

CITY OF WESTON
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Draft

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Certified Public Accountants
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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 and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Weston, Texas, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules 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.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements the collectively comprise the City of Weston's basic financial statements. The schedule of comparative revenues and expenditures - general fund and the schedule of property taxes are presented for additional analysis and are not a part of the basic financial statements.

The schedule of comparative revenues and expenditures - general fund and the schedule of property taxes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of comparative revenues and expenditures - general fund and the schedule of property taxes are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William C. Spore, P.C.

Keller, Texas

Certified Public Accountants

December 11, 2014

CITY OF WESTON

CITY OFFICIALS

September 30, 2014

MAYOR

Patti Harrington

MAYOR PRO TEM

Kevin Deal

COUNCILMEN

Carol Decker

Randall Hales

Bruce Morrell

John Tingle

SECRETARY

Susan Coffey

CITY ATTORNEY

Taylor, Olsen, Adkins, Stralla & Elam

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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, 2014. 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, 2014 by \$535,171 a decrease of \$7,522.
- The City's governmental fund balance decreased \$159,015 during the 2014 fiscal year to a balance of \$386,144.

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 Position 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 Position (page 9) presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 Position and the Statement of Activities) and governmental funds in 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.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City’s net position as of September 30, 2014 and 2013 are as follows:

	NET POSITION	
	2014	2013
Current and Other Assets	\$ 462,530	\$ 551,743
Capital Assets	<u>213,620</u>	<u>86,187</u>
Total Assets	<u>676,150</u>	<u>637,930</u>
Long-Term Debt	(52,917)	(77,744)
Other Liabilities	<u>(88,062)</u>	<u>(17,493)</u>
Total Liabilities	<u>(140,979)</u>	<u>(95,237)</u>
Net Position:		
Invested in Capital Assets, net of debt	148,136	67,360
Restricted	0	70,631
Unrestricted	<u>387,035</u>	<u>404,702</u>
Total Net Position	\$ <u>535,171</u>	\$ <u>542,693</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 of \$1,540 for Honey Creek Ranch development expenses. The remaining cash balances of \$455,642 at September 30, 2014 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. During 2014 the City made principle payments of \$12,000 in addition to the required monthly installments. These accelerated payments reduced future interest payments by \$2,419. The agreement included improvements to three shared roads, one of which was completed during fiscal year 2012. The other two roads were completed in 2014.

Analysis of City’s Operations

The following table provides a summary of the City’ Changes in Net Position for the years ended September 30, 2014 & 2013.

	2014	2013
REVENUES		
Program Revenues:		
Charges for Services	\$ 1,656	\$ 2,954
Capital Grants	0	0
General Revenues:		
Property Taxes	51,107	42,974
Sales Taxes	6,602	6,474
Franchise Fees	14,676	12,509
Interest Income	194	374
Total Revenues	<u>74,235</u>	<u>65,285</u>
PROGRAM EXPENSES		
General Government	59,471	61,623
Public Health	5,511	6,612
Streets	14,091	8,133
Interest on Long-Term Debt	2,684	4,161
Total Expenses	<u>81,757</u>	<u>80,529</u>
Increase (Decrease) in Net Position	\$ <u><u>(7,522)</u></u>	\$ <u><u>(15,244)</u></u>

The City’s 2014 revenues increased \$8,950 (14%) over 2013 revenues. Property tax revenues increased \$8,133 primarily due to a six cent increase in the City’s property tax rate.

Program expenses include depreciation expense of \$18,683, an increase of \$7,200 over fiscal year 2013’s depreciation expense.

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:

	2014	2013
REVENUES		
Property Taxes	\$ 51,021	\$ 43,334
Sales Taxes	6,602	6,474
Franchise Fees	14,676	12,509
Permits & Fees	1,615	2,185
Miscellaneous Revenues	0	769
Interest Income	194	374
Developer Reimbursements	41	1,007
TOTAL REVENUES	74,149	66,652
	2014	2013
EXPENDITURES		
General Government	54,234	55,556
Public Health	5,511	6,612
Streets	645	2,717
Capital Outlay	146,116	22,023
Debt Service	26,658	38,232
TOTAL EXPENDITURES	233,164	125,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (159,015)	\$ (58,488)

Capital outlay expenditures for 2014 include \$142,741 for four street improvement projects in the City. Two of these projects, totaling \$70,631, were funded from the remaining 2012 loan proceeds that were held in escrow by Collin County.

