

City of Lewisville

City Council Meeting

April 6, 2026



Overview

- ▶ Introduction
- ▶ Audit Results
- ▶ Audit Process
- ▶ Required Communications
- ▶ Financial Highlights
- ▶ Upcoming Changes
- ▶ Discussion

Engagement Leadership



We know your questions don't end when the audit does, so the team leadership remains available to you throughout the year.

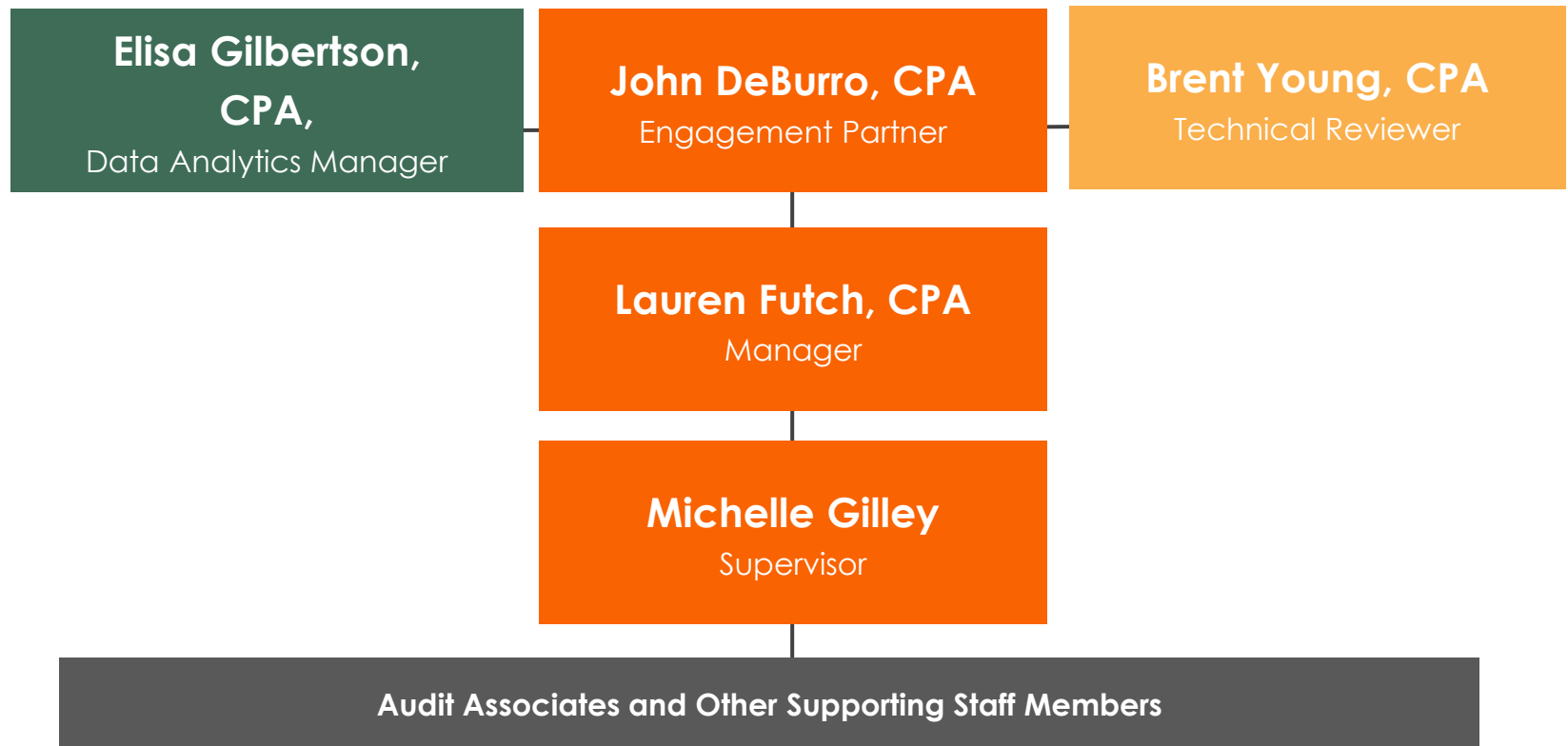
John DeBurro, CPA

Partner, Assurance Services

Lauren Futch, CPA

Manager,
Assurance Services

Engagement Team



The background of the slide is a close-up, slightly blurred photograph of a pencil tip resting on a sheet of lined paper. A solid green horizontal band is superimposed over the top portion of the image, containing the title text.

