

**CITY OF WESTON LAKES, TEXAS**

**FINANCIAL REPORT**

**September 30, 2011**

**CITY OF WESTON LAKES, TEXAS**

**FINANCIAL REPORT**

**September 30, 2011**

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**INTRODUCTORY SECTION**

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**CITY OF WESTON LAKES, TEXAS**

**PRINCIPAL OFFICIALS**

**September 30, 2011**

**MAYOR**

Mary Rose Zdunkewicz

**CITY COUNCIL**

Alderman  
Alderman  
Alderman  
Alderman  
Alderman

Bill Ragle  
Ted Case  
Denis DeLuca  
Gary Owens  
Trent Thomas

**CITY SECRETARY**

Marlee Freeman

**CITY MARSHAL**

Ron Horowitz

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**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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 13 and the budgetary comparison information on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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.

*Sankar & Co.*

Sugar Land, Texas  
October 10, 2012

## 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, 2011.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by \$247,787 (net assets). Of this amount, \$199,149 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$114,223 during the year ending September 30, 2011.
- The City's total expenses were \$67,699. Program revenues of \$59,692 reduced the net cost of the City's functions to be financed from the City's general revenues to \$8,007.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$199,149, or 171.8 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 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, 2011.

**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 23 through 29 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 32 through 33 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$247,787 as of September 30, 2011.

The largest portion of the City’s net assets (80.4 percent) represents unrestricted financial resources available for future operations.

Additionally, a portion of the City’s net assets (19.6 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 ASSETS  
As of September 30, 2011**

	<b>Governmental Activities</b>
Current and other assets	\$ 207,846
Capital assets, net	48,638
<b>Total Assets</b>	<b>256,484</b>
Other liabilities	8,697
<b>Total Liabilities</b>	<b>8,697</b>
Net Assets:	
Invested in capital assets, net of related debt	48,638
Unrestricted	199,149
<b>Total Net Assets</b>	<b>\$ 247,787</b>

Net assets of the City, which relate to governmental activities, increased by \$114,223 during the year ended September 30, 2011. Key elements of the increase are as follows:

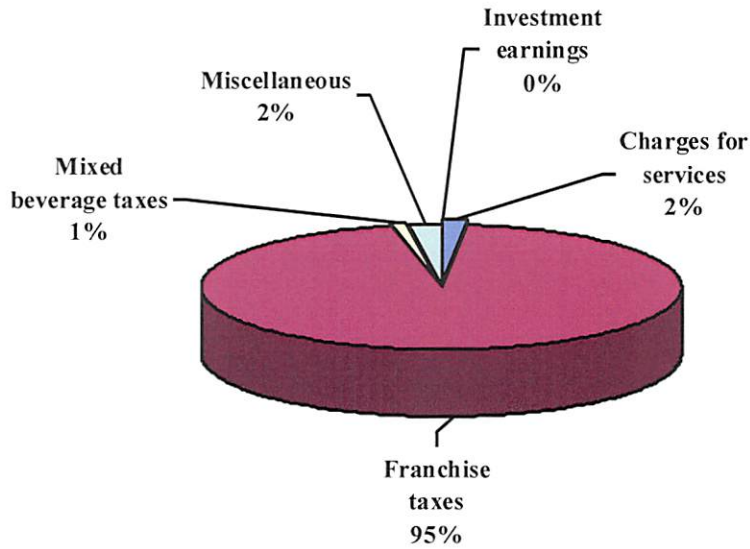
**CHANGES IN NET ASSETS**  
**For the Year Ended September 30, 2011**

	<b>Governmental Activities</b>
<b>Revenues</b>	
Program revenues:	
Charges for services	\$ 2,000
Capital grants and contributions	57,692
General revenues:	
Franchise taxes	118,028
Mixed beverage taxes	1,523
Investment earnings	8
Miscellaneous	2,671
<b>Total Revenues</b>	<b>181,922</b>
<b>Expenses</b>	
General government	67,649
Public safety	50
<b>Total Expenses</b>	<b>67,699</b>
<b>Change in Net Assets</b>	114,223
Net Assets, Beginning	133,564
<b>Net Assets, Ending</b>	<b>\$ 247,787</b>

The City's governmental net assets increased \$114,223. This increase in net assets can be mainly attributed to franchise tax revenues exceeding governmental expenses.

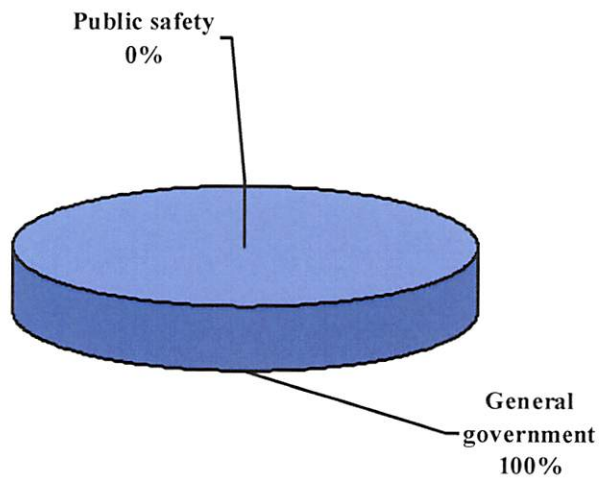
Graphic presentations of selected data from the changes in net assets table follow to assist in the analysis of the City's activities.