Due to a decrease in the City's development activities in 2014 legal fees decreased \$8,005 from 2013. The City increased the hours of operations for City Hall during 2014 which caused the City Secretary personnel costs to increase \$8,489. Debt service expenditures in 2013 included additional principle payments on the loan with Collin County of \$24,000 compared to additional principle payments of \$12,000 in 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

In October 2014 the City Council amended the City 2014 budget. The budget amendments increased budgeted expenditures by \$75,639. The original budget deficit was \$12,953 and the amended budget deficit was \$88,592. These budget deficits were funded from fund balances on hand at the beginning of the fiscal year.

Total actual revenues exceeded originally budgeted revenues by \$6,421 primarily due to an increase in sales tax revenues (\$2,602), franchise fee revenues (\$2,508) and permit revenues (\$1,215) over budgeted revenues.

Actual expenditures of \$233,164 exceeded originally budgeted expenditures of \$156,320 primarily due to expenditures for capital outlay related to street improvements. During 2014 the County completed the remaining two projects related to the 2012 interlocal agreement for road improvements. These two projects were paid from the unused 2012 loan proceeds and these expenditures were not included in the 2014 budgeted capital outlay.

Legal fees (\$1,584), engineering services (\$2,000) and telephone/utilities/website expenditures (\$1,525) were all under budget while supplies expenditures were \$2,012 over budget.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2014 amounts to \$213,620 (net of depreciation). The investment in capital assets includes buildings, office equipment and infrastructure. A schedule of capital assets, net of depreciation expense, is as follows:

	2014		2013
Buildings	\$ 15,466	\$	15,349
Office Equipment	20,231		22,211
Infrastructure	177,923		48,627
TOTAL	\$ 213,620	\$	86,187

Major capital additions during the current fiscal year were street improvements of \$142,741 and community center improvements of \$3,375.

Additional information related to 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:

	2014		2013
Note Payable-Collin County	\$ 65,484	\$	86,187

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 2015 budget included budgeted revenues of \$75,040 and budgeted expenditures of \$124,073. This budgeted deficit will be funded from funds on hand at the beginning of the 2014 fiscal year. Budgeted revenues include property taxes of \$574,408, which were based on a tax rate of 36 cents per \$100 of assessed value, the same rate used in the 2014 budget.

Budgeted 2015 expenditures include \$30,015, for salaries and benefits, \$11,100 for professional fees, \$5,461 for ambulance services, and \$54,874 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.

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CITY OF WESTON
GOVERNMENT-WIDE
STATEMENT OF NET POSITION

September 30, 2014

**GOVERNMENTAL
ACTIVITIES**

ASSETS

CURRENT ASSETS

Cash	\$	455,642
Restricted Cash		1,540
Receivables:		
Sales & Franchise Taxes		4,457
Property Taxes		891

Capital Assets:

Buildings		75,098
Equipment		30,205
Public Works		199,429
Accumulated Depreciation		(91,112)
Net Capital Assets		213,620

TOTAL ASSETS

676,150

LIABILITIES

Accounts Payable		72,972
Accrued Expenses		994
Developer Advances Payable		1,529
Note Payable-Collin County		12,567

TOTAL CURRENT LIABILITIES

88,062

NONCURRENT LIABILITIES

Note Payable-Collin County		52,917
TOTAL NONCURRENT LIABILITIES		52,917

TOTAL LIABILITIES

140,979

NET POSITION

Invested in Capital Asset, Net of Related Debt		148,136
Unrestricted		387,035

TOTAL NET POSITION

\$ 535,171

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CITY OF WESTON

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS</u>	<u>NET GOVERNMENTAL ACTIVITIES</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ (59,471)	\$ 1,656	\$ 0	\$ (57,815)
Public Health	(5,511)	0	0	(5,511)
Streets	(14,091)	0	0	(14,091)
Interest on Long-Term Debt	(2,684)	0	0	(2,684)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (81,757)	\$ 1,656	\$ 0	(80,101)
GENERAL REVENUE				
Property Taxes				51,107
Sales Taxes				6,602
Franchise Fees				14,676
Interest Income				194
TOTAL GENERAL REVENUE				<u>72,579</u>
CHANGE IN NET ASSETS				(7,522)
NET POSITION - BEGINNING				<u>542,693</u>
NET POSITION - ENDING				<u>\$ 535,171</u>