Audit Results

Weaver**Views**

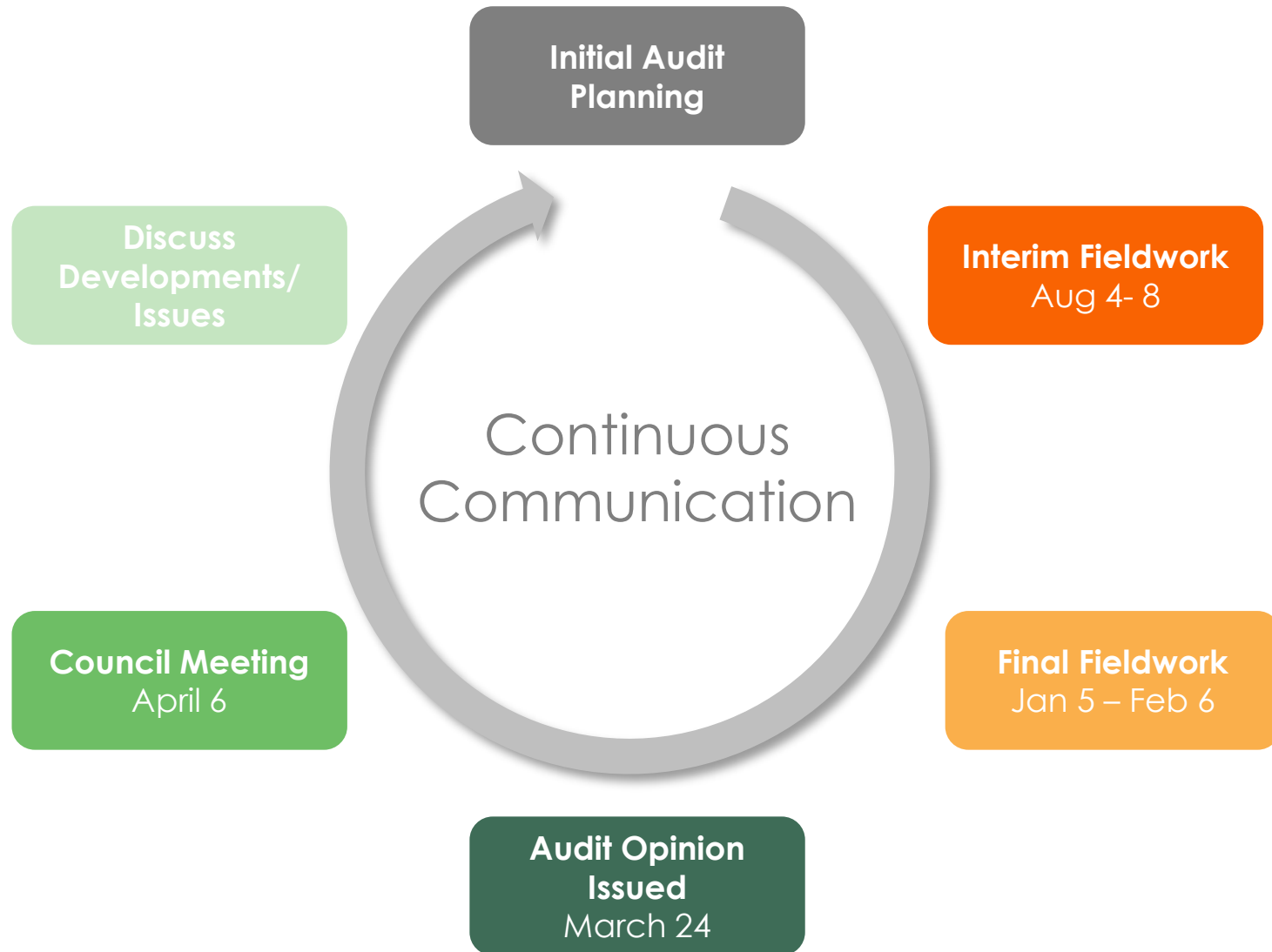
Audit Results

- We issued the Independent Auditor's Report on the financial statements
 - ✓ **Unmodified Opinion**
- We issued the 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
 - ✓ **One finding noted**
- We issued the Independent Auditor's Reports on Compliance for Each Major Federal and State Program and Reports on Internal Control over Compliance and on the Schedules of Expenditures of Federal and State Awards in Accordance with The Uniform Guidance and Texas Grant Management Standards
 - ✓ **No findings noted**
 - ✓ **Unmodified Opinion**

