

TOWN OF LAKEWOOD VILLAGE, TEXAS

Financial Statements
(With Auditor's Report Thereon)

September 30, 2021

TOWN OF LAKEWOOD VILLAGE
Annual Financial Report
For the Year Ended September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of the Town Council
Town of Lakewood Village
Lakewood Village, Texas 75068

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my 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 the Town of Lakewood Village, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Nelson CPA Services, P.C.

December 10, 2021

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Management's Discussion and Analysis

As management of the Town of Lakewood Village, we offer readers of the Town of Lakewood Village's financial statements this narrative overview and analysis of the financial activities of the Town of Lakewood Village for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$4,170,534 (net position). Of this amount \$1,101,824 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Lakewood Village's governmental funds reported ending fund balance of \$336,947, a decrease of \$2,872,542 in comparison with the prior year. Of this balance, \$263,585 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 51 percent of general fund expenditures, and 51 percent of total governmental fund expenditures. At the close of the current fiscal year, the Town of Lakewood Village's governmental funds had a current ratio of approximately 2:1, based on the current assets of \$643,535 and current liabilities of \$317,092

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Lakewood Village's basic financial statements. The Town of Lakewood Village's basic financial statements comprise 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 Town of Lakewood Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Lakewood Village'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 Town of Lakewood Village is improving or deteriorating.

The *statement of activities* presents information showing how the government'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., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town of Lakewood Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Lakewood Village include general government, public safety, and recreation (public works). The business-type activities of the Town of Lakewood Village include the water and sewer system.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lakewood Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town of Lakewood Village can be divided into two categories: governmental funds (General Fund) and proprietary funds (Water and Sewer Fund).

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Lakewood Village maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund, the capital projects fund which is considered to be a major fund, and the municipal development district fund is a component unit.

The Town of Lakewood Village adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds. The Town of Lakewood Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Lakewood Village uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the LWV Utility Fund operations, and the Rocky Point Utility Fund operations.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the financial statements. The notes 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 25-38 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 Town of Lakewood Village, assets exceed liabilities by \$4,170,534 at the close of the most recent fiscal year.

A portion of the Town of Lakewood Village's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town of Lakewood Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Lakewood Village's investment in its capital assets is reported not of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF LAKEWOOD VILLAGE - Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 654,039	3,938,441	388,057	276,538	1,042,096	4,214,979
Capital Assets	<u>6,661,030</u>	<u>3,760,588</u>	<u>1,888,119</u>	<u>1,827,843</u>	<u>8,549,149</u>	<u>5,588,431</u>
Total assets	<u>7,315,069</u>	<u>7,699,029</u>	<u>2,276,176</u>	<u>2,104,381</u>	<u>9,591,245</u>	<u>9,803,410</u>
Long-term liabilities	4,762,000	5,010,000			4,762,000	5,010,000
Other liabilities	<u>590,110</u>	<u>994,344</u>	<u>68,601</u>	<u>62,341</u>	<u>658,711</u>	<u>1,056,685</u>
Total liabilities	<u>5,352,110</u>	<u>6,004,344</u>	<u>68,601</u>	<u>62,341</u>	<u>5,421,911</u>	<u>6,066,685</u>
Net position:						
Invested in capital assets						
net of related debt	1,651,030	(1,432,411)	1,888,119	1,827,843	3,539,149	395,432
Restricted	73,362	2,682,014			73,362	2,682,014
Unrestricted	<u>238,567</u>	<u>445,082</u>	<u>319,456</u>	<u>214,197</u>	<u>558,023</u>	<u>659,279</u>
Total net position	<u>\$ 1,962,959</u>	<u>1,694,685</u>	<u>2,207,575</u>	<u>2,042,040</u>	<u>4,170,534</u>	<u>3,736,725</u>

Governmental Activities:

- During the year revenues decreased by \$40,172 (4%), primarily due to fewer reimbursed expenses.
- Expenses for the year increased by \$83,517 (16%), primarily due to debt service.

Business-type Activities:

- Charges for services increased by \$23,045 (5%) during the year primarily due to water sales, while expenses increased by \$76,541 (24%).

