
CITY OF WESTON LAKES, TEXAS

REPORT ON FINANCIAL STATEMENTS
(With Supplemental Material)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

BREEDLOVE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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JILL A. HENZE, CPA
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CEO

INDEPENDENT AUDITORS' REPORT

March 25, 2025

Council Members
City of Weston Lakes, Texas
Weston Lakes, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of City of Weston Lakes, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Weston Lakes, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Weston Lakes, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Weston Lakes, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Weston Lakes, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Weston Lakes, Texas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison on pages 5 through 9 and 25 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2025, on our consideration of City of Weston Lakes, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Weston Lakes, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Weston Lakes, Texas' internal control over financial reporting and compliance.

Breallone & Co., P.C.

CITY OF WESTON LAKES, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS SEPTEMBER 30, 2021

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, 2021.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the year by \$1,237,088 (net position). Of this amount, \$1,237,088 is unrestricted and may be used to meet the City’s ongoing obligations to citizens and creditors.

The City’s total net position increased by \$73,104 during the year ending September 30, 2021.

The City’s total expenses were \$165,328.

At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,237,088 or 757 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).

CITY OF WESTON LAKES, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021

(Continued)

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, 2021.

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 15 through 20 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 page 25 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 \$1,237,088 as of September 30, 2021.

The largest portion of the City's net position (100 percent) represents unrestricted financial resources available for future operations.

Additionally, a portion of the City's net position (0 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.

CITY OF WESTON LAKES, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2021

(Continued)

Summary of Net Position

As of September 30,

	<u>2021</u>	<u>2020</u>
Current assets	\$ 1 260 319	\$ 1 180 854
Capital and noncurrent assets	<u>19 141</u>	<u>6 096</u>
Total Assets	<u>\$ 1 279 460</u>	<u>\$ 1 186 950</u>
Current liabilities	\$ 38 544	\$ 22 966
Long term liabilities	<u>3 828</u>	<u>-</u>
Total Liabilities	<u>\$ 42 372</u>	<u>\$ 22 966</u>
Net Position:		
Net investment in capital assets	\$ -	\$ 6 096
Unrestricted	<u>1 237 088</u>	<u>1 157 888</u>
Total Net Position	<u>\$ 1 237 088</u>	<u>\$ 1 163 984</u>

Net position of the City, which relates to governmental activities, increased by \$73,104 during the year ended September 30, 2021.

CITY OF WESTON LAKES, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2021
 (Continued)

Statement of Changes in Net Position
 For the Years Ended September 30,

	<u>2021</u>	<u>2020</u>
Revenues		
Program Revenues		
Charges for services	\$ 1 393	\$ 1 185
General Revenue		
Franchise taxes	214 415	220 617
Mixed beverage taxes	4 490	3 260
Interest income	357	11 038
Miscellaneous	<u>11 296</u>	<u>5 979</u>
Total Revenues	<u>231 951</u>	<u>242 079</u>
Expenditures		
Administrative fees and expenses	154 143	94 617
Public safety	9 248	5 040
Depreciation	<u>1 937</u>	<u>-</u>
Total Expenditures	<u>165 328</u>	<u>99 657</u>
Change in Net Position	<u>66 623</u>	<u>142 422</u>
Net position, beginning of period	1 163 984	1 021 562
Correction of error	<u>6 481</u>	<u>-</u>
Net position, beginning of period, restated	<u>1 170 465</u>	<u>1 021 562</u>
Net position, end of period	<u>\$ 1 237 088</u>	<u>\$ 1 163 984</u>

The City's governmental net position increased by \$66,623 from operations during the 2021 fiscal year. However, as discussed in Note (6) to the financial statements an error in the opening net position was identified and corrected resulting in an increase of \$6,481 to the City's Net Position at the beginning of the year.

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, 2021, the City's governmental fund reported an ending fund balance of \$1,237,088. 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 757 percent of total General Fund expenditures.

CITY OF WESTON LAKES, TEXAS

**MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)**

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2021, amounts to \$0 (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,**

	<u>2021</u>	<u>Restated balance 2020</u>
Furniture, fixtures and related equipment	\$ -	\$ 1 937
Totals	<u>\$ -</u>	<u>\$ 1 937</u>

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended September 30, 2021, the City amended the budget. Actual revenues were less than budgeted revenues by \$182,299.

