City of Lewisville, Texas

Texas Grant Management Standards Report
Year Ended September 30, 2025

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C O N T E N T S

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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*

The Honorable Mayor and City Council of
City of Lewisville, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lewisville, Texas, (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our reports thereon dated March 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
March 24, 2026

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The Woodlands, Texas 77380
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Independent Auditor's Report on Compliance for Each Major State Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of State Awards Required by Texas Grant Management Standards

The Honorable Mayor and City Council of
City of Lewisville, Texas

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Lewisville, Texas' (the City) compliance with the types of compliance requirements identified as subject to audit in the Texas Grant Management Standards (TxGMS) issued by the Texas Comptroller of Public Accounts that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2025. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and TxGMS. Our responsibilities under those standards and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, Government Auditing Standards, and TxGMS, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the TxGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards Required by Texas Grant Management Standards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lewisville, Texas (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 24, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by TxGMS and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
March 24, 2026

City of Lewisville, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2025

Section 1. Summary of the Auditor's Results

Basic Financial Statements

Unmodified opinions were issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? __X__Yes ____No

Noncompliance which is material to the basic financial statements noted? ____Yes __X__No

State Awards

Internal control over major state programs:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ____Yes __X__None reported

Unmodified opinions were issued on compliance for major state programs.

Any audit findings disclosed that are required to be reported in accordance with Texas Grant Management Standards? ____Yes __X__No

Identification of major state programs:

State Grant Number(s)	Name of State Grant or Program	Amount
0918-46-236, 0918-46-237, 0918-46-238, 0918-46-239, 0918-46-240	Regional Toll Revenue (RTR) Transportation Projects	$ 26,966,925

Dollar threshold used to distinguish Between type A and type B programs: $1,000,000

Auditee qualified as low-risk? __X__Yes ____No

Section 2. Financial Statement Findings

Finding: 2025-001: Revenue Recognition

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria: Management is responsible for the accuracy and completeness of all financial records and related information, as well as for establishing and maintaining effective internal control over financial reporting.

Condition: In October 2024, the City properly accrued $3.4 million of construction expenditures related to two invoices for services occurring in fiscal year 2024, which were pre-funded through an advanced funding agreement, as fiscal year 2024 expenditures. However, the City incorrectly posted the revenue recognition entry related to these invoices in fiscal year 2025, rather than in fiscal year 2024, when the costs were incurred.

Cause: The error resulted from internal controls over revenue recognition not being effectively performed.

Effect or Potential Effect: As a result of the above error, September 30, 2024 fund balance and liabilities in the capital projects fund were understated and overstated, respectively, by $3.4 million and revenue for the year then ended was understated by $3.4 million.

Recommendation: We recommend the City review and improve, as needed, controls over revenue recognition related to advanced funding agreements to ensure that revenue is properly recognized in the correct period.

Views of Responsible Official(s) and Planned Corrective Actions: See corrective action plan.

Section 3. Findings and Questioned Costs for State Awards

None

City of Lewisville, Texas
Summary of Prior Year Audit Findings
For the Year Ended September 20, 2025

Section 4. Summary of Prior Year Audit Findings

None

Finding: 2025-001
Significant Deficiency in internal Control over Financial Reporting: Revenue Recognition

Recommendation:
We recommend the City review and improve, as needed, controls over revenue recognition related to advanced funding agreements to ensure that revenue is properly recognized in the correct period.

Planned Corrective Action:
The City will enhance procedures and internal controls to ensure the timely and accurate recognition of revenue in accordance with applicable accounting standards. This includes implementing additional review procedures over revenue recorded at year-end and ensuring that unearned revenue balances are properly evaluated and adjusted. Coordination between the grants, accounts payable, and accounting teams will be strengthened to ensure that all relevant information is communicated and reflected in the financial records.

