

TOWN OF LAKEWOOD VILLAGE, TEXAS

Financial Statements
(With Auditor's Report Thereon)

September 30, 2023

TOWN OF LAKEWOOD VILLAGE
 Annual Financial Report
 For the Year Ended September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Lakewood Village's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the respective changes in financial position the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Lakewood Village, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lakewood Village's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Lakewood Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Nabors CPA Services, P.C.

January 11, 2024

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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, 2023.

Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$6,629,487 (net position). Of this amount \$2,429,989 (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 \$2,212,998, an increase of \$643,046 in comparison with the prior year. Of this balance, \$1,942,610 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 259 percent of general fund expenditures, and 259 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 28:1, based on the current assets of \$2,294,661 and current liabilities of \$81,663.

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 12-14 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 15-18 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 20-22 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 23-37 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 \$6,629,487 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 | |
|----------------------------|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | 2,294,661 | 1,640,829 | 3,923,135 | 5,269,309 | 6,217,796 | 6,910,138 |
| Capital Assets | <u>6,246,791</u> | <u>6,424,869</u> | <u>3,677,289</u> | <u>2,208,947</u> | <u>9,924,080</u> | <u>8,633,816</u> |
| Total assets | <u>8,541,452</u> | <u>8,065,698</u> | <u>7,600,424</u> | <u>7,478,256</u> | <u>16,141,876</u> | <u>15,543,954</u> |
| Long-term liabilities | 4,250,000 | 4,325,000 | 4,940,000 | 4,965,000 | 9,190,000 | 9,290,000 |
| Other liabilities | <u>180,780</u> | <u>163,656</u> | <u>141,609</u> | <u>108,198</u> | <u>322,389</u> | <u>271,854</u> |
| Total liabilities | <u>4,430,780</u> | <u>4,488,656</u> | <u>5,081,609</u> | <u>5,073,198</u> | <u>9,512,389</u> | <u>9,561,854</u> |
| Net position: | | | | | | |
| Invested in capital assets | | | | | | |
| net of related debt | 1,921,791 | 2,024,859 | (1,287,711) | (2,771,253) | 634,080 | (746,394) |
| Restricted | 270,388 | 47,951 | 3,295,030 | 4,796,411 | 3,565,418 | 4,844,362 |
| Unrestricted | <u>1,918,493</u> | <u>1,504,232</u> | <u>511,496</u> | <u>379,900</u> | <u>2,429,989</u> | <u>1,884,132</u> |
| Total net position | <u>4,110,672</u> | <u>3,577,042</u> | <u>2,518,815</u> | <u>2,405,058</u> | <u>6,629,487</u> | <u>5,982,100</u> |

Governmental Activities:

- During the year revenues increased by \$480,231 (53%), primarily due to property valuation increases and new development.
- Expenses for the year increased by \$142,395 (18%), primarily due to debt service, and increase repairs and maintenance expense.

Business-type Activities:

- Charges for services increased by \$26,873 (5%) during the year primarily due to water sales, while expenses increased by \$32,892 (5%).

TOWN OF LAKEWOOD VILLAGE - Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 304,483 | 105,195 | 556,835 | 529,962 | 861,318 | 635,157 |
| General revenues: | | | | | | |
| Property taxes | 719,273 | 589,822 | | | 719,273 | 589,822 |
| Other taxes | 245,893 | 184,908 | | | 245,893 | 184,908 |
| Other | <u>114,921</u> | <u>24,414</u> | <u>242,467</u> | <u>52,180</u> | <u>357,388</u> | <u>76,594</u> |
| Total revenues | 1,384,570 | 904,339 | 799,302 | 582,142 | 2,183,872 | 1,486,481 |
| Expenses: | | | | | | |
| General government | 502,784 | 481,089 | | | 502,784 | 481,089 |
| Public safety | 46,000 | 54,170 | | | 46,000 | 54,170 |
| Public works | 223,687 | 80,962 | | | 223,687 | 80,962 |
| Interest | 153,686 | 167,541 | 185,834 | 65,965 | 339,520 | 233,506 |
| Water & sewer | | | <u>424,494</u> | <u>511,471</u> | <u>424,494</u> | <u>511,471</u> |
| Total expenses | <u>926,157</u> | <u>783,762</u> | <u>610,328</u> | <u>577,436</u> | <u>1,536,485</u> | <u>1,361,198</u> |
| Increase in net position before other transfers | 458,413 | 120,577 | 188,974 | 4,706 | 647,387 | 125,283 |
| Transfers | 75,217 | 60,000 | (75,217) | (60,000) | | |
| Casualty income | | 4,506 | | | | 4,506 |
| ARPA funds | | | | 119,906 | | 119,906 |
| PID bond fees | | 1,429,000 | | | | 1,429,000 |
| Gain/(loss) on disposal of % bond fees | | | | <u>132,871</u> | | <u>132,871</u> |
| Increase/(decrease) in net position | 533,630 | 1,614,083 | 113,757 | 197,483 | 647,387 | 1,811,566 |
| Net position - beginning | <u>3,577,042</u> | <u>1,962,959</u> | <u>2,405,058</u> | <u>2,207,575</u> | <u>5,982,100</u> | <u>4,170,534</u> |
| Net position - ending | <u>4,110,672</u> | <u>3,577,042</u> | <u>2,518,815</u> | <u>2,405,058</u> | <u>6,629,487</u> | <u>5,982,100</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 \$2,212,998, an increase of \$643,036 from the prior year. Of the current combined ending fund balance, \$1,942,610 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 \$511,496. The total increase in unrestricted net position of the Enterprise Funds was \$113,757. 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 \$385,662, and expenditures were more than budgetary estimates by \$89,493. The budget had called for a \$373,735 increase in fund balance, however, as a result of transfers in from the Utility funds and fee's received related to new development, \$628,731 was added to 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 2023, amounts to \$9,924,080 (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:

- System and improvements and equipment totaling \$315,029 and construction in progress totaling \$1,263,755 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 32-33 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 34-35 of this report.

Economic Factors and Next Year's Budget and Rates

Sales Taxes

In 2022 the Town approved two voluntary annexations of commercial enterprises. These businesses contributed to a record amount of sales tax collections during 2023. Annual sales tax collections increased by more than 40 percent. Both businesses became fully operational during the second quarter of fiscal 2023, therefore, we expect fiscal 2024 to exceed 2023.

Since Fiscal 2019, General Fund sales taxes have more than tripled (increase of 224 percent), while MDD sales taxes have increased by 185 percent. Furthermore, franchise fee payments have also doubled (up 99%) relative to fiscal 2019. These results support the Town's strategic shift away from wealth related taxes (property taxes) and toward a greater reliance on discretionary consumption-based taxes (i.e., sales taxes and franchise fees).

Property Taxes

After record-breaking increases in property valuations during 2021 and 2022, valuations moderated slightly in 2023. Market valuations increased by 16 percent, which is approximately double the town's historical average of five to eight percent annual growth. The amount of taxable value deferred under the homestead cap continued to increase. The Town is well positioned to be able to mitigate any downturn in valuations as the 10 percent taxable value increase built into the homestead cap will mitigate any realized declines in taxable values. The increased valuations are due to organic appreciation of our existing housing stock as the newly approved residential developments will not have units completed until fiscal 2025.

| Denton Central Appraisal District - Lakewood Village | | | |
|---|----------------------|----------------------|----------------------|
| | Market Value | Taxable Value | Homestead Cap |
| 2020 | \$115,139,981 | \$110,695,695 | \$176,533 |
| | + 2% | + 3% | |
| 2021 | \$146,341,444 | \$130,573,390 | \$9,778,884 |
| | + 27% | + 18% | |
| 2022 | \$195,892,280 | \$161,270,886 | \$24,923,820 |
| | + 34% | + 24% | |
| 2023 | \$227,942,689 | \$188,040,311 | \$30,578,043 |
| | + 16% | + 17% | |

Property Tax Reduction and Future 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 2022, the Town redeemed early the Series 2014 Certificates of Obligation. Prior to the redemption, the Town used a significant portion of M&O tax revenues to pay debt servicing. For 2023, the resulting reduction in bond payments combined with record tax revenues would have led to a large general fund budget surplus.

In response, the town reduced the tax rate by **20** percent, from \$0.45 to \$0.36. It is expected that the Town's M&O and I&S rate will continue at \$0.25 and \$0.11 respectively until the 2020 Certificates of Obligation are called in 2027. Our tax rate of \$0.36 remains substantially lower than 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, 2023