TOWN OF LAKEWOOD VILLAGE - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 96,523	90,102	447,802	424,757	544,325	514,859
General revenues:						
Property taxes	501,734	449,978			501,734	449,978
Other taxes	136,793	122,569			136,793	122,569
Other	<u>55,621</u>	<u>168,194</u>	<u>164,447</u>	<u>18,821</u>	<u>220,068</u>	<u>187,015</u>
Total revenues	790,671	830,843	612,249	443,578	1,402,920	1,274,421
Expenses:						
General government	370,475	361,897			370,475	361,897
Public safety	30,750	30,000			30,750	30,000
Public works	12,101	9,909			12,101	9,909
Interest	170,001	98,004			170,001	98,004
Water & sewer			<u>385,784</u>	<u>309,243</u>	<u>385,784</u>	<u>309,243</u>
Total expenses	583,327	499,810	385,784	309,243	969,111	809,053
Increase in net position before other transfers	207,344	331,033	226,465	134,335	433,809	465,368
Transfers	60,930	56,263	(60,930)	(56,263)		
Premium on bonds issued		91,867				91,867
Gain/(loss) on disposal of capital assets				<u>22,318</u>		<u>22,318</u>
Increase/(decrease) in net position	268,274	479,163	165,535	100,390	433,809	579,553
Net position - beginning	<u>1,694,685</u>	<u>1,694,685</u>	<u>2,042,040</u>	<u>1,941,650</u>	<u>3,736,725</u>	<u>3,157,172</u>
Net position - ending	\$ <u>1,962,959</u>	<u>1,694,685</u>	<u>2,207,575</u>	<u>2,042,040</u>	<u>4,170,534</u>	<u>3,736,725</u>

Financial Analysis of the Government's Funds

As noted earlier, the Town of Lakewood Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Lakewood Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Lakewood Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the Town of Lakewood Village's governmental funds reported ending fund balance of \$336,947, a decrease of \$2,872,542 from the prior year. Of the current combined ending fund balance, \$263,585 is unassigned.

Proprietary Funds. The Town of Lakewood Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise Funds at the end of the year amounted to \$319,456. The total increase in unrestricted net position of the Enterprise Funds was \$165,535. The factors concerning the finances of this fund have already been addressed in the discussion of the Town of Lakewood Village's business type activities.

General Fund Budgetary Highlights

During the year, revenues were more than budgetary estimates by \$89,880, and expenditures were more than budgetary estimates by \$2,637,868. The budget had called for a \$293,188 decrease in fund balance, however, as a result of transfers in from the Utility funds and transfer of the new streets into service, \$2,872,542 was removed from fund balance.

Capital Assets and Debt Administration

Capital Assets. The Town of Lakewood Village's investment in capital assets for its governmental and business-type activities as of September 30 2021, amounts to \$8,262,532 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

- Land improvements totaling \$9,200 were added to the general fund.
- Construction of roads totaling \$5,024,551 were added to the general fund.
- System and improvements and equipment totaling \$160,544 were added to the LWV Utility Funds.

Additional information on the Town of Lakewood Village's capital assets can be found in Note 3.C. on pages 34-35 of this report.

Long-term debt. The Town has outstanding certificate of obligation bonds sold to finance construction of concrete streets.

Additional information on the Town of Lakewood Village long-term debt can be found in Note 3.D. on pages 36-37 of this report.

Economic Factors and Next Year's Budgets and Rates

COVID-19

In sharp contrast to the rest of the country, the Town has experienced strong positive increases in economic activity during 2021. As a true bedroom community, the town has no brick and mortar commercial enterprises and thus did not suffer any adverse economic consequences due to mandatory closings. Rather, due to online purchasing from work-at-home residents, sales tax collections rose by more than 20 percent to all-time record amounts. Additionally, building starts have increased, and nearly all vacant lots have recently been purchased for new homes.

We experienced a record breaking increases in appraised property values of 27.2 percent which was among the highest in the state. Our typical year-on-year taxable value increase is 7 to 9 percent.

Residential Development inside the Town

In 2021, the Town approved several developer agreements. First Texas Homes is expected to break ground on a 140 unit single-family development in early 2022. The Town is also finalizing a new custom home development with 80 single-family lots that is scheduled to begin in the first quarter of 2022.

Residential Development in Lakewood Village Extraterritorial Jurisdiction

In 2021 the Town reached agreement with Taylor/Morrison and Corson-Cramer Development for a 290 unit single-family residential development. The Town agreed to create a Public Improvement District in the Town's ETJ and not annex the property. In return, TM/CCD agreed to pay the Town a fee of \$ 1.5 million, building inspection fees, and utility tap fees. The PID will also pay for the proportionate share of the required water and sewer improvements.

Tax Rates

The Town's Maintenance and Operations (M&O) rate is currently \$0.25 per \$100 and will continue to remain unchanged since the Town's incorporation in 1977. In 2019 the Town Council determined that the Phase Two Road Replacement Project was appropriate. In April 2020, the Town issued \$4,500,000 in Certificates of Obligation. In response the town adopted a debt servicing rate of \$0.20. This adopted I&S rate will collect 63 percent of our debt payment, with the remaining 37 percent derived from our general fund operating surplus. Our overall tax rate of \$0.45 remains substantially lower than our surrounding cities which average \$0.60 and provides us with additional financial flexibility.