Contact Person Responsible for Corrective Action:
David Erb
Director of Finance

Anticipated Completion Date:
By fiscal year-end September 30, 2026

City of Lewisville, Texas
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2025

Grantor/Pass-Through Grantor/Program Title	Grant/ Contract Number	State Expenditures
TEXAS DEPARTMENT OF TRANSPORTATION		
RTR - Corporate Drive FM 544 to Josey	0918-46-240	$ 1,065
RTR - Corporate Drive DGNO to Elm Fork Bridge	0918-46-236	12,274,944
RTR - Corporate Drive @ Elm Fork Bridge	0918-46-237	8,504,366
RTR - Corporate Drive-Elm Fork Bridge to Holford's Prairie	0918-46-238	6,182,841
RTR - Corporate Drive-Holford's Prairie to FM2281	0918-46-239	3,709
Total Regional Toll Revenue (RTR) Transportation Projects		26,966,925
I35 Utility Relocation	0196-02-115	755,055
Southwest Parkway Complete Streets	DCTA Trip	7,330
McKenzie Hembry		2,850
Holford's Prairie Road	14-0908	53,827
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION		27,785,987
TEXAS DIVISION OF EMERGENCY MANAGEMENT		
Texas Task Force 2 - Tropical Storm	TEEX 24-0015	1,045
TIFMAS - Tropical Storm	TX-TFMS-024012	6,699
Texas Task Force - Hurricane Beryl	TEEX 24-0016	(111)
California Wildfires	TX-TFMS-024556	3,548
TIFMAS Central Texas	2024 Fall Weather TX0TFMS-240011	166,765
Texas Task Force - Severe Weather	24-0023 01NOV Severe Weather	4,388
TIFMAS - Amarillo	24-0001 Wildfire Season 2024	7,249
TIFMAS Wildland	25-0001 Wildfire Season 2025	29,178
TIFMAS - West Texas	25-0001 Wildfire Season 2025	18,030
TIFMAS Taylor - January Winter Fire	25-0003 20JAN Winter Weather	6,291
TIFMAS - South Texas	TX-TFMS-250001 Wildfire Season 2025	214,577
TIFMAS - South Texas Flooding	25-0018-26MAR Severe Weather	25,967
Texas Task Force	25-0019 01APR Severe Weather	15,720
TIFMAS - All Hazards Spring Weather	25-0019 01APR Severe Weather	40,654
Texas Task Force - Weather Event	25-0020 23APR Severe Weather	8,913
Task Force Weather	25-0023 18MAY Severe Weather	3,970
Task Force West Texas Weather	25-0025 02JUN Severe Weather	42,085
Task Force South Texas Flooding	25-0026 02JUL Severe Weather	78,088
Elm Fork SAW Module Deployment South Texas Flooding	25-0026 02JUL Severe Weather ST 25-159	152,147
TIFMAS Central Texas Floods	25-0026 02JUL Severe Weather	108,607
Deployment July 25	25-0026 02JUL Severe Weather, IST	24,671
Texas Task Force Deployment Aug 25	25-0026 02JUL Severe Weather	26,032
Texas Task Force Deployment Sept 25	25-0026 02JUL Severe Weather	52,933
TIFMAS - Kerrville	TX TFMS 250013 Project R2527	177,728
TOTAL TEXAS DIVISION OF EMERGENCY MANAGEMENT		1,215,172
TEXAS COMMISSION ON THE ARTS		
Texas Commission on the Arts	77758445, 77758702, 77758676, 77760207	12,000
TOTAL TEXAS COMMISSION ON THE ARTS		12,000
TOTAL EXPENDITURES OF STATE AWARDS		$ 29,013,159

The Notes to Schedule of Expenditures of State Awards are an integral part of this schedule.

City of Lewisville, Texas

Notes to Schedule of Expenditures of State Awards
For the Year Ended September 30, 2025

Note 1. General

The accompanying Schedule of Expenditures of State Awards presents the activity of all applicable state awards of the City of Lewisville, Texas (the City). The City's reporting entity is defined in Note 1 to the financial statements. State awards are received directly from state agencies as well as state awards passed through other government agencies are included on the schedules.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 to the financial statements.

Note 3. Relationship to State Financial Reports

Amounts reported in the accompanying schedule may not agree with amounts reported in the related state financial reports with grantor agencies because of accruals which would be included in the next report filed with the agencies.

Note 4. RTR - Corporate Drive-Elm Fork Bridge to Holford's Prairie

Project RTR - Corporate Drive-Elm Fork Bridge to Holford's Prairie includes $3,430,448 in expenditures incurred in fiscal year 2024.