| | Primary Government | | |
|--|---------------------|------------------|-------------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents - unrestricted | \$ 2,012,693 | 622,634 | 2,635,327 |
| Cash and equivalents - restricted | 265,983 | 3,235,631 | 3,501,614 |
| Receivables (Net of allowance for uncollectibles): | | | |
| Sales taxes | 15,114 | | 15,114 |
| Property taxes | 871 | | 871 |
| Accounts receivable | | 64,870 | 64,870 |
| Other receivables | | | |
| Due from other funds | | | |
| Noncurrent assets: | | | |
| Capital assets (net of accumulated depreciation): | | | |
| Land and improvements | 140,770 | 50,814 | 191,584 |
| Buildings, systems and improvements | 36,308 | 1,676,938 | 1,713,246 |
| Furniture and equipment | 4,909 | 283,617 | 288,526 |
| Streets | 6,007,799 | | 6,007,799 |
| Construction in progress | <u>57,005</u> | <u>1,665,920</u> | <u>1,722,925</u> |
| Total assets | <u>8,541,452</u> | <u>7,600,424</u> | <u>16,141,876</u> |
| LIABILITIES | | | |
| Accrued interest payable | 24,988 | 28,306 | 53,294 |
| Deposits payable | | 72,675 | 72,675 |
| Other payables | 80,792 | 6,228 | 87,020 |
| Due to other funds | | | |
| Noncurrent liabilities: | | | |
| Bonds payable: | | | |
| Due within one year | 75,000 | 25,000 | 100,000 |
| Due in more than one year | 4,250,000 | 4,940,000 | 9,190,000 |
| Bond premium | | <u>9,400</u> | <u>9,400</u> |
| Total liabilities | <u>4,430,780</u> | <u>5,081,609</u> | <u>9,512,389</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 1,921,791 | (1,287,711) | 634,080 |
| Restricted | 270,388 | | 270,388 |
| ARPA | | 59,399 | 59,399 |
| Capital improvements | | 3,235,631 | 3,235,631 |
| Unrestricted | <u>1,918,493</u> | <u>511,496</u> | <u>2,429,989</u> |
| Total net position | <u>\$ 4,110,672</u> | <u>2,518,815</u> | <u>6,629,487</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, 2023

| Functions/Programs | <u>Expenses</u> | Program Revenues | | |
|--------------------------------|-------------------------|---------------------------------|-----------------------------|---------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> | <u>Capital Grants</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 502,784 | 304,483 | | |
| Public safety | 46,000 | | | |
| Public works | 223,687 | | | |
| Interest | <u>153,686</u> | | | |
| Total governmental activities | <u>926,157</u> | <u>304,483</u> | | |
| Business-type activities | | | | |
| Water and sewer | <u>610,328</u> | <u>584,185</u> | | |
| Total business-type activities | <u>610,328</u> | <u>584,185</u> | | |
| Total primary government | <u>\$ 1,536,485</u> | <u>888,668</u> | | |

General revenues:
Property taxes
Hotel occupancy 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 <u>Activities</u> | Business-type <u>Activities</u> | <u>Total</u> |
|-----------------------------------|------------------------------------|------------------|
| (198,301) | | (198,301) |
| (46,000) | | (46,000) |
| (223,687) | | (223,687) |
| <u>(153,686)</u> | | <u>(153,686)</u> |
| <u>(621,674)</u> | | <u>(621,674)</u> |
| | <u>(26,143)</u> | <u>(26,143)</u> |
| | <u>(26,143)</u> | <u>(26,143)</u> |
| | | <u>(647,817)</u> |
| 719,273 | | 719,273 |
| 26,483 | | 26,483 |
| 53,268 | | 53,268 |
| 166,142 | | 166,142 |
| 717 | | 717 |
| 101,654 | 215,117 | 316,771 |
| 12,550 | | 12,550 |
| <u>75,217</u> | <u>(75,217)</u> | |
| <u>1,155,304</u> | <u>139,900</u> | <u>1,295,204</u> |
| 533,630 | 113,757 | 647,387 |
| <u>3,577,042</u> | <u>2,405,058</u> | <u>5,982,100</u> |
| <u>\$ 4,110,672</u> | <u>2,518,815</u> | <u>6,629,487</u> |

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

TOWN OF LAKEWOOD VILLAGEBalance Sheet
Government Funds
September 30, 2023

| | <u>General Fund</u> | <u>Municipal Development District</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents - unrestricted | \$ 2,012,693 | | 2,012,693 |
| Cash and cash equivalents - restricted | 209,170 | 56,813 | 265,983 |
| Receivables (net of allowance for uncollectibles): | | | |
| Sales taxes | 10,709 | 4,405 | 15,114 |
| Property taxes | <u>871</u> | | <u>871</u> |
| Total assets | <u>\$ 2,233,443</u> | <u>61,218</u> | <u>2,294,661</u> |
| LIABILITIES & FUND BALANCES | | | |
| Liabilities: | | | |
| Deferred revenue | \$ 871 | | 871 |
| Other payables | <u>80,792</u> | | <u>80,792</u> |
| Total liabilities | <u>81,663</u> | | <u>81,663</u> |
| Fund balances: | | | |
| Restricted | 209,170 | 61,218 | 270,388 |
| Unassigned | <u>1,942,610</u> | | <u>1,942,610</u> |
| Total fund balance | <u>2,151,780</u> | <u>61,218</u> | <u>2,212,998</u> |
| Total liabilities & fund balances | <u>\$ 2,233,443</u> | <u>61,218</u> | <u>2,294,661</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, 2023

Total Fund Balances - Governmental Funds \$ 2,212,998

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 \$7,223,537, and the accumulated depreciation was \$(798,668). In addition, long-term liabilities, including bonds payable and legal liabilities of \$(4,400,000), 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.