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, City Secretary, P.O. Box 1082, Weston Lakes, Texas 77441.

CITY OF WESTON LAKES, TEXAS

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 1 260 319
Total Current Assets	<u>1 260 319</u>
Noncurrent Assets	
Right-of-Use Operating Lease	<u>19 141</u>
Total Noncurrent Assets	<u>19 141</u>
Total Assets	<u>\$ 1 279 460</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 21 980
Payroll Taxes Payable	1 251
Operating Lease Liability	
Due within one year	<u>15 313</u>
Total Current Liabilities	<u>38 544</u>
Long Term Liabilities	
Operating Lease Liability	
Due after one year	<u>3 828</u>
Total Long Term Liabilities	<u>3 828</u>
Total Liabilities	<u>42 372</u>
<u>NET POSITION</u>	
Unrestricted	<u>1 237 088</u>
Total Net Position	<u>1 237 088</u>
Total Liabilities and Net Position	<u>\$ 1 279 460</u>

See Independent Auditors' Report and the accompanying Notes to Financial Statements

CITY OF WESTON LAKES, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Net (Expenses) Revenue and Changes in Net Position		
	Program Revenues		
Functions/Programs	Expenses	Charges for Services	Governmental Activities
Primary Government:			
Governmental Activities:			
Administrative Fees and Expenses	\$ 154 143	\$ 1 393	\$ 152 750
Emergency Management	9 248	-	9 248
Depreciation	1 937	-	1 937
Total Governmental Activities	165 328	1 393	163 935
General Revenues			
Franchise Tax			214 415
Mixed Beverage Tax			4 490
Interest			357
Miscellaneous			11 296
Total General Revenues			230 558
Change in Net Position			66 623
Net Position - Beginning			
Correction of Error			6 481
Net Position - Beginning, Restated			1 170 465
Net Position - Ending			\$ 1 237 088

See Independent Auditors' Report and the accompanying Notes to Financial Statements

CITY OF WESTON LAKES, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1 260 319
Total Assets	\$ 1 260 319
<u>LIABILITIES</u>	
Accounts Payable	\$ 21 980
Payroll Taxes Payable	1 251
Total Liabilities	23 231
<u>FUND BALANCE</u>	
Unassigned	1 237 088
Total Fund Balance	1 237 088
Total Liabilities and Fund Balances	\$ 1 260 319

See Independent Auditors' Report and the accompanying Notes to Financial Statements

CITY OF WESTON LAKES, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>General Fund</u>
Revenues	
Franchise Tax	\$ 214 415
Mixed Beverage Tax	4 490
Licenses and Permits	1 393
Interest Income	357
Miscellaneous	<u>11 296</u>
Total Revenues	<u>231 951</u>
Expenditures	
Administrative Fees and Expenses	154 143
Emergency Management	<u>9 248</u>
Total Expenditures	<u>163 391</u>
Net Change in Fund Balance	<u>68 560</u>
Fund Balance, Beginning	1 157 888
Correction of Error	<u>10 640</u>
Fund Balance, Beginning, Restated	<u>1 168 528</u>
Fund Balance, Ending	<u>\$ 1 237 088</u>

See Independent Auditors' Report and the accompanying Notes to Financial Statements

CITY OF WESTON LAKES, TEXAS

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Weston Lakes, Texas (the "City"), is located west of Fulshear, and east of Weston Lakes, 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, 2021.

CITY OF WESTON LAKES, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Continued)

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

The financial transactions of the City are recorded in an individual fund. The funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds

a. Fund Types:

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

b. Fund Balances:

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a formal action of the City Council, the City's highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council. Currently, only the City Council has the authority to assign fund balances.
- Unassigned fund balance - amounts that are available for any purpose.

The City uses the following classifications for net position:

Net Investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The City Council must approve any change in the restriction of this fund balance.

Unrestricted - To indicate net position that is available for use in future period.

CITY OF WESTON LAKES, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

The City has adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In compliance with GASB Statement No. 34, the City has presented a Statement of Net Position and Statement of Activities for the year ended September 30, 2021. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred.