Request for information

This financial report is designed to provide a general overview of the Town of Lakewood Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Mayor, 100 Highridge, Lakewood Village, Texas 75068.

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BASIC FINANCIAL STATEMENTS

TOWN OF LAKEWOOD VILLAGE

Statement of Net Position

September 30, 2021

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 286,492	344,896	631,388
Cash and equivalents - restricted	357,043		357,043
Receivables (Net of allowance for uncollectibles):			
Sales taxes	8,555		8,555
Property taxes	1,199		1,199
Accounts receivable	750	43,161	43,911
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land and improvements	141,662	50,814	192,476
Buildings, systems and improvements	40,995	1,835,572	1,876,567
Furniture and equipment	12,460	1,733	14,193
Streets	<u>6,465,913</u>		<u>6,465,913</u>
Total assets	<u>7,315,069</u>	<u>2,276,176</u>	<u>9,591,245</u>
LIABILITIES			
Accounts payable	71,411		71,411
Retainage payable	215,210		215,210
Accrued interest payable	26,217		26,217
Deposits payable		63,475	63,475
Other payables	29,272	5,126	34,398
Noncurrent liabilities:			
Bonds payable:			
Due within one year	248,000		248,000
Due in more than one year	<u>4,762,000</u>		<u>4,762,000</u>
Total liabilities	<u>5,352,110</u>	<u>68,601</u>	<u>5,420,711</u>
NET POSITION			
Invested in capital assets, net of related debt	1,651,030	1,888,119	3,539,149
Restricted	73,362		73,362
Unrestricted	<u>238,567</u>	<u>319,456</u>	<u>558,023</u>
Total net position	<u>\$ 1,962,959</u>	<u>2,207,575</u>	<u>4,170,534</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE
Statement of Activities
For the Fiscal Year Ended September 30, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
Primary government:				
Governmental activities:				
General government	\$ 370,475	96,523		
Public safety	30,750			
Public works	12,101			
Interest	<u>170,001</u>			
Total governmental activities	<u>583,327</u>	<u>96,523</u>		
Business-type activities				
Water and sewer	<u>385,784</u>	<u>447,802</u>		
Total business-type activities	<u>385,784</u>	<u>447,802</u>		
Total primary government	\$ <u>967,387</u>	<u>544,325</u>		

General revenues:
Property taxes
Franchise fees
Sales taxes
Fines and forfeitures
Investment earnings
Miscellaneous revenue
Transfer (to)/from other funds
Total general revenues

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position
Primary Government

Governmental Activities	Business-type Activities	Total
(273,952)		(273,952)
(30,750)		(30,750)
(12,101)		(12,101)
<u>(170,001)</u>		<u>(170,001)</u>
<u>(486,804)</u>		<u>(486,804)</u>
	<u>62,018</u>	<u>62,018</u>
	<u>62,018</u>	<u>62,018</u>
		<u>(424,786)</u>
501,734		501,734
39,498		39,498
97,295		97,295
4,560		4,560
20,742	2,537	23,279
30,319	161,910	192,229
60,930	<u>(60,930)</u>	
<u>755,078</u>	<u>103,517</u>	<u>858,594</u>
268,274	165,535	433,809
<u>1,694,685</u>	<u>2,042,040</u>	<u>3,736,725</u>
<u>\$ 1,962,959</u>	<u>2,207,575</u>	<u>4,170,534</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE

Balance Sheet
Government Funds
September 30, 2021

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents - unrestricted	\$ 286,492			286,492
Cash and cash equivalents - restricted	29,329	41,092	286,622	357,043
Receivables (net of allowance for uncollectibles):				
Sales taxes	5,615	2,940		8,555
Property taxes	1,199			1,199
Accounts receivable	750			750
Total assets	<u>\$ 323,385</u>	<u>44,032</u>	<u>286,622</u>	<u>654,039</u>
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable	\$		71,411	71,411
Deferred revenue	1,199			1,199
Other payables	29,272			29,272
Retainage payable			<u>215,210</u>	<u>215,210</u>
Total liabilities	<u>30,471</u>		<u>286,621</u>	<u>317,092</u>
Fund balances:				
Restricted	29,329	44,032	1	73,362
Unassigned	<u>263,585</u>			<u>263,585</u>
Total fund balance	<u>292,914</u>	<u>44,032</u>	<u>1</u>	<u>336,947</u>
Total liabilities & fund balances	<u>\$ 323,385</u>	<u>44,032</u>	<u>286,622</u>	<u>654,039</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2021

