

CITY OF WESTON LAKES, TEXAS

FINANCIAL REPORT

For the Year Ended September 30, 2016

CITY OF WESTON LAKES, TEXAS

FINANCIAL REPORT

September 30, 2016

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INTRODUCTORY SECTION

CITY OF WESTON LAKES, TEXAS

PRINCIPAL OFFICIALS

September 30, 2016

MAYOR

Mary Rose Zdunkewicz

CITY COUNCIL

Alderman
Alderman
Alderman
Alderman
Alderman

Bill Ragle
Ted Case
Denis DeLuca
Linda Harnist
Trent Thomas

CITY SECRETARY

Jenni McJunkin

CITY MARSHAL

Ron Horowitz

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
Weston Lakes, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Weston Lakes, Texas (the "City"), as of and for the year ended September 30, 2016, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 control 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our 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 Lakes, Texas, as of September 30, 2016, 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 on pages 7 through 11 and the budgetary comparison information on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Sugar Land, Texas
September 25, 2017

Management's Discussion and Analysis

As management of the City of Weston Lakes, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2016.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by \$661,203(net position). Of this amount, \$638,349 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$110,233 during the year ending September 30, 2016.
- The City's total expenses were \$55,973. Program revenues of \$2,765 reduced the net cost of the City's functions to be financed from the City's general revenues to \$53,208.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$638,349, or 1,279 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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* 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* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has one type of fund:

Governmental Fund - Some of the City's basic services are included in the governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs.

The City maintains one individual governmental fund, the General Fund, for financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for this fund, which is considered to be a major fund as of September 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 27 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget. Required supplementary information can be found on pages 30 through 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$661,203 as of September 30, 2016.

The largest portion of the City's net position (96.6 percent) represents unrestricted financial resources available for future operations.

Additionally, a portion of the City's net position (3.4 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals it serves; consequently, these assets are not available for future spending.

SUMMARY OF STATEMENT OF NET POSITION As of September 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Current and other assets	\$ 640,052	\$ 526,257
Capital assets, net	22,854	27,969
Total Assets	662,906	554,226
Other liabilities	1,703	3,256
Total Liabilities	1,703	3,256
Net Position:		
Net investment in capital assets	22,854	27,969
Unrestricted	638,349	523,001
Total Net Position	\$ 661,203	\$ 550,970

Net position of the City, which relates to governmental activities, increased by \$110,233 during the year ended September 30, 2016. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Years Ended September 30, 2016 and 2015

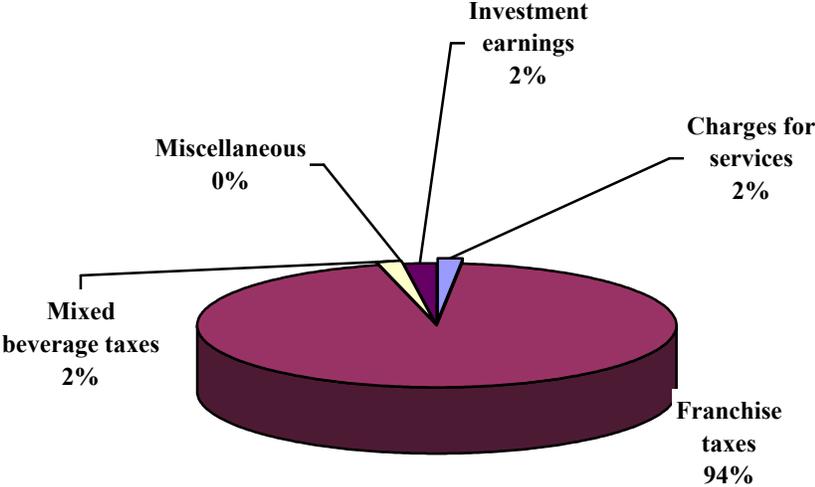
	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 2,765	\$ 4,765
General revenues:		
Franchise taxes	157,177	153,899
Mixed beverage taxes	2,564	2,532
Investment earnings	3,568	1,406
Miscellaneous	132	2,245
Total Revenues	166,206	164,847
Expenses		
General government	55,973	49,251
Total Expenses	55,973	49,251
Change in Net Position	110,233	115,596
Net Position, Beginning	550,970	435,374
Net Position, Ending	\$ 661,203	\$ 550,970

The City's governmental net position increased by \$110,233. This increase in net position can be mainly attributed to franchise tax revenues exceeding general government expenses.

General government expenses increased by approximately 13.7% from the prior fiscal year.