### GOVERNMENTAL REVENUES



For the year ended September 30, 2011, revenues from governmental activities totaled \$181,922.

### GOVERNMENTAL FUNCTIONAL EXPENSES



For the year ended September 30, 2011, expenses from governmental activities totaled \$67,699, the largest portion of which related to general government (99.9%).

**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, 2011, the City's governmental fund reported an ending fund balance of \$199,149. 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 171.8 percent of total General Fund expenditures.

**CAPITAL ASSETS**

The City's investment in capital assets as of September 30, 2011 amounts to \$48,638 (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, 2011**

	<u>Governmental Activities</u>
<b>Depreciable Capital Assets:</b>	
Furniture, fixtures and related equipment	<u>\$ 48,638</u>
<b>Total</b>	<u><u>\$ 48,638</u></u>

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, 2011, there were no increases or decreases in appropriations between the original and final amended budget for revenues and expenditures of the General Fund.

**GENERAL FUND HIGHLIGHTS**

- As of September 30, 2011, the General Fund has an ending fund balance of \$199,149. 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 ASSETS

September 30, 2011

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash	\$ 203,281
Receivables	4,565
Capital assets, net of accumulated depreciation:	
Furniture, fixtures and related equipment	48,638
<b>Total Assets</b>	<u>256,484</u>
<b><u>Liabilities</u></b>	
Accounts payable and other current liabilities	2,289
Unearned revenue	6,408
<b>Total Liabilities</b>	<u>8,697</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	48,638
Unrestricted	199,149
<b>Total Net Assets</b>	<u>\$ 247,787</u>

See Notes to the Financial Statements.

**CITY OF WESTON LAKES, TEXAS**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities</b>			
General government	\$ 67,649	\$ 2,000	\$ 57,692
Public safety	50		
<b>Total Governmental Activities</b>	<u>67,699</u>	<u>2,000</u>	<u>57,692</u>
<b>Total</b>	<u>\$ 67,699</u>	<u>\$ 2,000</u>	<u>\$ 57,692</u>

**General Revenues:**

Taxes

    Franchise taxes

    Mixed beverage taxes

Investment earnings

Miscellaneous

**Total General Revenues**

**Change in Net Assets**

Net Assets, Beginning

Net Assets, Ending

See Notes to the Financial Statements.

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Total</b>
\$ (7,957)	(7,957)
(50)	(50)
<u>(8,007)</u>	<u>(8,007)</u>
<u>\$ (8,007)</u>	<u>\$ (8,007)</u>

\$ 118,028	\$ 118,028
1,523	1,523
8	8
2,671	2,671
<u>122,230</u>	<u>122,230</u>
114,223	114,223
133,564	133,564
<u>\$ 247,787</u>	<u>\$ 247,787</u>

**CITY OF WESTON LAKES, TEXAS**

Exhibit A-3

**BALANCE SHEET**  
**GOVERNMENTAL FUND**

**September 30, 2011**

	<u>General</u>
<b><u>Assets</u></b>	
Cash	\$ 203,281
Receivables:	
Taxes	4,565
<b>Total Assets</b>	<b><u>207,846</u></b>
<b><u>Liabilities and Fund Balance</u></b>	
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	2,289
Deferred revenue	6,408
<b>Total Liabilities</b>	<b><u>8,697</u></b>
<b><u>Fund Balance</u></b>	
Fund Balance:	
Unassigned	199,149
<b>Total Fund Balance</b>	<b><u>199,149</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 207,846</u></b>
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 funds.	<u>48,638</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 247,787</u></b>

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, 2011**

	<u>General</u>
<b><u>Revenues</u></b>	
Franchise taxes	\$ 118,028
Mixed beverage taxes	1,523
Licenses and permits	2,000
Intergovernmental	57,692
Investment earnings	8
Miscellaneous	2,671
<b>Total Revenues</b>	<u>181,922</u>
<b><u>Expenditures</u></b>	
<b>Current:</b>	
General government	115,839
Public safety	50
<b>Total Expenditures</b>	<u>115,889</u>
<b>Net Change in Fund Balance</b>	66,033
Fund Balance - Beginning	<u>133,116</u>
<b>Fund Balance - Ending</b>	<u>\$ 199,149</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, 2011**

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

Net change in fund balance - total governmental fund \$ 66,033

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 outlays exceeded depreciation expense in the current period.

48,190

**Change in Net Assets of Governmental Activities**

**\$ 114,223**

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, 2011.