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CITY OF WESTON
BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2014

ASSETS	GENERAL FUND
Cash	\$ 455,642
Restricted Cash - Developer Advances	1,540
Receivable - Sales & Franchise Taxes	4,457
Receivable - Property Taxes	891
TOTAL ASSETS	\$ 462,530
LIABILITIES	
Accounts Payable	\$ 72,972
Accrued Payroll Taxes	994
Developer Advances Payable	1,529
TOTAL LIABILITIES	75,495
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	891
FUND BALANCE	
Unassigned, Reported In General Fund	386,144
TOTAL FUND BALANCE	386,144
TOTAL LIABILITIES, DEFERRED REVENUES & FUND BALANCE	\$ 462,530

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

Fund Balance Above	\$ 386,144
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	213,620
Receivables that are not available to pay for current period expenditures are not considered current revenues in the fund statements:	
Property Taxes	891
Long term liabilities are not due and payable in the current period and therefore are not reported in the Fund Balance Sheet	(65,484)
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$ 535,171

CITY OF WESTON

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

For the Year Ended September 30, 2014

REVENUES	GENERAL FUND
Property Taxes	\$ 51,021
Sales Taxes	6,602
Franchise Fees	14,676
Permits & Fees	1,615
Developer Reimbursements	41
Interest Income	194
TOTAL REVENUES	<u>74,149</u>
EXPENDITURES	
General Government	54,234
Public Health	5,511
Streets	645
Capital Outlay	146,116
Debt Service - Principle	23,974
Debt Service - Interest	2,684
TOTAL EXPENDITURES	<u>233,164</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(159,015)
FUND BALANCE - BEGINNING	545,159
FUND BALANCE - ENDING	<u>\$ 386,144</u>

CITY OF WESTON

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

For the Year Ended September 30, 2014

Net Change in Fund Balance - Governmental Funds \$ (159,015)

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

Repayment on debt principle is an expenditure in the
governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets. 23,974

Governmental funds report capital outlay as expenditures.
However in the statement of activities the cost of these assets is
allocated over the estimated useful lives as depreciation expense:

Capital assets recorded in the current period 146,116

Depreciation expense on capital assets (18,683)

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues in
the fund statements:

Developer Reimbursements Receivable 0

Deferred Revenues - Property Taxes 86

**CHANGE IN NET POSITION OF GOVERNMENTAL
ACTIVITIES \$ (7,522)**

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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 Position 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 position is reported in three parts- invested in capital assets, net of related debt; restricted net position; and unrestricted net position. 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, 2014

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, and 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 position 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 position 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, 2014

“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:

Effective October 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items that were previously reported as assets and liabilities, as deferred outflows or inflows of resources, and recognizes these items as outflows or inflows of resources

No.66, *Technical Corrections – amendment of GASB Statements No. 10 and No. 62*. This statement will not affect the City.

No. 67, *Financial Reporting for Pension Plans*. This statement will not affect the City.

No. 68, *Accounting and Financial Reporting for Pensions*. This statement will not affect the City.

No 69, *Government Contributions and Disposals of Government Operations*. This statement provides guidance for accounting and reporting for government combinations and disposals of operations. The statement is affective for years beginning after December 15, 2013.

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

No 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement will not affect the City.

No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date, an amendment of GASB statement No. 68. This statement will not affect the City.

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 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

3. Deferred Outflows/Inflows of Resources:

In additions to assets the statement of position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has only one type of item, which arises only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable property tax revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

4. 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.

5. Prepaid Expenses:

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

6. 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.

7. Equity Classifications:

Government-wide Statements

Equity is classified as net position 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 position - 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 position - 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.

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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.

For the fiscal year ending September 30, 2014 the following departments had expenditures exceeding appropriations:

<u>Department</u>	<u>Amount over Budget</u>
Streets	\$ 618
Capital Additions	\$ 80,626

NOTE 2: CASH:

At September 30, 2014 the City's cash and cash equivalents were made up of the following:

Petty Cash	\$ 309
Held at a local bank	<u>456,873</u>
	<u>\$ 457,182</u>

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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, 2014 the City's bank balances (per bank) totaled \$458,250. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining \$208,250 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, 2014.