D. CASH EQUIVALENTS

The City considers all highly liquid investments with a maturity of three months or less from the date of acquisition to be cash equivalents. As of September 30, 2021, the City's cash and cash equivalents consisted of demand deposits and certificates of deposit, with maturities not exceeding three months.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund as incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset.

Assets are capitalized if they have an original cost of \$500 or more, and a useful life of at least one year. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Furniture, fixtures and related equipment	7
Machinery and related equipment	3
Computer equipment	3

CITY OF WESTON LAKES, TEXAS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position and governmental funds balance sheet are different because:

Total Fund Balance at September 30, 2021	<u>\$ 1 237 088</u>
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Total Net Position at September 30, 2021	<u>\$ 1 237 088</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balance	\$ 68 560
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Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay and conveyance of capital assets in the current period.

	<u>(1 937)</u>
Change in net position of governmental activities	<u>\$ 66 623</u>

H. LEASES

During the year ended September 30, 2021, the City adopted GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The beginning net position is not restated due to the insignificant effect on the City's operations.

NOTE (2) DEPOSITS AND INVESTMENTS

During the year ended September 30, 2021, the contacted depository banks used by the City were Wallis State Bank and NewFirst National Bank. The largest cash, savings, time deposit combined balances at Wallis State Bank during the year ended September 30, 2021, were \$223,150 occurring in September 2021. These funds were adequately insured during the year. The largest cash, savings, time deposit combined balances at NewFirst National Bank during the year ended September 30, 2021, were \$1,041,053 occurring in September 2021. These funds were adequately insured during the year.

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The City has complied with the Act's provisions during the year ended September 30, 2021.

CITY OF WESTON LAKES, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Continued)

NOTE (3) MIXED BEVERAGE TAX REVENUE

During the year ended September 30, 2021, the City received \$4,490 in mixed beverage tax revenue.

NOTE (4) CHANGES IN CAPITAL ASSETS

The changes in capital assets for the year are as follows:

	Beginning of Year, Restated	Acquisitions (Disposals), net	Depreciation Expense	End of Year
Furniture, fixtures and related equipment	\$ 95 105	\$ -	\$ -	\$ 95 105
Less: Accumulated Depreciation	(93 168)	-	(1 937)	(95 105)
Capital Assets	1 937	-	(1 937)	-
Totals	\$ 1 937	\$ -	\$ (1 937)	\$ -

NOTE (5) LEASE AGREEMENT

The City adopted GASB Statement No. 87 *Leases* due to the City having an agreement for the use of office space which term exceeds 12 months. This lease is the only lease required to be included on the Statement of Financial Position under GASB Statement No. 87.

Leases with an initial term of 12 months or less are not recorded on the Statement of Financial Position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

As of September 30, 2021, the right-of-use operating lease asset had a balance of \$19,141, as shown in total assets on the Statement of Financial Position. The operating lease liability of \$19,141 is included in total liabilities as of September 30, 2021. The lease asset was calculated utilizing the average monthly payment over the lease term for the year ended September 30, 2021. The operating lease liability is the total amount due on the lease at September 30, 2021.

Maturities of the operating lease liabilities as of September 30, 2021 are as follows:

<u>Year ending September 30,</u>	
2022	\$ 15 313
2023	3 828
Operating lease liability	19 141

NOTE (6) CORRECTION OF ERROR

In reviewing the opening balances for various accounts reported on the Statement of Net Position, it was determined that several account balances were misstated. The net effect is a correction of error in account balances of \$6,481 as shown on the Statement of Activities and Governmental Revenues, and Expenditures and Changes in Fund Balance.

CITY OF WESTON LAKES, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(Continued)

NOTE (7) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries insurance. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

NOTE (8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 25, 2025, (the date the financial statements were available to be issued) and noted no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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(281) 379-1065
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JILL A. HENZE, CPA
President

NICOLE BREEDLOVE HUNT, CPA
CEO

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 25, 2025

Council Members
City of Weston Lakes, Texas
Weston Lakes, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Weston Lakes, Texas, as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise the City of Weston Lakes, Texas' basic financial statements, and have issued our report thereon dated March 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Weston Lakes, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Weston Lakes, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Weston Lakes, Texas' 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 and correct, misstatements on a timely basis. A *material 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Material Weaknesses

The City's management consists of an elected Council. Day-to-day operations are performed by employees of the City. The City Council supervises the performance of the employees. The employees are considered to be members of management and as such the employees and Council are responsible for the design and implementation of internal controls.