2,024,869

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 \$(24,988).

(24,988)

Current year capital outlays of \$57,005, and long-term debt principal payments of \$75,000, 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.

132,005

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(235,083)

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.

871

Net Position of Governmental Activities **\$ 4,110,672**

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, 2023

| | <u>General Fund</u> | <u>Municipal Development District</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---|---|
| REVENUES | | | |
| Taxes | | | |
| Property | \$ 726,215 | | 726,215 |
| Franchise | 53,268 | | 53,268 |
| Sales | 116,944 | 49,198 | 166,142 |
| Hotel occupancy | 26,483 | | 26,483 |
| Fines and forfeitures | 717 | | 717 |
| Licenses and permits | 292,776 | | 292,776 |
| Fees and service charges | 11,707 | | 11,707 |
| Interest | 99,237 | 2,417 | 101,654 |
| Miscellaneous | <u>12,550</u> | | <u>12,550</u> |
| Total revenues | <u>1,339,897</u> | <u>51,615</u> | <u>1,391,512</u> |
| EXPENDITURES | | | |
| General government | 267,701 | | 267,701 |
| Public safety | 46,000 | | 46,000 |
| Public works | 223,687 | | 223,687 |
| Capital outlay | 57,005 | | 57,005 |
| Debt service: | | | |
| Principal | 75,000 | | 75,000 |
| Interest and fiscal charges | <u>154,300</u> | | <u>154,300</u> |
| Total expenditures | <u>823,693</u> | | <u>823,693</u> |
| Excess/(deficiency) of revenues over expenditures | <u>516,204</u> | <u>51,615</u> | <u>567,819</u> |
| OTHER FINANCING SOURCES AND USES | | | |
| Transfers (to)/from other funds | <u>112,527</u> | <u>(37,310)</u> | <u>75,217</u> |
| Total other financing sources | <u>112,527</u> | <u>(37,310)</u> | <u>75,217</u> |
| Net change in fund balances | 628,731 | 14,305 | 643,036 |
| Fund balance, beginning | <u>1,523,049</u> | <u>46,913</u> | <u>1,569,962</u> |
| Fund balance, ending | <u>\$ 2,151,780</u> | <u>61,218</u> | <u>2,212,998</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, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 643,036

Current year capital outlays of \$57,000, and long-term debt principal payments of \$75,000, 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. 132,005

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 \$25,602 and current year is \$24,988. 614

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Depreciation of \$(235,083) 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. (235,083)

Deferred revenue is not recognized as revenue in the governmental activities. The net effect is to decrease net position. (6,942)

Changes in Net Position of Governmental Activities \$ 533,630

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, 2023

| | <u>Original</u> <u>Budget</u> | <u>Final</u> <u>Budget</u> | <u>Actual</u> <u>Amounts</u> | Variance with Final Budget Positive (Negative) |
|---|----------------------------------|-------------------------------|---------------------------------|--|
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 393,000 | 403,750 | 726,215 | 322,465 |
| Franchise | 40,000 | 40,000 | 53,268 | 13,268 |
| Sales | 100,000 | 100,000 | 116,944 | 16,944 |
| Hot | | | 26,483 | 26,483 |
| Fines and forfeitures | 3,000 | 3,000 | 717 | (2,283) |
| Licenses and permits | 50,000 | 322,485 | 292,776 | (29,709) |
| Fees and service charges | 2,000 | 2,000 | 11,707 | 9,707 |
| Interest | 20,000 | 80,000 | 99,237 | 19,237 |
| Miscellaneous | <u>3,000</u> | <u>3,000</u> | <u>12,550</u> | <u>9,550</u> |
| Total revenues | <u>611,000</u> | <u>954,235</u> | <u>1,339,897</u> | <u>385,662</u> |
| EXPENDITURES | | | | |
| General government | 185,000 | 196,000 | 267,701 | (71,701) |
| Public safety | 50,000 | 56,000 | 46,000 | 10,000 |
| Public works | 23,000 | 252,900 | 223,687 | 29,213 |
| Capital outlay | | | 57,005 | (57,005) |
| Debt service: | | | | |
| Principal | 75,000 | 75,000 | 75,000 | |
| Interest | <u>154,300</u> | <u>154,300</u> | <u>154,300</u> | |
| Total expenditures | <u>487,300</u> | <u>734,200</u> | <u>823,693</u> | <u>(89,493)</u> |
| Excess (deficiency) of revenues over expenditures | <u>123,700</u> | <u>220,035</u> | <u>516,204</u> | <u>296,169</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers (to)/from other funds | <u>(33,000)</u> | <u>153,700</u> | <u>112,527</u> | <u>(41,173)</u> |
| Total other financing sources | <u>(33,000)</u> | <u>153,700</u> | <u>112,527</u> | <u>(41,173)</u> |
| Net change in fund balances | 90,700 | 373,735 | 628,731 | 254,996 |
| Fund balance, beginning | <u>1,523,049</u> | <u>1,523,049</u> | <u>1,523,049</u> | |
| Fund balance, ending | \$ <u>1,613,749</u> | <u>1,896,784</u> | <u>2,151,780</u> | <u>254,996</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, 2023