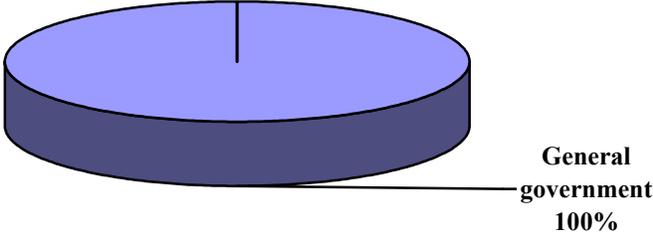
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



For the year ended September 30, 2016, revenues from governmental activities totaled \$164,847.

GOVERNMENTAL FUNCTIONAL EXPENSES



For the year ended September 30, 2016, expenses from governmental activities totaled \$55,973, which all relate to general government (100.0%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental fund is discussed below:

Governmental Fund - 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, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2016, the City's governmental fund reported an ending fund balance of \$638,349. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 1279 percent of total General Fund expenditures.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2016, amounts to \$22,854 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and related equipment.

SCHEDULE OF CAPITAL ASSETS (Net of Accumulated Depreciation) September 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Depreciable Capital Assets:		
Furniture, fixtures and related equipment	\$ 22,854	\$ 27,969
Totals	\$ 22,854	\$ 27,969

Additional information on the City's capital assets can found in Note 4 in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended September 30, 2016, the increases or decreases between the original and final amended budget for revenues and expenditures of the General Fund were not considered material.

GENERAL FUND HIGHLIGHTS

- As of September 30, 2016, the General Fund has an ending fund balance of \$638,349. It is anticipated that franchise taxes will continue to be the largest source of revenue for the City and will continue to be sufficient to fund the City's annual budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Weston Lakes, Texas' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Weston Lakes, Texas, Mary Rose Zdunkewicz, Mayor, P.O. Box 1082, Fulshear, Texas 77441.

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BASIC FINANCIAL STATEMENTS

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CITY OF WESTON LAKES, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2016

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash	\$ 223,263
Investments	404,731
Receivables	12,058
Capital assets being depreciated	22,854
Total Assets	<u>662,906</u>
<u>Liabilities</u>	
Accounts payable and other current liabilities	<u>1,703</u>
Total Liabilities	<u>1,703</u>
<u>Net Position</u>	
Net investment in capital assets	22,854
Unrestricted	<u>638,349</u>
Total Net Position	<u>\$ 661,203</u>

See Notes to the Financial Statements.

CITY OF WESTON LAKES, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>
Governmental Activities:		
General government	\$ 55,973	\$ 2,765
Total Governmental Activities	<u>55,973</u>	<u>2,765</u>
Totals	<u>\$ 55,973</u>	<u>\$ 2,765</u>

General Revenues:

Taxes:

 Franchise

 Mixed beverage

Investment earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position, Beginning

Net Position, Ending

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Totals
\$ (53,208)	\$ (53,208)
(53,208)	(53,208)
<u>\$ (53,208)</u>	<u>\$ (53,208)</u>
\$ 157,177	\$ 157,177
2,564	2,564
3,568	3,568
132	132
<u>163,441</u>	<u>163,441</u>
110,233	110,233
550,970	550,970
<u>\$ 661,203</u>	<u>\$ 661,203</u>

CITY OF WESTON LAKES, TEXAS

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUND

September 30, 2016

	<u>General Fund</u>
<u>Assets</u>	
Cash	\$ 223,263
Investments	404,731
Receivables:	
Taxes	12,058
Total Assets	<u>640,052</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	1,703
Total Liabilities	<u>1,703</u>
<u>Fund Balance</u>	
Unassigned	638,349
Total Fund Balance	<u>638,349</u>
Total Liabilities and Fund Balance	<u>\$ 640,052</u>

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

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

	\$ 22,854
Net Position of Governmental Activities	<u>\$ 661,203</u>

See Notes to the Financial Statements.

CITY OF WESTON LAKES, TEXAS

Exhibit A-4

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

For the Year Ended September 30, 2016

	<u>General Fund</u>
<u>Revenues</u>	
Franchise taxes	\$ 157,177
Mixed beverage taxes	2,564
Licenses and permits	2,765
Investment earnings	3,568
Miscellaneous	132
Total Revenues	<u>166,206</u>
<u>Expenditures</u>	
Current:	
General government	<u>50,858</u>
Total Expenditures	<u>50,858</u>
Net Change in Fund Balance	115,348
Fund Balance - Beginning	<u>523,001</u>
Fund Balance - Ending	<u>\$ 638,349</u>

See Notes to the Financial Statements.