#### **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 the Statement 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 assets and a statement of activities. It requires the reclassification of net assets into three components—invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets 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 assets consists of constraints placed on net asset 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 assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### **C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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, 2011. This statement provides guidance on accounting and financial reporting for business-type and enterprise fund activities. As of September 30, 2011, 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, license, 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 mixed beverage taxes. Expenditures are for general government and public safety.

### **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 balances represent 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 October 10, 2012, the date that the financial statements were available to be issued.

**CITY OF WESTON LAKES, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Exhibit A-6**

**NOTE 2 - CASH DEPOSITS**

**Cash**

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 ("FDIC") Insurance.

At September 30, 2011, the value of bank deposits was \$205,898. Of the bank balance, all \$205,898 was 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.

**NOTE 3 - RECEIVABLES**

As of September 30, 2011, receivables for the government's individual major fund are as follows:

	<b><u>Governmental Activities General Fund</u></b>
Net Receivables:	
Taxes	<u>\$ 4,565</u>
Total	<u><u>\$ 4,565</u></u>

**CITY OF WESTON LAKES, TEXAS**

**Exhibit A-6**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>Oct. 1, 2010</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u> <u>Sept. 30, 2011</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Furniture, fixtures and related equipment	530	64,363		64,893
Total capital assets being depreciated	<u>530</u>	<u>64,363</u>		<u>64,893</u>
Less accumulated depreciation for:				
Furniture, fixtures and related equipment	(82)	(16,173)		(16,255)
Total accumulated depreciation	<u>(82)</u>	<u>(16,173)</u>		<u>(16,255)</u>
Total capital assets being depreciated, net	448	48,190		48,638
Governmental activities capital assets, net	<u>\$ 448</u>	<u>\$ 48,190</u>	<u>\$</u>	<u>\$ 48,638</u>

Depreciation was charged to governmental activities as follows:

General government	<u>\$ 16,173</u>
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 16,173</u>

**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.

***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.

**CITY OF WESTON LAKES, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Exhibit A-6**

*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, 2011, was distributed as follows:

	<u>General Fund</u>
Unassigned	199,149
Total	<u>\$ 199,149</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Franchise taxes	\$ 123,400	\$ 123,400	\$ 118,028	\$ (5,372)
Mixed beverage taxes	1,500	1,500	1,523	23
Licenses and permits	1,600	1,600	2,000	400
Intergovernmental	54,000	54,000	57,692	3,692
Interest earnings			8	8
Miscellaneous			2,671	2,671
<b>Total Revenues</b>	<b>180,500</b>	<b>180,500</b>	<b>181,922</b>	<b>1,422</b>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
<b>General government:</b>				
Payroll	9,000	9,000	8,219	781
Payroll taxes	900	900	477	423
Rent	7,000	7,000	6,000	1,000
Emergency preparedness	5,000	3,500	3,474	26
Membership fees-FBEDC	1,000	1,000	1,000	
Membership fees-HGAC	200	200	200	
Membership fees-TML	700	700	682	18
Mailings to residents	300	300		300
Office supplies	600	1,000	922	78
Performance bonds	100	100	50	50
Legal notices	200	200	24	176
PO box	62	62	60	2
Postage	1,000	700	137	563
Web site/IT support	500	700	545	155
Telecommunications	1,000	1,000	919	81
Secretary training	1,500	1,500	146	1,354
Training, travel and seminars	5,000	5,000	2,469	2,531
Representation celebration			1,383	(1,383)
Office equipment	1,000	1,000	3,472	(2,472)
Office furnishing	500	200	108	92
Signage	300	300	351	(51)
Capital outlay	62,000	62,000	63,630	(1,630)
TML insurance	2,000	2,000	1,613	387
Engineer	4,000	7,500	6,657	843
Engineer flood plain permits	1,600	1,600	1,840	(240)
Legal fees	10,000	8,500	6,461	2,039
Audit fees	5,000	5,000	5,000	
Miscellaneous	2,000	2,000		2,000
<b>Public safety:</b>				
Marshal's office	1,000	500	50	450
<b>Total Expenditures</b>	<b>123,462</b>	<b>123,462</b>	<b>115,889</b>	<b>7,573</b>
<b>Excess of Revenues Over</b>				
<b>Expenditures</b>	<b>57,038</b>	<b>57,038</b>	<b>66,033</b>	<b>8,995</b>
Fund Balance, Beginning	133,116	133,116	133,116	
<b>Fund Balance, Ending</b>	<b>\$ 190,154</b>	<b>\$ 190,154</b>	<b>\$ 199,149</b>	<b>\$ 8,995</b>

# CITY OF WESTON LAKES, TEXAS

Exhibit B-2

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2011

### 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.

For the year ended September 30, 2011, representation celebration, office equipment, signage, capital outlay and engineer flood plain permits expenditures exceeded appropriations in the General Fund by \$1,383, \$2,472, \$51, \$1,630 and \$240, respectively. These overexpenditures were funded by available appropriations in other General Fund expenditure line-items.

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