 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2: Public hearings are conducted to obtain taxpayer comments.
- 3: Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 4: Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 5: Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

NOTE 2: CASH:

At September 30, 2011 the City's cash and cash equivalents were made up of the following::

Petty Cash	\$	215
Held at a local bank		542,403
Held by Collin County		72,648
	\$	<u>615,266</u>

Deposit and Investment Risk Disclosures:

(1) Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of outside parties.

At September 30, 2012 the City's bank balances (per bank) totaled \$544,006. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$294,006 was secured by collateral held by the pledging Bank's agent in the name of the City. The City was not exposed to custodial credit risk at September 30, 2012.

Securities pledged by the City's depository institution at September 30, 2012 are as follows:

SECURITY	PAR	FMV
Federal Home Loan Bank	\$ <u>466,956</u>	\$ <u>486,493</u>

(2) Interest rate risk, credit risk, and concentration of credit risk:

The City does not have any investments and therefor is not subject to interest rate risk, credit risk or concentration of credit risk.

NOTE 3: RESTRICTED CASH:

At September 30, 2012 the City has restricted cash as follows:

Developer Advances

In September 2009 Land Advisors, LTD., a local developer, advanced the City \$10,000 to be used solely for future development costs. At September 30, 2012 the City held \$2,589 of restricted development funds which are held in a separately maintained developer escrow bank account. There were no disbursements from the account during the fiscal year. As these remaining funds are expended the developer will be required to deposit additional funds in to the developer escrow account.

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Collin County Road Improvement Funds

During 2012 the City entered into an interlocal agreement with Collin County for the improvement of certain roads shared by the City and the County. The City agreed to pay for a specific share of the cost to pave the roads and Collin County agreed to finance the City's portion. At September 30, 2012 not all of the road projects had been completed and the County held \$72,647 of loan proceeds in escrow.

NOTE 4: CAPITAL ASSETS:

Capital assets activity for the fiscal year ended September 30, 2012 is as follows:

CAPITAL ASSETS:	BEGINNING	ADDITIONS	DISPOSALS	ENDING
Building & Improvements	\$ 70,650	\$ 0	\$ 0	\$ 70,650
Equipment	17,393	0	8,138	9,255
Infrastructure	<u>3,790</u>	<u>52,899</u>	<u>0</u>	<u>56,689</u>
TOTAL	\$ <u>91,833</u>	<u>52,899</u>	<u>8,138</u>	<u>136,594</u>
LESS ACCUMULATED DEPRECIATION:				
Building & Improvements	\$ 45,838	5,214	0	51,052
Office Equipment	14,011	1,376	8,138	7,249
Infrastructure	<u>756</u>	<u>1,890</u>	<u>0</u>	<u>2,646</u>
TOTAL ACCUM. DEPRECIATION	<u>60,605</u>	<u>8,480</u>	<u>8,138</u>	<u>60,947</u>
CAPITAL ASSETS, NET	\$ <u>31,228</u>	\$ <u>44,419</u>	\$ <u>0</u>	\$ <u>75,647</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 6,590
Public Works	<u>1,890</u>
Total Depreciation Expense	<u>\$ 8,480</u>

NOTE 5: LONG-TERM DEBT:

The following is a summary of the long-term debt transactions of the City for the year ended September 30, 2012:

	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
Note Payable-Collin County	\$ 0	\$ 123,529	\$ 0	\$ 123,529	\$ 9,613
TOTAL LONG-TERM DEBT	\$ <u>0</u>	\$ <u>123,529</u>	\$ <u>0</u>	\$ <u>123,529</u>	\$ <u>9,613</u>

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note Payable Collin County

During 2012 the City entered into an interlocal agreement with Collin County for the improvement of certain shared roads. The City agreed to pay \$123,529 of the total cost of the road improvements and the County agreed to finance the improvements. The loan agreement requires the City to make 120 monthly installments of \$1,222. The first installment is due November 1, 2012 and the loan bears interest at 3.50%. The final installment is due October 1, 2021. Future debt requirements are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2013	\$ 9,613	\$ 3,824	\$ 13,437
2014	10,844	3,814	14,658
2015	11,229	3,429	14,658
2016	11,630	3,029	14,659
2017	12,043	2,615	14,658
2018 - 2022	66,952	6,339	73,291
2023	1,218	4	1,222
	<u>\$ 123,529</u>	<u>\$ 23,054</u>	<u>\$ 146,583</u>

NOTE 6: RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Texas Municipal League Intergovernmental Risk Pool (“TMLIRP”) which is a public entity insurance risk pool. Annual contributions to TML are reported in the general fund. Management believes coverage presently purchased from TMLIRP is sufficient to preclude significant uninsured losses to the City.

NOTE 7: SUBSEQUENT EVENTS:

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through December 13, 2012 (the date the City Council approved the financial statements). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events which would require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WESTON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2012

	ORIGINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH BUDGET
RESOURCES (INFLOWS)			
Property Taxes	\$ 42,237	\$ 38,366	\$ (3,871)
Sales Taxes	4,000	5,357	1,357
Franchise Fees	11,500	13,231	1,731
Intergovernmental Revenues	0	1,943	1,943
Permits & Fees	500	2,303	1,803
Oncor Easement Agreement	0	479,966	479,966
Miscellaneous Revenues	50	695	645
Interest Income	24	134	110
Proceeds from Collin County Loan	0	123,529	123,529
TOTAL RESOURCES (INFLOWS)	58,311	665,524	607,213
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General Government:			
Public Notices	0	528	(528)
Dues & Subscriptions	597	667	(70)
Election Costs	5,000	0	5,000
Insurance	1,455	1,522	(67)
Accounting Services	2,500	2,500	0
Legal Services	7,500	10,311	(2,811)
Engineering Services	2,500	1,400	1,100
Tax Appraisal & Collection Costs	948	463	485
Repair & Maintenance	1,700	16,793	(15,093)
Supplies	2,000	1,726	274
Telephone & Utilities	6,677	5,520	1,157
Travel & Training	200	462	(262)
Payroll Taxes	2,740	1,480	1,260
Wages	12,100	16,094	(3,994)
Total General Government	45,917	59,466	(13,549)
Development Expenses:			
Honey Creek	0	2,248	(2,248)
Oncor Easement Agreement	0	26,079	(26,079)
Total Development Expenses	0	28,327	(28,327)
Public Health:			
Code Enforcement & Inspection	100	500	(400)
Fire Dept Burn Permit Fees	250	325	(75)
EMS Services	9,370	5,254	4,116
Total Public Health	9,720	6,079	3,641
Streets:			
Street Repairs & Signs	10,500	4,038	6,462
Capital Additions:			
Road Improvements	0	52,899	(52,899)
TOTAL APPROPRIATIONS (OUTFLOWS)	66,137	150,809	(84,672)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS			
	(7,826)	514,715	691,885
Beginning Budgetary Fund Balance	88,932	88,932	0
Ending Budgetary Fund Balance	\$ <u>81,106</u>	\$ <u>603,647</u>	\$ <u>691,885</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF WESTON

COMPARATIVE SCHEDULE OF REVENUES & EXPENDITURES - GENERAL FUND

For the Year Ended September 30, 2012, 2011 & 2010

REVENUES	Year Ending September 30,		
	2012	2011	2010
Property Taxes	\$ 38,366	\$ 95,178	\$ 82,034
Sales Taxes	5,357	5,917	5,458
Franchise Fees	13,231	14,014	20,149
Intergovernmental Revenues	1,943	0	0
Permits & Fees	2,303	1,125	1,584
Oncor Easement Agreement	479,966	0	0
Miscellaneous Revenues	695	403	142
Interest Income	134	24	25
Developer Reimbursements	0	7,423	0
Proceeds from Collin County Loan	123,529	0	0
TOTAL REVENUES	665,524	124,084	109,392
EXPENDITURES			
General Government:			
Public Notices	528	1,020	1,066
Dues & Subscriptions	667	571	679
Election Costs	0	0	75
Insurance	1,522	1,455	1,678
Accounting Services	2,500	4,450	3,923
Legal Services	10,311	4,524	33,211
Engineering Services	1,400	375	6,580
Planning Services	0	0	4,383
Tax Appraisal & Collection Costs	463	948	853
Repair & Maintenance	16,793	2,026	5,660
Supplies	1,726	3,852	4,080
Telephone & Utilities	5,520	5,626	9,151
Travel & Training	462	212	325
Payroll Taxes	1,480	1,157	1,464
Office Contract Services	0	0	19,214
City Secretary-Wages	16,094	13,520	6,471
Total General Government	59,466	39,736	98,813
Development Expenses			
Professional Fees	28,327	14,105	28,778
Weston Water Supply	0	2,736	0
Total Development Expenses	28,327	16,841	28,778
Public Health:			
Code Enforcement & Inspection Services	500	100	325
Donation to Fire Department	325	325	300
Ambulance Services	5,254	9,370	9,370
Total Public Health	6,079	9,795	9,995
Streets:			
Street Repairs, Improvements & Signs	4,038	8,262	26,760
Capital Additions:			
Office Equipment/Public Works	52,899	18,788	6,128
TOTAL EXPENDITURES	150,809	93,422	170,474
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 514,715	\$ 30,662	(61,082)

CITY OF WESTON
SCHEDULE OF PROPERTY TAXES

September 30, 2012

Property Tax Year	2011	2010	2009	2008
Assessed Value	\$ 12,410,260	\$ 31,320,830	\$ 32,289,236	\$ 31,776,004
Tax Rate per \$100 of Assessed Value	<u>0.300000</u>	<u>0.300000</u>	<u>0.250000</u>	<u>0.250000</u>
Total Tax Levy	\$ <u>37,231</u>	\$ <u>93,962</u>	\$ <u>80,723</u>	\$ <u>79,440</u>
Collections During Fiscal Year	\$ <u>36,419</u>	\$ <u>92,896</u>	\$ <u>79,763</u>	\$ <u>78,017</u>
% of Current Taxes Collected	<u>97.82%</u>	<u>98.86%</u>	<u>98.81%</u>	<u>98.21%</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent on February 1 of the following year.

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 116
Keller, TX 76248
817-421-6619

To the City Council
City of Weston

In planning and performing my audit of the financial statements of the governmental activities and major fund of the City of Weston as of and for the year ending September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, I considered the City of Weston' internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A materiel weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weakness.

This communication is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

William C. Spore, PC
Certified Public Accountants
December 11, 2012

WILLIAM C. SPORE, P.C.
Certified Public Accountants
200 N. Rufe Snow Dr., Ste 16
Keller, TX 76248
817-421-6619

December 13, 2012

To the Mayor & City Council
City of Weston

I have audited the financial statements of the governmental activities and the major funds of the City of Weston for the year ended September 30, 2012, and have issued my report thereon dated December 11, 2012. Professional standards require that I provide you with the following information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated September 25, 2012. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Weston are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was :

Management's estimate of depreciation expense is based on the estimated useful lives of the related assets. I evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated December 11, 2012

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the City Council and management of City of Weston and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

William C. Spore

Certified Public Accountant
December 11, 2012