CITY OF WESTON LAKES, TEXAS

Exhibit A-5

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

For the Year Ended September 30, 2016

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

Net change in fund balance - total governmental fund \$ 115,348

The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

(5,115)

Change in Net Position of Governmental Activities

\$ 110,233

See Notes to the Financial Statements.

CITY OF WESTON LAKES, TEXAS

Exhibit A-6

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Weston Lakes, Texas (the "City"), is located west of Fulshear, and east of Simonton, Texas, in Fort Bend County. The City was incorporated as a Type B City by the order of the Fort Bend County Judge after the majority of voters in the City voted to incorporate on May 10, 2008.

The City Council is the principal legislative body of the City and the Mayor presides at meetings of the City Council.

The City of Weston Lakes is a small city and established on the premise of small government providing minimal services, mainly general administration, as most of the standard municipal services are already provided. There is no ad valorem tax as City expenditures are funded by the receipt of utility franchise taxes and mixed beverage taxes received from the Texas State Comptroller.

A. Financial Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the City's financial reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has determined that no other entities are required to be reported in its financial statements as of September 30, 2016.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board ("GASB") Statement No. 34 – Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.

Certain of the significant changes in GASB Statement No. 34 include the following:

- A Management's Discussion and Analysis ("MD&A") section providing an analysis of the City's overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City's governmental activities.
- Fund financial statements focusing on the major fund.

CITY OF WESTON LAKES, TEXAS

Exhibit A-6

NOTES TO THE FINANCIAL STATEMENTS

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the reclassification of net position into three components- net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the City as a whole. These statements include all non-fiduciary activities of the primary government and its component units, if applicable. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

As applicable, separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, when applicable.

In September 1993, the Governmental Accounting Standards Board issued Statement No. 29, “Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities That Use Proprietary Fund Accounting” which is effective for the City’s financial statements for the year ended September 30, 2016. This statement provides guidance on accounting and financial reporting for business-type and enterprise fund activities. As of September 30, 2016, the City does not report any business-type activities.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, if applicable, are

CITY OF WESTON LAKES, TEXAS

Exhibit A-6

NOTES TO THE FINANCIAL STATEMENTS

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The government reports the following major governmental fund:

General Fund

The General Fund accounts for the resources used to finance the fundamental operations of the City. The principal sources of revenue of the General Fund are franchise taxes and license and permits. Expenditures are made for general government purposes.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund. No encumbrances were outstanding at year-end.

F. Cash and Cash Equivalents

Cash and cash equivalents, when applicable, include cash and temporary investments. These cash and temporary investments are generally available for the City's disbursement needs and have maturities of three months or less from the date of acquisition.

G. Investments

When applicable, investments are stated at fair value.

H. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF WESTON LAKES, TEXAS

Exhibit A-6

NOTES TO THE FINANCIAL STATEMENTS

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects as constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Furniture, fixtures and related equipment	7 years
Machinery and related equipment	3 years
Computer equipment	3 years

J. Fund Equity

Restricted equity balances represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Unassigned fund balance represents available balances for the City's future use.

K. Estimates

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

L. Date of Management's Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 25, 2017, the date that the financial statements were available to be issued.

CITY OF WESTON LAKES, TEXAS

Exhibit A-6

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS

As of September 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Certificates of deposit	<u>\$ 404,731</u>	166

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to state statutes. The depository bank deposits, for safekeeping and trust with the City's agent bank, approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation insurance.

As of September 30, 2016, all bank deposits were covered by federal depository insurance.

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the City during the year.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

CITY OF WESTON LAKES, TEXAS

Exhibit A-6

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - RECEIVABLES

As of September 30, 2016, receivables for the government’s individual major fund are as follows:

	Governmental Activities
	General Fund
Net Receivables:	
Taxes	\$ 12,058
Total	\$ 12,058

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2016:

Governmental Activities:

Capital assets being depreciated:

Furniture, fixtures and related equipment	\$ 94,313	\$	\$	\$ 94,313
Total capital assets being depreciated	94,313			94,313
Less accumulated depreciation for:				
Furniture, fixtures and related equipment	(66,344)	(5,115)		(71,459)
Total accumulated depreciation	(66,344)	(5,115)		(71,459)
Total capital assets being depreciated, net	27,969	(5,115)		22,854
Governmental activities capital assets, net	\$ 27,969	\$ (5,115)	\$	\$ 22,854

Depreciation was charged to governmental activities as follows:

General government	\$ 5,115
Total Governmental Activities Depreciation Expense	\$ 5,115

NOTE 5 - FUND BALANCES

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following five fund balance categories:

Nonspendable:

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

CITY OF WESTON LAKES, TEXAS

Exhibit A-6

NOTES TO THE FINANCIAL STATEMENTS

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the City Council (the City’s highest level of decision-making authority). The City Council must place an item on the Council’s agenda, followed by a formal action to approve such, in order to establish, modify or rescind a fund balance commitment.