Securities pledged by the City's depository institution at September 30, 2014 are as follows:

SECURITY	PAR	FMV
Federal Home Loan Bank	\$ <u>257,455</u>	\$ <u>266,469</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, 2014 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, 2014 the City held \$1,541 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, 2014

NOTE 4: CAPITAL ASSETS:

Capital assets activity for the fiscal year ended September 30, 2014 is as follows:

CAPITAL ASSETS:	BEGINNING	ADDITIONS	DISPOSALS	ENDING
Building & Improvements	\$ 71,723	\$ 3,375	\$ 0	\$ 75,098
Equipment	30,205	0	0	30,205
Infrastructure	<u>56,689</u>	<u>142,741</u>	<u>0</u>	<u>199,430</u>
TOTAL	\$ <u>158,617</u>	<u>146,116</u>	<u>0</u>	<u>304,733</u>
LESS ACCUMULATED DEPRECIATION:				
Building & Improvements	\$ 56,374	3,258	0	59,632
Office Equipment	7,994	1,979	0	9,973
Infrastructure	<u>8,062</u>	<u>13,446</u>	<u>0</u>	<u>21,508</u>
TOTAL ACCUM. DEPRECIATION	<u>72,430</u>	<u>18,683</u>	<u>0</u>	<u>91,113</u>
CAPITAL ASSETS, NET	\$ <u><u>86,187</u></u>	\$ <u><u>127,433</u></u>	\$ <u><u>0</u></u>	\$ <u><u>213,620</u></u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 5,237
Public Works	<u>13,446</u>
Total Depreciation Expense	<u>\$ 18,683</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, 2014:

	BEGINNING	ADDITIONS	PAYMENTS	ENDING	CURRENT PORTION
Note Payable-Collin County	\$ 89,458	\$ 0	\$ 23,974	\$ 65,484	\$ 12,567
TOTAL LONG-TERM DEBT	\$ <u><u>89,458</u></u>	\$ <u><u>0</u></u>	\$ <u><u>23,974</u></u>	\$ <u><u>65,484</u></u>	\$ <u><u>12,567</u></u>

CITY OF WESTON

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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, 2011 and the loan bears interest at 3.50%. The final installment is due October 1, 2021. The City annually has made additional principal payments to reduce future interest costs. Future debt requirements are as follows:

YEAR ENDING SEPTEMBER 30,	PRINCIPAL	INTEREST	TOTAL
2015	\$ 12,567	\$ 2,091	\$ 14,658
2016	13,014	1,644	14,658
2017	13,476	1,182	14,658
2018	13,956	703	14,659
2019	12,471	208	12,679
	<u>\$ 65,484</u>	<u>\$ 5,828</u>	<u>\$ 71,312</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 9, 2014 (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

Draft

CITY OF WESTON

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2014

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
RESOURCES (INFLOWS)				
Property Taxes	\$ 50,760	\$ 50,760	51,021	\$ 261
Sales Taxes	4,000	4,000	6,602	2,602
Franchise Fees	12,168	12,168	14,676	2,508
Permits & Fees	400	400	1,615	1,215
Developer Reimbursements	0	0	41	41
Interest Income	400	400	194	(206)
TOTAL RESOURCES (INFLOWS)	67,728	67,728	74,149	6,421
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General Government:				
Public Notices & Filing Fees	500	708	685	23
Dues & Subscriptions	536	588	460	128
Election Costs	0	0	0	0
Insurance	1,550	1,550	1,402	148
Accounting Services	2,500	2,500	2,500	0
Legal Services	6,000	6,000	4,416	1,584
Engineering Services	2,500	2,500	500	2,000
Tax Appraisal & Collection Costs	526	576	576	0
Repair & Maintenance	4,415	2,165	3,105	(940)
Supplies	860	1,719	3,731	(2,012)
Telephone, Utilities & Website	6,524	9,727	8,202	1,525
Travel & Training	150	150	0	150
Payroll Taxes	2,901	2,901	2,177	724
Wages	27,500	27,500	26,480	1,020
Total General Government	56,462	58,584	54,234	4,350
Public Health:				
Code Enforcement & Inspection	100	100	50	50
EMS Services	5,461	5,461	5,461	0
Total Public Health	5,561	5,561	5,511	50
Streets:				
Street Repairs & Signs	0	27	645	(618)
Capital Additions:				
Road & Building Improvements	4,000	65,490	146,116	(80,626)
Debt Service:				
Collin County Loan Payments	14,658	26,658	26,658	0
TOTAL APPROPRIATIONS (OUTFLOWS)	80,681	156,320	233,164	(76,844)
EXCESS OF RESOURCES OVER (UNDER) APPROPRIATIONS	(12,953)	(88,592)	(159,015)	(70,423)
Beginning Budgetary Fund Balance	545,159	545,159	545,159	0
Ending Budgetary Fund Balance	\$ <u>532,206</u>	\$ <u>456,567</u>	<u>386,144</u>	\$ <u>(70,423)</u>