Audit Process



Engagement Timeline



Interim fieldwork and risk assessment were performed in August 2025. Procedures included:

- **Interim fieldwork** included:
 - Walkthroughs of accounting controls over significant transaction cycles:
 - A. Cash Disbursements and Purchases
 - B. Payroll Disbursements (including TMRS data)
 - C. Investments
 - D. Receipts - Municipal Court, Utility Billing, Taxes, Permits
 - E. Budget and Financial Close Process
 - **Tests of compliance** with the Public Funds Investment Act
 - **Control testing** over cash disbursements and payroll transactions
 - **Testing** of capital projects

Final fieldwork- performed in January / February 2026

- Procedures included:

- **Testing account balances and current year activity** using a combination of:
 - analytics,
 - vouching of material transactions, and
 - Sampling
- **Evaluating estimates** for reasonableness
- Identification and testing of the City's **major federal program**:
 - **Coronavirus State and Local Fiscal Recovery Funds**– CFDA# 21.027 - \$6,434,514
- Identification and testing of the City's **major state programs**:
 - **Regional Toll Revenue (RTR) Transportation Projects** - \$26,966,925



Auditor Communications

for the year ended September 30, 2025



WeaverViews

Required Communications to Those in Charge of Governance

Communication

Generally accepted auditing standards

Results

The financial statements are the responsibility of the City. Our audit was designed to provide for reasonable rather than absolute assurance that the financial statements are free of material misstatement. Our responsibility is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Required Communications to Those in Charge of Governance

Communication

Generally accepted government auditing standards

Results

In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal controls and identify significant deficiencies, including material weaknesses, if any. Our reports do not provide assurance on internal controls. We design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct or material effect on the financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.

Required Communications to Those in Charge of Governance

Communication

Auditor's Responsibility under The Uniform Guidance (Federal) and Texas Grants Management Standards (State)

Results

Our testing includes all major federal and state financial assistance programs. We report on such testing and disclose any significant deficiencies in internal control over compliance, including material weaknesses we identify. Our reports do not provide assurance on internal control over compliance. We perform procedures for the purpose of expressing opinions on whether major federal and state financial assistance programs have been administered in compliance with applicable laws and regulations.

Required Communications to Those in Charge of Governance



Communication	Results
Unusual transactions and the adoption of new accounting principles	<p>The significant accounting policies used by the City are described in Note 1 to the financial statements.</p> <p>During fiscal year 2025, the City implemented GASB Statement No. 101, "<i>Compensated Absences</i>" and GASB Statement No. 102, "<i>Certain Risk Disclosures</i>".</p> <p>The implementation of these pronouncements had no effect on the City's fiscal year 2025 financial statements.</p>

Required Communications to Those in Charge of Governance



Communication	Results
Fraud and illegal acts	No indication of any fraud, irregularities, or illegal acts were noted.
Other information contained in documents containing audited financial statements	We provided an “in relation to opinion” on supplementary information accompanying the financial statements. We performed limited procedures on the required supplementary information. We did not provide any assurance on this information. The Introductory and Statistical sections were both unaudited.
Management judgments and accounting estimates	Management's estimates of Incurred-but-not-reported (IBNR) workers' comp, health, and dental claims; net pension and OPEB liabilities; allowance for uncollectible receivables; and estimated useful lives for capital assets were evaluated and determined to be reasonable in relation to the financial statements as a whole.

Required Communications to Those in Charge of Governance

Communication	Results
<p>Material weakness in internal control</p> <p>One finding (2025-001)- significant deficiency in internal control over financial reporting: revenue recognition</p>	<p>No material weaknesses noted.</p> <p>The finding involved a timing issue between the time \$3.4 million of construction expenditures were incurred (fiscal year 2024) and when the revenue was recognized (fiscal year 2025). The charges were properly accrued for in fiscal year 2024, but the revenue was not recognized until fiscal year 2025.</p>

Excerpt from Report on 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.