Total Fund Balances - Governmental Funds \$ 336,947

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,251,646, and the accumulated depreciation was \$(491,058). In addition, long-term liabilities, including bonds payable and legal liabilities of \$(5,193,000), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. (1,432,412)

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the due date. Accrued interest in the current year is \$(26,217). (26,217)

Current year capital outlays of \$2,971,891 and long-term debt principal payments of \$183,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 3,154,891

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (71,449)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. 1,199

Net Position of Governmental Activities \$ 1,962,959

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2021

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes				
Property	\$ 500,536			500,536
Franchise	39,498			39,498
Sales	64,638	32,657		97,295
Fines and forfeitures	4,560			4,560
Licenses and permits	86,278			86,278
Fees and service charges	10,245			10,245
Interest	7,620	371	12,751	20,742
Miscellaneous	996			996
Total revenues	<u>714,371</u>	<u>33,028</u>	<u>12,751</u>	<u>760,150</u>
 EXPENDITURES				
General government	244,126			244,126
Public safety	30,750			30,750
Public works	12,101			12,101
Capital outlay	9,200		2,962,691	2,971,891
Debt service:				
Principal	183,000			183,000
Interest and fiscal charges	<u>226,176</u>	<u> </u>	<u> </u>	<u>226,176</u>
Total expenditures	<u>705,353</u>	<u> </u>	<u>2,962,691</u>	<u>3,668,044</u>
 Excess/(deficiency) of revenues over expenditures	 <u>9,018</u>	 <u>33,028</u>	 <u>(2,949,940)</u>	 <u>(2,907,894)</u>
 OTHER FINANCING SOURCES AND USES				
Casualty income	29,322			29,322
Casualty expense	(54,900)			(54,900)
Transfers (to)/from other funds	<u>(336,706)</u>	<u>(23,398)</u>	<u>421,034</u>	<u>60,930</u>
Total other financing sources	<u>(362,284)</u>	<u>(23,398)</u>	<u>421,034</u>	<u>35,352</u>
 Net change in fund balances	 (353,266)	 9,630	 (2,528,906)	 (2,872,542)
 Fund balance, beginning (as restated)	 <u>646,180</u>	 <u>34,402</u>	 <u>2,528,907</u>	 <u>3,209,489</u>
 Fund balance, ending	 <u>\$ 292,914</u>	 <u>44,032</u>	 <u>1</u>	 <u>336,947</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ (2,872,542)

Current year capital outlays of \$2,971,891 and long-term debt principal payments of \$183,000, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. 3,154,891

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but is not reported as an expense for the current period in the governmental funds. Accrued interest at the beginning of the year was \$82,392 and current year is \$(26,217). 56,175

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Depreciation of \$(71,449) is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's activity is to decrease net position. (71,449)

Deferred revenue is not recognized as revenue in the governmental activities. The net effect is to decrease net position. 1,199

Changes in Net Position of Governmental Activities \$ 268,774

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
REVENUES				
Taxes				
Property	\$ 495,000	495,000	500,536	5,536
Franchise	37,000	37,000	39,498	2,493
Sales	65,000	65,000	97,295	32,295
Fines and forfeitures	3,000	3,000	4,560	1,560
Licenses and permits	39,000	39,000	86,278	47,278
Fees and service charges	2,000	2,000	10,245	8,245
Interest	6,000	6,000	20,742	14,742
Miscellaneous	<u>23,270</u>	<u>23,270</u>	<u>996</u>	<u>(22,274)</u>
Total revenues	<u>670,270</u>	<u>670,270</u>	<u>760,150</u>	<u>89,880</u>
EXPENDITURES				
General government	192,000	192,000	244,126	(52,126)
Public safety	30,000	30,000	30,750	(750)
Public works	24,000	24,000	12,101	11,899
Capital outlay	375,000	375,000	2,971,891	(2,596,891)
Debt service:				
Principal	183,000	183,000	183,000	
Interest	<u>226,176</u>	<u>226,176</u>	<u>226,176</u>	
Total expenditures	<u>1,030,176</u>	<u>1,030,176</u>	<u>3,668,044</u>	<u>(2,637,868)</u>
Excess (deficiency) of revenues over expenditures	<u>(359,906)</u>	<u>(359,906)</u>	<u>(2,907,894)</u>	<u>(2,547,988)</u>
OTHER FINANCING SOURCES				
Casualty income			29,322	29,322
Casualty expense			(54,900)	(54,900)
Transfers (to)/from other funds	<u>66,718</u>	<u>66,718</u>	<u>60,930</u>	<u>(5,788)</u>
Total other financing sources	<u>66,718</u>	<u>66,718</u>	<u>35,352</u>	<u>(31,366)</u>
Net change in fund balances	(293,188)	(293,188)	(2,872,542)	(2,579,354)
Fund balance, beginning (as restated)	<u>3,209,489</u>	<u>3,209,489</u>	<u>3,209,489</u>	
Fund balance, ending	\$ <u>2,916,301</u>	<u>2,916,301</u>	<u>336,947</u>	<u>(2,579,354)</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE

Statement of Net Position

Proprietary Funds

September 30, 2021

	<u>Business-Type Activities</u>		
	<u>LWV</u>	<u>Rocky Point</u>	
	<u>Utility</u>	<u>Utility</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 323,088	21,808	344,896
Accounts receivable (net of allowance for uncollectibles)	<u>34,358</u>	<u>8,803</u>	<u>43,161</u>
Total current assets	<u>357,446</u>	<u>30,611</u>	<u>388,057</u>
Noncurrent assets:			
Capital assets:			
Land	34,892	15,922	50,814
Equipment	5,824		5,824
Water systems and improvements	1,673,999	156,590	1,830,589
Sanitation systems and improvements	1,685,895		1,685,895
Buildings and improvements	29,737	3,533	33,270
Less: Accumulated depreciation	<u>(1,691,755)</u>	<u>(26,518)</u>	<u>(1,718,273)</u>
Total noncurrent assets	<u>1,738,592</u>	<u>149,527</u>	<u>1,888,119</u>
Total assets	\$ <u>2,096,038</u>	<u>180,138</u>	<u>2,276,176</u>
LIABILITIES			
Current liabilities:			
Customer deposits	\$ 58,400	5,075	63,475
Other payables	<u>4,897</u>	<u>229</u>	<u>5,126</u>
Total current liabilities	<u>63,297</u>	<u>5,304</u>	<u>68,601</u>
Total liabilities	<u>63,297</u>	<u>5,304</u>	<u>68,601</u>
NET POSITION			
Invested in capital assets, net of related debt	1,738,592	149,527	1,888,119
Unrestricted	<u>294,149</u>	<u>25,307</u>	<u>319,456</u>
Total net position	\$ <u>2,032,741</u>	<u>174,834</u>	<u>2,207,575</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
September 30, 2021

	Business-Type Activities		
	LWV	Rocky Point	
	Utility	Utility	
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
OPERATING REVENUES			
Water	\$ 179,153	33,331	212,484
Sewer	134,775		134,775
Sanitation	70,038		70,038
Fees and services	30,505		30,505
Other income	4,438	38,037	42,475
Total operating revenues	<u>418,909</u>	<u>71,368</u>	<u>490,277</u>
OPERATING EXPENSES			
Contract services	47,207	1,908	49,115
Administrative	91,866	7,477	99,343
Repairs and maintenance	66,702	3,655	70,357
Miscellaneous	2,895	3,089	5,984
Garbage collections	60,716		60,716
Depreciation	95,473	4,796	100,269
Total operating expenses	<u>364,859</u>	<u>20,925</u>	<u>385,784</u>
Operating income (loss)	<u>54,050</u>	<u>50,443</u>	<u>104,493</u>
NONOPERATING REVENUES (EXPENSES)			
CRF funds	119,435		119,435
Interest revenue	2,368	169	2,537
Total nonoperating revenues (expenses)	<u>121,803</u>	<u>169</u>	<u>121,972</u>
Income (loss) before transfers	175,853	50,612	226,465
Transfers (to)/from other funds	<u>(55,000)</u>	<u>(5,930)</u>	<u>(60,930)</u>
Change in net position	120,853	44,682	165,535
Net position - beginning	<u>1,911,888</u>	<u>130,152</u>	<u>2,042,040</u>
Net position - ending	\$ <u>2,032,741</u>	<u>174,834</u>	<u>2,207,575</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2021

	Business-Type Activities		
	LWV Utility Fund	Rocky Point Utility Fund	Totals
Cash flows from operating activities:			
Cash received from customers and users	\$ 415,276	66,256	481,532
Cash payments to suppliers	<u>(269,251)</u>	<u>(16,029)</u>	<u>(285,280)</u>
Net cash provided by operating activities	<u>146,025</u>	<u>50,227</u>	<u>196,252</u>
Cash flows from capital and related financing activities:			
Acquisition/disposition of capital assets	<u>(120,813)</u>	<u>(39,731)</u>	<u>(160,544)</u>
Net cash used by capital and related financing activities	<u>(120,813)</u>	<u>(39,731)</u>	<u>(160,544)</u>
Cash flows from noncapital financing activities:			
Transfer in/(out)	<u>(55,000)</u>	<u>(5,930)</u>	<u>(60,930)</u>
Net cash used by noncapital financing activities	<u>(55,000)</u>	<u>(5,930)</u>	<u>(60,930)</u>
Cash flows from investing activities:			
Interest on deposits and investments	<u>2,368</u>	<u>169</u>	<u>2,537</u>
Net cash provided by investing activities	<u>2,368</u>	<u>169</u>	<u>2,537</u>
Cash flows from non-operating activities			
CRF funds	<u>119,435</u>		<u>119,435</u>
Net cash provided by non-operating activities	<u>119,435</u>		<u>119,435</u>
Net increase in cash and cash equivalents	92,015	4,735	96,750
Cash and cash equivalents - beginning	<u>231,073</u>	<u>17,073</u>	<u>248,146</u>
Cash and cash equivalents - ending	\$ <u>323,088</u>	<u>21,808</u>	<u>344,896</u>

Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities

Operating income	\$ 54,050	50,443	104,493
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	95,473	4,796	100,269
(Increase)/decrease in accounts receivable	(7,383)	(7,387)	(14,770)
Increase/(decrease) in customer deposits	3,750	2,275	6,025
Increase/(decrease) in other payables	<u>135</u>	<u>100</u>	<u>235</u>
Total adjustments	<u>91,975</u>	<u>(216)</u>	<u>91,759</u>
Net cash provided by operating activities	\$ <u>146,025</u>	<u>50,227</u>	<u>196,252</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Lakewood Village, Texas, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Town of Lakewood Village is a municipality governed by an elected mayor and town council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town of Lakewood Village has only a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit. The Lakewood Village Municipal Development District (MDD) is a political subdivision of the State of Texas and the Town, established by the voters in 2009 for the purposes of promoting economic development within the Town as prescribed by Chapter 377 of the Texas Local Government Code. The MDD is presented as a governmental fund type. The fund is supported by a one-half cent sales tax which is currently used in full to fund the cost of construction of infrastructure, other capital asset acquisition, and debt service related to the Rocky Point proprietary fund. As of September 30, 2021, the amount provided by the MDD to the Rocky Point Proprietary fund totals \$92,007.

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation(continued)

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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following proprietary funds:

The *LWW Utility fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The enterprise fund is for water, sewer, and solid waste operations.

The *Rocky Point Utility fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The enterprise fund is for water operations.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. **Measurement focus, basis of accounting, and financial statement presentation**(continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. **Assets, liabilities, and net position or equity**

1. **Deposits**

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

2. Short-term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

3. Restricted Assets

Certain resources set aside for customer deposits are classified as restricted assets on the balance sheet because their use is limited.

4. 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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost 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 are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

<u>Assets</u>	<u>Years</u>
Buildings, systems and improvements	5 - 40
Furniture and equipment	3 - 10

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

6. Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of September 30, 2021.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the Town Council delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

6. Fund Equity (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

As of September 30, 2021, fund balances are composed of the following:

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$			
Restricted:				
Municipal Development		44,032		44,032
Debt service	57			57
PSA funds	29,272			29,272
Capital improvements			1	1
Committed:				
Assigned:				
Road maintenance				
Unassigned:	<u>263,585</u>	<u>—</u>	<u>—</u>	<u>263,858</u>
Total fund balances	\$ <u>292,914</u>	<u>44,032</u>	<u>1</u>	<u>336,947</u>

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the Town Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the Town Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. One supplemental appropriation was made during the fiscal year.
5. The budget approved for the Water and Sewer Fund follows similar approval procedures. One supplemental appropriation was made during the fiscal year.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Town may invest in obligations of the U. S. Treasury or the State of Texas, certain U. S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2021, the Town's carrying amount of deposits was \$988,431 and the bank balance was \$1,020,636. Of the bank balance, \$250,000 was covered by federal depository insurance, \$750,591 was covered by pledged bank securities and 20,045 was deposited with Texpool Local Government Investment Pool. Texpool funds are invested in conservative highly liquid investments with average maturity of 60 days or less. Although the pool is conservative, there are no federal guarantees and all assets are at risk.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

- a. *Custodial Credit Risk - Deposits:* In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law, or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The Town is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments (continued)

- b. *Custodial Credit Risk* - Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no investments.
- c. *Credit Risk* - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The Town has no investments.
- d. *Interest Rate Risk* - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has no investments.
- e. *Foreign Currency Risk* - This is the risk that exchange rates will adversely affect the fair value of an investment. The Town is not exposed to foreign currency risk.
- f. *Concentration of Credit Risk* - This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The Town has no investments.