OTHER SUPPLEMENTARY INFORMATION

Draft

CITY OF WESTON

COMPARATIVE SCHEDULE OF REVENUES & EXPENDITURES - GENERAL FUND

For the Year Ended September 30, 2014, 2013 & 2012

REVENUES	Year Ending September 30,		
	2014	2013	2012
Property Taxes	\$ 51,021	\$ 43,334	\$ 38,366
Sales Taxes	6,602	6,474	5,357
Franchise Fees	14,676	12,509	13,231
Intergovernmental Revenues	0	0	1,943
Permits & Fees	1,615	2,185	2,303
Oncor Easement Agreement	0	0	479,966
Miscellaneous Revenues	0	769	695
Interest Income	194	374	134
Developer Reimbursements	41	1,007	0
Proceeds from Collin County Loan	0	0	123,529
TOTAL REVENUES	74,149	66,652	665,524
EXPENDITURES			
General Government:			
Advertising & Public Notices	685	383	528
Dues & Subscriptions	460	622	667
Election Costs	0	75	0
Insurance	1,402	1,541	1,522
Accounting Services	2,500	2,500	2,500
Legal Services	4,416	12,421	10,311
Engineering Services	500	1,812	1,400
Tax Appraisal & Collection Costs	576	519	463
Repair & Maintenance	3,105	4,195	16,793
Supplies	3,731	1,779	1,726
Telephone, Utilities & Website	8,202	9,505	5,520
Travel & Training	0	36	462
Payroll Taxes	2,177	1,616	1,480
City Secretary-Wages	26,480	18,552	16,094
Total General Government	54,234	55,556	59,466
Development Expenses			
Professional Fees	0	0	28,327
Total Development Expenses	0	0	28,327
Public Health:			
Code Enforcement & Inspection Services	50	640	500
Donation to Fire Department	0	400	325
Ambulance Services	5,461	5,572	5,254
Total Public Health	5,511	6,612	6,079
Streets:			
Street Repairs, Improvements & Signs	645	2,717	4,038
Capital Additions:			
Building/Office Equipment/Public Works	146,116	22,023	52,899
Debt Service:			
Collin County Loan Payments	26,658	38,232	0
TOTAL EXPENDITURES	233,164	125,140	150,809
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (159,015)	\$ (58,488)	514,715

CITY OF WESTON

SCHEDULE OF PROPERTY TAXES

September 30, 2014

Property Tax Year	2013	2012	2011	2010
Assessed Value	\$ 14,075,961	\$ 13,865,183	\$ 12,410,260	\$ 31,320,830
Tax Rate per \$100 of Assessed Value	<u>0.360000</u>	<u>0.300000</u>	<u>0.300000</u>	<u>0.300000</u>
Total Tax Levy	\$ <u>50,673</u>	\$ <u>41,596</u>	\$ <u>37,231</u>	\$ <u>93,962</u>
Collections During Fiscal Year	\$ <u>50,145</u>	\$ <u>41,097</u>	\$ <u>36,419</u>	\$ <u>92,896</u>
% of Current Taxes Collected	<u>98.96%</u>	<u>98.80%</u>	<u>97.82%</u>	<u>98.86%</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.

Draft

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, 2014, 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, 2014

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

December 11, 2014

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, 2014, and have issued my report thereon dated December 11, 2014. 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 29, 2014. 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 2014. 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, 2014.

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