Required Communications to Those in Charge of Governance

Communication	Results
Difficulties encountered	No difficulties or disagreements arose during the course of our audit.
Management representations	We requested certain representations from management that were included in the management representation letter.
Management consultations	We are not aware of management consulting with other accountants for a second opinion.
Auditor independence	No independence issues noted.
Audit adjustments	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. There were no corrected misstatements made as a result of our audit procedures. There was one passed adjustment regarding prior year revenue recognition that was determined to be immaterial.

A low-angle, black and white photograph of several classical stone columns. The columns are massive and fluted, with visible textures and shadows. They rise from the bottom left towards the top right, creating a strong sense of height and grandeur. The background is a bright, clear sky. A dark green horizontal band is overlaid across the middle of the image, containing the title text.

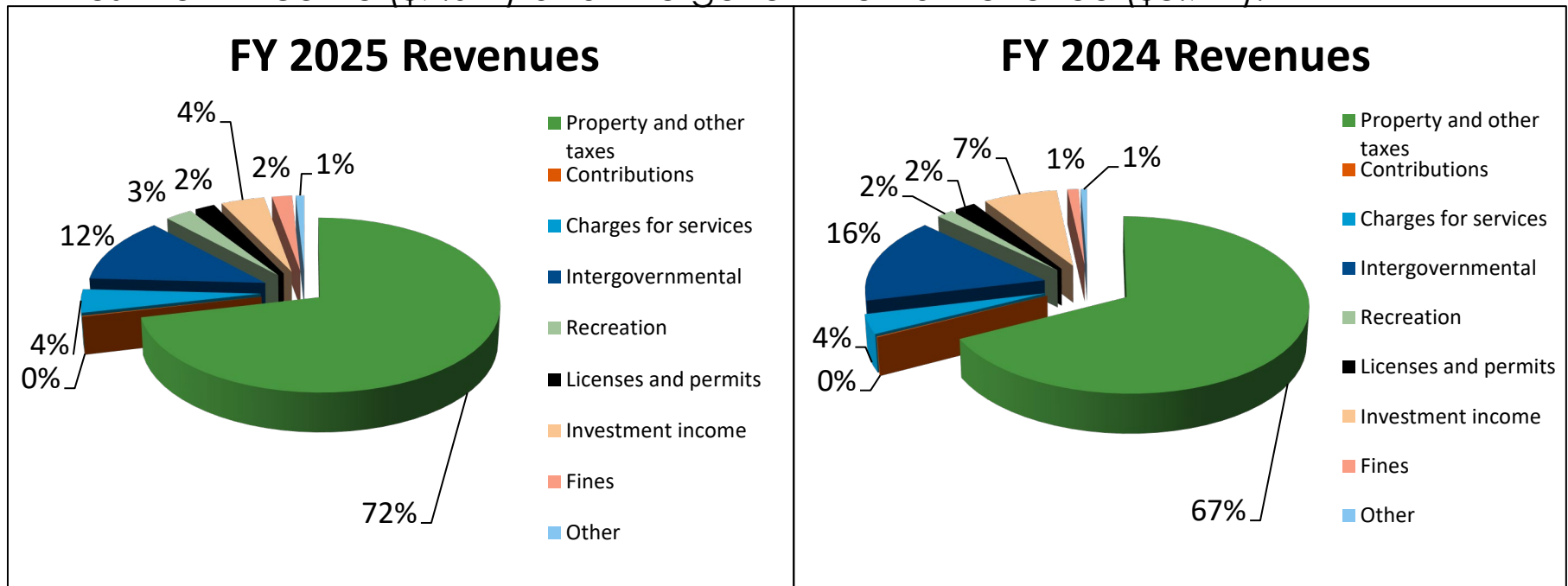
Financial Highlights

Weaver**Views**

Financial Highlights

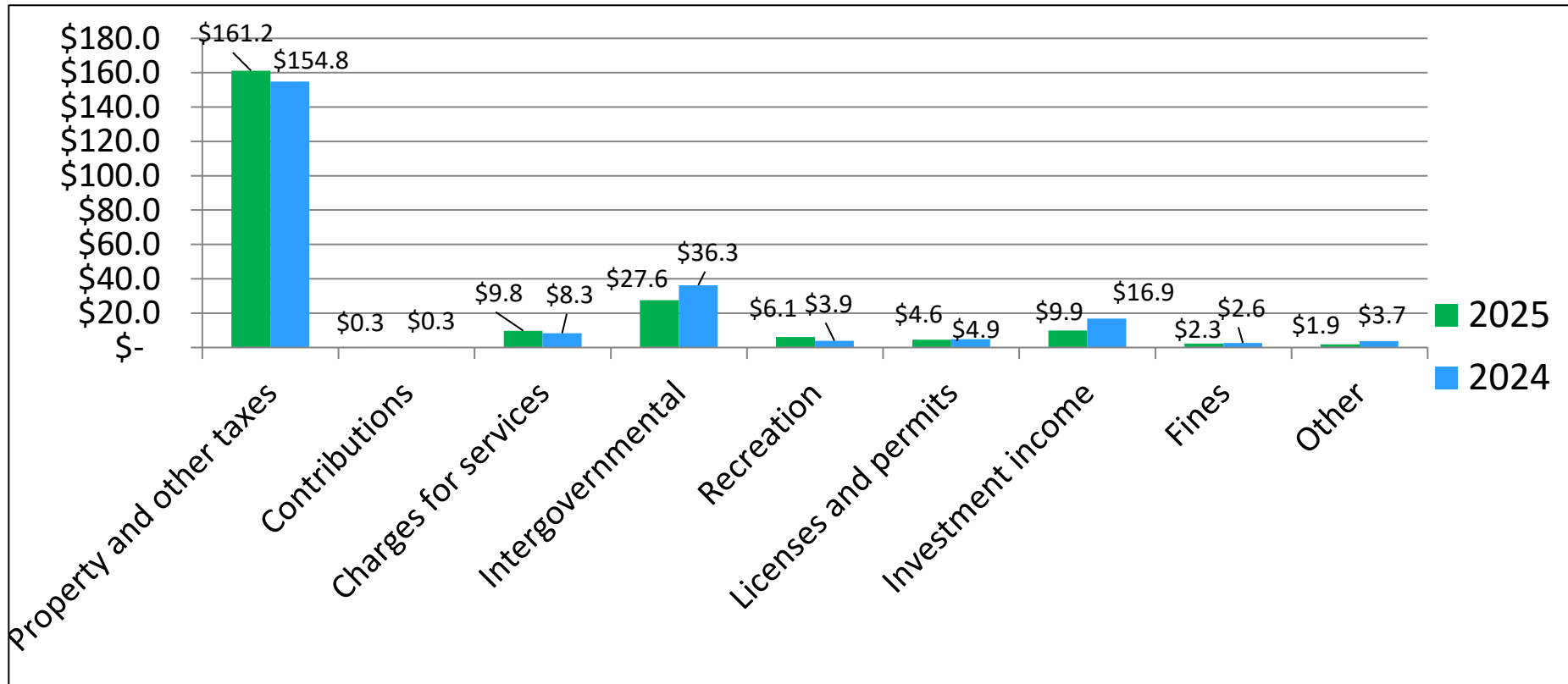
Comparison of Governmental Revenues by Source

Governmental Funds Revenues for the FY 2025 totaled \$233.7 million, an \$8.0 million or 3.5% decrease. This decrease is primarily the net effect of increases in Property and Other Taxes (\$6.4M) and Recreation Revenue (\$2.2M), and decreases in Investment Income (\$7.0M) and Intergovernmental Revenue (\$8.7M).



Financial Highlights

Comparison of Governmental Funds Revenues by Source

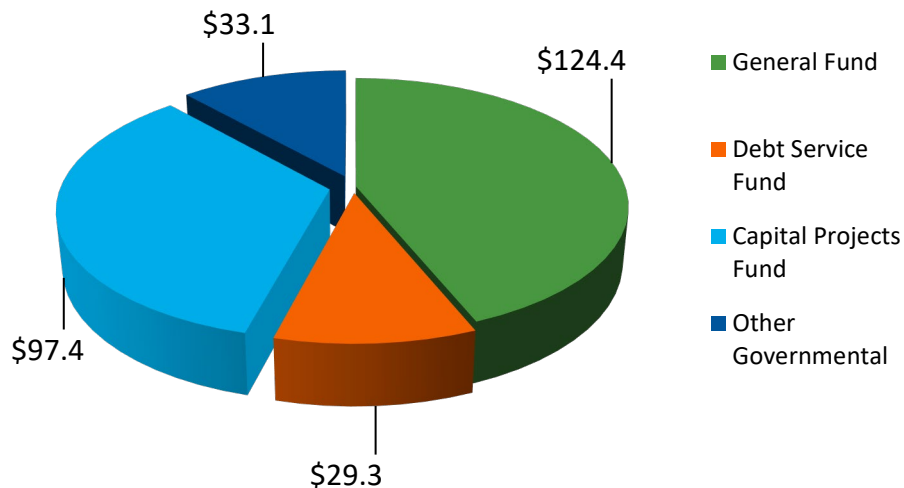


(2-year comparison in millions of dollars)