Assigned:

To indicate fund balance to be used for specific purposes but does not meet the criteria to be classified as restricted or committed. Currently, only the City Council has the authority to assign fund balances.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

Fund balance for the major governmental fund as of September 30, 2016, was distributed as follows:

	<u>General Fund</u>
Unassigned	<u>\$ 638,349</u>
Total	<u><u>\$ 638,349</u></u>

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The City does not currently have any such policies.

NOTE 6 - RISK MANAGEMENT

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by insurance purchased from Texas Municipal League. The City has not significantly reduced insurance coverage or had settlements, which exceeded coverage amounts in the prior two years. The City had no material unpaid claims liabilities at the end of the fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WESTON LAKES, TEXAS

Exhibit B-1

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

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		from Final Budget
Revenues				
Franchise taxes	\$ 132,000	\$ 132,000	\$ 162,638	\$ 30,638
Mixed beverage taxes	1,800	1,800	2,564	764
Licenses and permits	6,500	6,500	2,765	(3,735)
Interest earnings			1,406	1,406
Miscellaneous	125	125	2,245	2,120
Total Revenues	140,425	140,425	171,618	31,193
Expenditures				
Current:				
Audit fees	6,000	6,000	5,825	175
Capital outlay	9,600	9,600		9,600
Election costs	4,500	4,500		4,500
Emergency preparedness	8,475	8,475	7,713	762
Emergency preparedness - Conference/Trair	5,000	5,000	100	4,900
Engineer flood plain permits	4,000	4,000	2,236	1,764
Engineer flood plaine permits	3,000	3,000	170	2,830
Legal fees	10,000	10,000	1,199	8,801
Mailings to residents	200	200		200
Marshal's office	700	700	990	(290)
Membership fees - FBC	275	275	275	
Membership fees- GCCC	400	400		400
Membership fees- other	1,125	1,125	1,000	125
Membership fees-ERCOT	100	100	100	
Membership fees-FBEDC	1,000	1,000	1,000	
Membership fees-HGAC	200	200	200	
Membership fees-TML	800	800	765	35
Mileage	1,800	1,800	1,218	582
Office equipment	2,524	2,524	16	2,508
Office furnishing	300	300		300
Office supplies	1,500	1,500	1,240	260
Payroll	17,500	17,500	12,187	5,313
Payroll taxes	2,500	2,500	932	1,568
Penalties and interest	99	99		99
Performance bonds	500	500	260	240
PO box	75	75	75	
Postage	500	500	82	418
Rent	7,200	7,200	7,200	
Representation celebration	4,500	4,500	1,295	3,205
Secretary training	1,500	1,500	1,427	73
Telecommunications	1,000	1,000	822	178
TML insurance	2,000	2,000	1,996	4
Training, travel and seminars	4,000	4,000	270	3,730
Web site/IT support	1,500	1,500	365	1,135
Total Expenditures	104,373	104,373	50,958	53,415
Net Change in Fund Balance	36,052	36,052	120,660	84,608
Fund Balance, Beginning	523,001	523,001	523,001	
Fund Balance, Ending	\$ 559,053	\$ 559,053	\$ 643,661	\$ 84,608

CITY OF WESTON LAKES, TEXAS

Exhibit B-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2016

Budgets and Budgetary Accounting

An annual appropriated budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. The Mayor prepares a budget for the General Fund in a form and style as deemed desirable by City Council. The budget, as adopted, must set forth the appropriations for services provided by the City and shall meet all requirements provided by law.

Expenditures may not legally exceed budgeted appropriations at the line-item level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. City Council has the power to transfer any unencumbered funds allocated by the budget from one line-item to another line-item, to re-estimate revenues and expenditures, and to amend the budget.

Transfers between line-items of less than \$2,500 require approval of the Mayor and City Secretary and are subsequently placed on the City Council's next regular scheduled agenda as a consent item for final confirmation. Transfers between line-items of more than \$2,500 must be approved by City Council.

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