B. Receivables

Receivables at September 30, 2021 consisted of the following:

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>LWV Utility Fund</u>	<u>Rocky Point Utility Fund</u>	<u>Total</u>
Sales taxes	\$ 5,615	2,940			8,555
Property taxes	1,199				1,199
Accounts receivable	<u>750</u>	<u> </u>	<u>34,358</u>	<u>8,803</u>	<u>43,911</u>
Total receivables	<u>\$ 7,564</u>	<u>2,940</u>	<u>34,358</u>	<u>8,803</u>	<u>53,665</u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)**B. Receivables (continued)**

Property taxes are based on the appraised values provided by the Denton County Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increase 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the Town.

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2020, upon which the 2020/2021 levy was based, was approximately \$115,511,505. The tax rate for fiscal year 2020/2021 was \$0.45 per \$100 of assessed valuation, with \$0.25 allocated to maintenance and operation (M&O), and \$0.20 allocated to debt service (I&S).

C. Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land and improvements	\$ 133,195	9,200		142,395
Buildings & Improvement	80,425			80,425
Furniture & Equipment	55,073			55,073
Streets	1,921,093	5,024,551		6,945,644
Construction in progress	<u>2,061,860</u>		<u>(2,061,860)</u>	
Totals at historical cost	4,251,646	5,033,751		7,223,537
Less accumulated depreciation	<u>(491,058)</u>	<u>(71,449)</u>		<u>(562,507)</u>
Governmental activities capital assets, net	\$ <u><u>3,760,588</u></u>	<u><u>4,962,302</u></u>	<u><u>(2,061,860)</u></u>	<u><u>6,661,030</u></u>
Business-type activities:				
LWV Utility:				
Land	\$ 34,892			34,892
Buildings and improvements	29,737			29,737
Equipment	5,824			5,824
Water systems & improvements	1,646,383	27,615		1,673,998
Sanitation systems & improvements	<u>1,592,697</u>	<u>93,198</u>		<u>1,685,895</u>
Totals at historical cost	3,309,533	120,813		3,430,346
Less accumulated depreciation	<u>(1,596,282)</u>	<u>(95,473)</u>		<u>(1,691,755)</u>
Business-type activities capital assets, net	\$ <u><u>1,713,251</u></u>	<u><u>25,340</u></u>		<u><u>1,738,591</u></u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)**C. Capital Assets (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities: (continued)				
Rocky Point Utility:				
Land	\$ 15,922			15,922
Building & improvements	3,533			3,533
Water system	<u>116,859</u>	<u>39,731</u>		<u>156,590</u>
Totals at historical cost	136,314	39,731		176,045
Less accumulated depreciation	<u>(21,722)</u>	<u>(4,796)</u>		<u>(26,518)</u>
Component unit capital assets, net	<u>\$ 144,592</u>	<u>34,935</u>		<u>149,527</u>
Depreciation expense was charged to functions/programs of the primary government as follows:				
Government Activities:				
Administration				\$ 8,291
Public works				<u>63,158</u>
Total depreciation expense - government activities				\$ <u>71,449</u>
Business-type activities:				
LWV Utility				\$ 95,473
Rocky Point Utility				<u>4,796</u>
Total depreciation expense - business-type activities				\$ <u>100,269</u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

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(3) DETAILED NOTES ON ALL FUNDS

D. Long-term Debt

Bonds Payable

On April 10, 2014 the Town Council approved the issuance of \$1,600,000 of certificate of obligation bonds to fund the construction of concrete roads.

Certificate of obligation bonds issued by the Town are backed by the full faith and credit of the Town. The \$1,600,000 certificates of obligation issued by the Town will be repaid by levy of an ad valorem tax upon all taxable property within the Town and a limited pledge of the net revenues from the operation of the Town's waterworks and sewer system.

Interest expense for the bond issue was \$226,176 for the year ended September 30, 2021.

On April 1, 2020 the Town Council approved the issuance of \$4,490,000 of certificate of obligation bonds to fund the construction of concrete roads.

Certificate of obligation bonds issued by the Town are backed by the full faith and credit of the Town. The \$4,490,000 certificates of obligation issued by the Town will be repaid by levy of an ad valorem tax upon all taxable property within the Town and a limited pledge of the net revenues from the operation of the Town's waterworks and sewer system.

Principal and interest payments will be due on February 1 and August 1 of each year beginning on February 1, 2021.