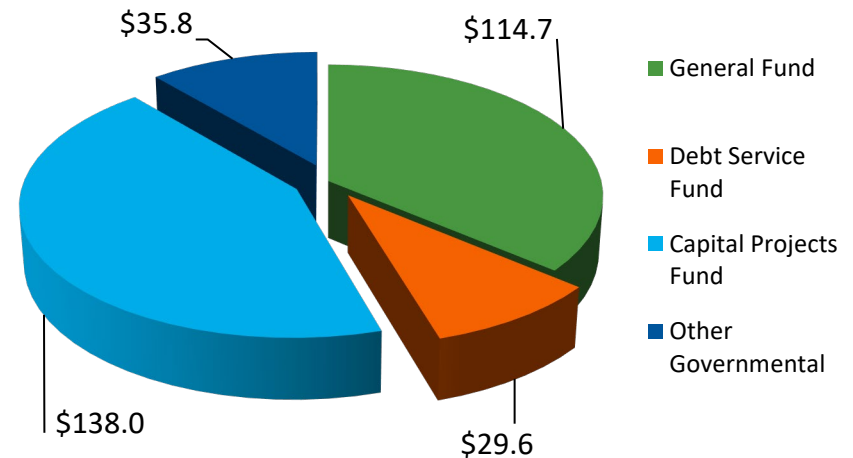
Financial Highlights

Comparison of Governmental Funds Expenditures by Fund (In millions of dollars)