As is common with the system of internal control of most small organizations, the accounting function of the City does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the City has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weaknesses in the City's system of internal control over financial reporting.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Weston Lakes, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Due to matters discussed in the preceding paragraph, the City is considered to be non-compliant with the requirement to submit an annual audit report with the State of Texas.

City of Weston Lakes's Response to Findings

We acknowledge that during the 2021 fiscal year, our internal controls and recordkeeping did not consistently meet generally accepted standards. Furthermore, we recognize that the audit was not completed within the timelines stipulated by Sections 103.001 and 103.003 of the Texas Local Government Code. We have since implemented corrective actions to address these deficiencies. While Weston Lakes is a small city with limited resources, we are committed to strengthening our internal controls and ensuring full compliance with all applicable requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bredlow & Co., P.C.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WESTON LAKES, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND
ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Franchise Tax	\$ 193 600	\$ 193 600	\$ 214 415	\$ 20 815
Mixed Beverage Tax	3 300	3 300	4 490	1 190
Licenses and Permits	1 000	1 000	1 393	393
Interest Income	2 750	2 750	357	(2 393)
Miscellaneous	213 600	213 600	11 296	(202 304)
Total Revenues	<u>414 250</u>	<u>414 250</u>	<u>231 951</u>	<u>(182 299)</u>
Expenditures				
Audit	6 000	6 000	11 600	(5 600)
Dues and Membership	2 559	2 559	2 478	81
Election	6 000	6 000	1 679	4 321
Emergency Management	21 514	16 864	9 674	7 190
Engineering	7 500	3 000	2 406	594
Equipment	2 700	1 900	822	1 078
Insurance	2 200	1 400	1 395	5
Legal	10 000	36 800	79 536	(42 736)
Legal Notices	200	200	483	(283)
Office Equipment	3 000	2 500	-	2 500
Office Supplies	3 500	3 250	1 315	1 935
Payroll	42 500	38 500	27 006	11 494
Payroll Tax	4 000	4 000	2 062	1 938
Performance Bonds	600	600	-	600
Postage	775	775	225	550
Public Safety	214 100	214 100	-	214 100
Rent	20 000	20 000	15 258	4 742
Representation	4 000	2 000	1 294	706
Research and Development	5 000	-	-	-
Staff Training	5 800	3 000	635	2 365
Technology	14 500	13 000	3 736	9 264
Telephone	1 850	1 850	1 787	63
Total Expenditures	<u>378 298</u>	<u>378 298</u>	<u>163 391</u>	<u>214 907</u>
Net Change in Fund Balance	<u>35 952</u>	<u>35 952</u>	<u>68 560</u>	<u>32 608</u>
Fund Balance, Beginning	1 157 888	1 157 888	1 157 888	-
Correction of Error	10 640	10 640	10 640	-
Fund Balance, Beginning, Restated	<u>1 168 528</u>	<u>1 168 528</u>	<u>1 168 528</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1 204 480</u>	<u>\$ 1 204 480</u>	<u>\$ 1 237 088</u>	<u>\$ 32 608</u>

See Independent Auditors' Report

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JILL A. HENZE, CPA
President

NICOLE BREEDLOVE HUNT, CPA
CEO

March 25, 2025

Council Members
City of Weston Lakes, Texas
Weston Lakes, Texas

We have audited the financial statements of the governmental activities, business-type activities, and the aggregate remaining fund information of City of Weston Lakes, Texas (“the City”) for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 11, 2023. Professional standards also require that we communicate to you the following information related to our 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 the City are described in Note 1 to the financial statements. GASB Statement No. 87, *Leases*, was adopted during 2021. The application of existing policies was not changed during 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. There were no sensitive estimates affecting the financial statements for the year ended September 30, 2021.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our 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 will correct all such misstatements. The following material misstatements detected as a result of audit procedures will be corrected by the bookkeeper: capital assets and accumulated depreciation.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2025.

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, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Weston Lakes, Texas auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Throughout the course of the auditor there were instances where underlying documentation was requested from the City, but the documents were not located. It is recommended that the City implement a documentation retention policy and monitor its implementation.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,



Jill A. Henze