The following is a summary of changes in bonds payable for the year:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Governmental Activities					
CO Series 2014	\$ 703,000		(168,000)	535,000	173,000
CO Series 2020	<u>4,490,000</u>		<u>(15,000)</u>	<u>4,475,000</u>	<u>75,000</u>
Total governmental activities	\$ <u>5,193,000</u>		<u>(183,000)</u>	<u>5,010,000</u>	<u>248,000</u>

Debt Service Requirement to Maturity Series 2014

The annual debt service requirements to maturity for bonded debt are as follows at year-end:

	<u>Governmental Activities</u>		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	173,000	8,925	181,925
2023	178,000	5,433	189,433
2024	<u>184,000</u>	<u>1,831</u>	<u>179,831</u>
Total	\$ <u>535,000</u>	<u>16,189</u>	<u>551,189</u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)**D. Long-term Debt** (continued)Debt Service Requirement to Maturity Series 2020

The annual debt service requirements to maturity for bonded debt are as follows at year-end:

	<u>Governmental Activities</u>		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	75,000	168,050	233,050
2023	75,000	154,300	229,300
2024	75,000	150,550	225,550
2025	200,000	143,675	343,675
2026	205,000	134,575	339,575
Thereafter	<u>3,845,000</u>	<u>1,611,857</u>	<u>5,456,857</u>
Total	\$ <u>4,475,000</u>	<u>1,665,657</u>	<u>6,140,657</u>

E. Interfund Receivables, Payables and Transfers

The composition of the interfund balances as of September 30, 2021 is as follows:

Interfund transfers:

	<u>General Fund</u>	<u>MDD Fund</u>	<u>Capital Projects Fund</u>	<u>LWV Utility Fund</u>	<u>Rocky Point Utility Fund</u>	<u>Total</u>
Transfers In:	\$ 97,084		433,790		470	531,344
Transfers Out:	<u>(433,790)</u>	<u>(23,398)</u>	<u>(12,756)</u>	<u>(55,000)</u>	<u>(6,400)</u>	<u>531,344</u>
	\$ <u>(336,706)</u>	<u>(23,398)</u>	<u>421,034</u>	<u>(55,000)</u>	<u>(5,930)</u>	<u> </u>

The transfers to/from the LWV Utility Fund and Rocky Point Utility Fund were to cover administrative expenses incurred by the General Fund on behalf of the utility funds, and funding from the MDD for eligible capital projects in the Rocky Point Utility Fund.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2021

-continued-

(4) OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

(5) RESTATEMENT OF FUND BALANCE

Governmental fund balances have been restated at September 30, 2020 to accrue retainage payable that was not originally available in the prior year, but has a cumulative effect on the balance sheet.

	As Originally <u>Reported</u>	<u>Restatement</u>	<u>As Restated</u>
General Fund	\$ 646,180		646,180
MDD Fund	34,402		34,402
Capital Projects Fund	\$ <u>2,607,357</u>	<u>(748,450)</u>	<u>2,528,907</u>
Total net assets	\$ <u>3,287,939</u>	<u>(748,450)</u>	<u>3,209,489</u>

(6) EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through December 10, 2021, the date which the financial statements were available to be issued.

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INDIVIDUAL FUND SCHEDULES

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Budget and Actual - LWV Utility Funds
For the Fiscal Year Ended September 30, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive Negative <u>(Negative)</u>
OPERATING REVENUES				
Water sales, fees and service charges	\$ 406,360	406,360	447,802	41,442
Other income	<u>1,040</u>	<u>1,040</u>	<u>42,475</u>	<u>41,435</u>
Total operating revenues	<u>407,400</u>	<u>407,400</u>	<u>490,277</u>	<u>82,877</u>
 OPERATING EXPENSES				
Contract services	43,200	43,200	49,115	(5,915)
Administrative	73,600	73,600	99,343	(25,743)
Repairs and maintenance	35,000	35,000	70,357	(35,357)
Miscellaneous	2,000	2,000	5,984	(3,984)
Trash collections	55,000	55,000	60,716	(5,716)
Capital improvements	97,000	97,000		97,000
Depreciation			<u>100,269</u>	<u>(100,269)</u>
Total operating expenses	<u>305,800</u>	<u>305,800</u>	<u>385,784</u>	<u>(79,984)</u>
 Operating income (loss)	<u>101,600</u>	<u>101,600</u>	<u>104,493</u>	<u>2,893</u>
 NONOPERATING REVENUE (EXPENSE)				
CRF Funds			119,435	119,435
Interest income	2,300	2,300	2,537	237
Transfers in/(out)	<u>(55,000)</u>	<u>(55,000)</u>	<u>(60,930)</u>	<u>(5,930)</u>
Total nonoperating revenue (expense)	<u>(52,700)</u>	<u>(52,700)</u>	<u>61,042</u>	<u>113,742</u>
 Change in net position	48,900	48,900	165,535	116,635
 Net position - beginning	<u>2,042,040</u>	<u>2,042,040</u>	<u>2,042,040</u>	
 Net position - ending	\$ <u>2,090,940</u>	<u>2,090,940</u>	<u>2,207,575</u>	<u>116,635</u>