Fiscal Year 2025



Fiscal Year 2024

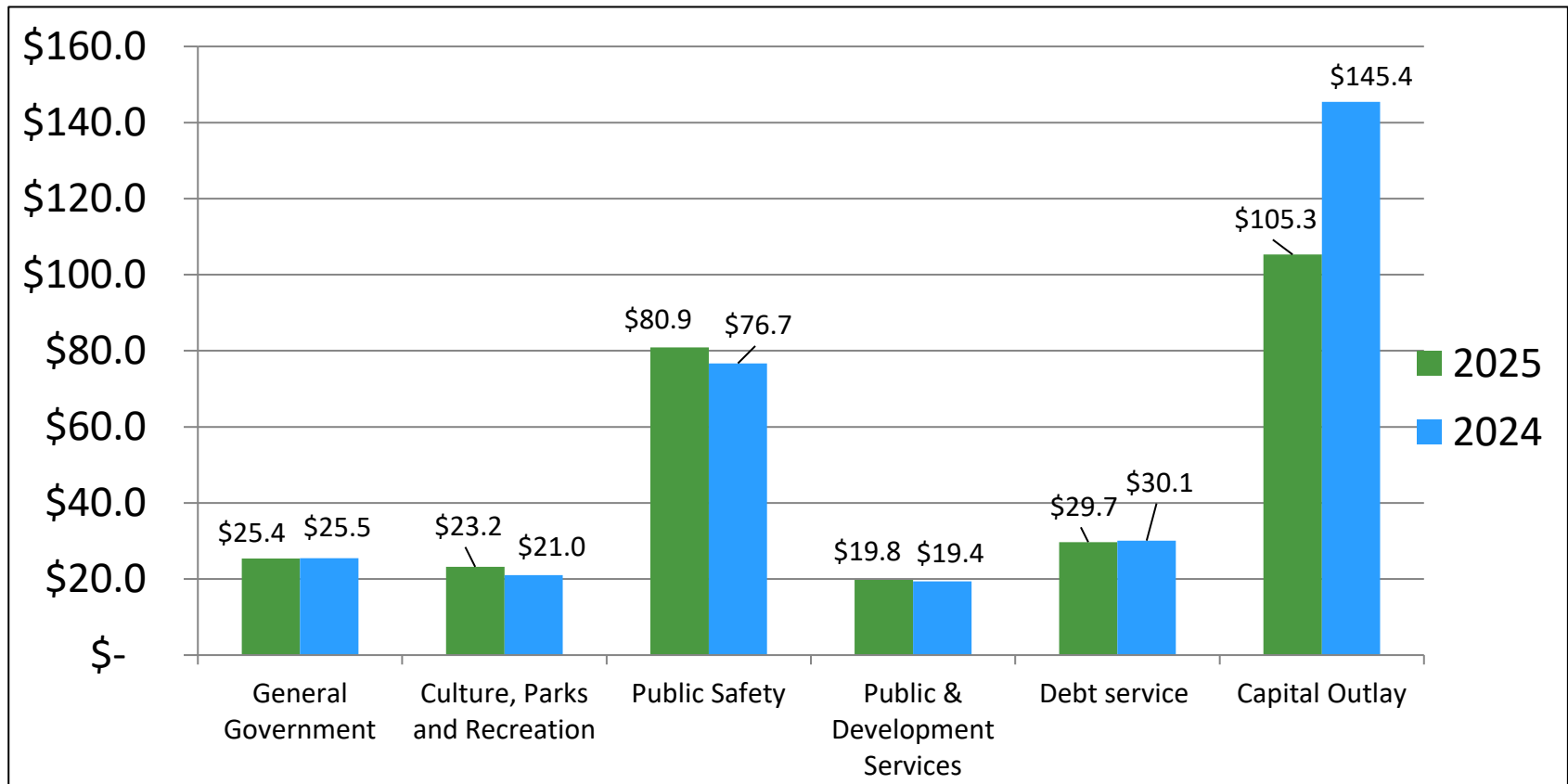


Governmental Fund Expenditures for FY2025 totaled \$284.3 million, a \$33.8 million or 10.6% decrease. This decrease is primarily the result of the net effect of:

- Capital outlay expenditures decreasing \$40.1 million.
- Public safety expenditures increasing \$4.2 million.
- Culture, parks, and recreation expenditures increased \$2.2 million.

Financial Highlights

Comparison of Governmental Funds Expenditures *



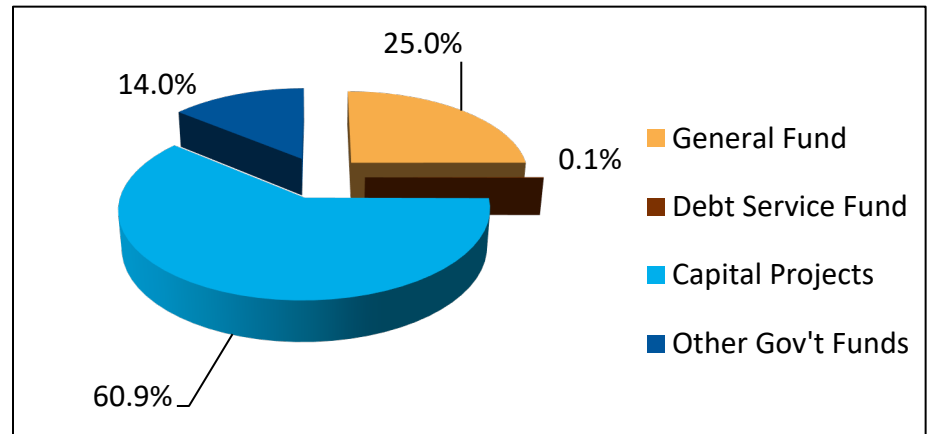
*(2-year comparison in millions of dollars)

Financial Highlights

Fund Balances

Governmental Funds Fund Balance

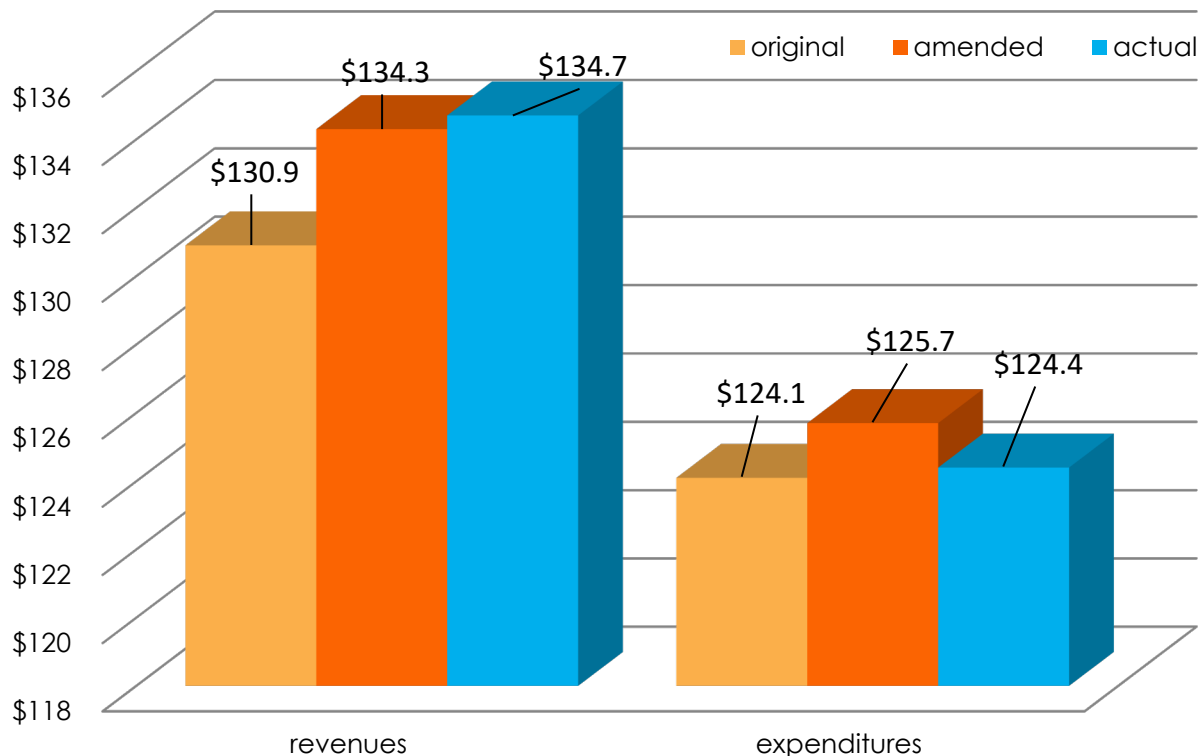
The City's governmental funds reported an ending fund balance of \$191.0 million at September 30, 2025 as follows:



- Governmental Funds' fund balance decreased by \$42.1M, primarily due to the \$41.6M decrease in the General Capital Projects Fund, the result of current year spending on capital projects.
- Unassigned fund balance in the General Fund (\$45.0M) represents 36.2% of General Fund expenditures.

General Fund Budget vs Actual

FY2025 General Fund Budget and Actual – in \$ millions



Overall, favorable budgetary variance of \$2.4 million:

- Revenues exceeded budget by \$0.4 million.
- Expenditures were \$1.3 million below budget.
- Other Financing Uses (net) were below budget by \$0.7 million.

Enterprise Funds- Current and Prior Year



Statement of Revenues, Expenses and Changes in Net Position-
Enterprise Funds

	2025	2024	\$ Change	% Change
Operating revenues	\$ 62,557,660	\$ 57,913,054	\$ 4,644,606	8%
Operating expenses	(47,007,958)	(42,196,570)	4,811,388	11%
(Net)Nonoperating revenue	4,564,083	5,720,373	(1,156,290)	-20%
Capital contributions and transfers	7,066,360	12,390,201	(5,323,841)	-43%
Change in net position	\$ 27,180,145	\$ 33,827,058	(6,646,913)	-20%

Net position increased by \$27.2 million over prior year:

- Operating revenues increased \$4.6 million – primarily due to an increase in rates.
- Operating expenses increased \$4.8 million – primarily due to an increase in cost of water purchases
- Net Nonoperating revenues decreased \$1.2 million – primarily due to a decrease in investment earnings from the prior year.
- Capital contributions and transfers–decreased by \$5.3 million – primarily due to decreases in developer contributions and impact fees.

Upcoming Changes

GASB 103 and GASB 104:

Effective for
periods
beginning
after
6/15/2025
(FY2026)

Financial Reporting Model Improvements

- GASB 103 improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Disclosure of Certain Capital Assets

- This statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets.



We appreciate the opportunity to work with **City of Lewisville** and look forward to our continued relationship.

Discussion

Contact Us

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