| | Business-Type Activities | | |
|--|--------------------------|--------------------------------|-------------|
| | LWV Utility Fund | Rocky Point Utility Fund | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents - unrestricted | \$ 600,989 | 21,645 | 622,634 |
| Cash and cash equivalents - restricted | 3,235,631 | | 3,235,631 |
| Accounts receivable (net of allowance for uncollectibles) | 61,783 | 3,087 | 64,870 |
| Other receivables | | | |
| Due from other funds | | | |
| Total current assets | 3,898,403 | 24,732 | 3,923,135 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | 34,892 | 15,922 | 50,814 |
| Equipment | 301,243 | | 301,243 |
| Water systems and improvements | 1,673,998 | 193,870 | 1,867,868 |
| Sanitation systems and improvements | 1,685,895 | | 1,685,895 |
| Buildings and improvements | 29,737 | 3,533 | 33,270 |
| Construction in progress | 1,665,920 | | 1,665,920 |
| Less: Accumulated depreciation | (1,889,346) | (38,375) | (1,927,721) |
| Total noncurrent assets | 3,502,339 | 174,950 | 3,677,289 |
| Total assets | \$ 7,400,742 | 199,682 | 7,600,424 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Customer deposits | \$ 67,000 | 5,675 | 72,675 |
| Other payables | 34,305 | 229 | 34,534 |
| Total current liabilities | 101,305 | 5,904 | 107,209 |
| Long-term liabilities: | | | |
| Bonds payable | | | |
| Due within one year | 25,000 | | 25,000 |
| Due in more than one year | 4,940,000 | | 4,940,000 |
| Bond premium | 9,400 | | 9,400 |
| Total long-term liabilities | 4,974,400 | | 4,974,400 |
| Total liabilities | 5,075,705 | 5,904 | 5,081,609 |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | (1,462,661) | 174,950 | (1,287,711) |
| Restricted: | | | |
| ARPA | 59,399 | | 59,399 |
| Capital improvements | 3,235,631 | | 3,235,631 |
| Unrestricted | 492,668 | 18,828 | 511,496 |
| Total net position | \$ 2,325,037 | 193,778 | 2,518,815 |

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, 2023

| | Business-Type Activities | | |
|---|--------------------------|-----------------|------------------|
| | LWV | Rocky Point | Totals |
| | Utility Fund | Utility Fund | |
| OPERATING REVENUES | | | |
| Water | \$ 291,753 | 34,079 | 325,832 |
| Sewer | 143,195 | | 143,195 |
| Sanitation | 78,716 | | 78,716 |
| Fees and services | 9,092 | | 9,092 |
| Other income | <u>22,060</u> | <u>5,290</u> | <u>27,350</u> |
| Total operating revenues | <u>544,816</u> | <u>39,369</u> | <u>584,185</u> |
| OPERATING EXPENSES | | | |
| Contract services | 46,311 | | 46,311 |
| Administrative | 118,557 | 6,265 | 124,822 |
| Repairs and maintenance | 75,044 | 4,037 | 79,081 |
| Miscellaneous | 334 | | 334 |
| Garbage collections | 63,505 | | 63,505 |
| Depreciation | <u>104,438</u> | <u>6,003</u> | <u>110,441</u> |
| Total operating expenses | <u>408,189</u> | <u>16,305</u> | <u>424,494</u> |
| Operating income (loss) | <u>136,627</u> | <u>23,064</u> | <u>159,691</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | 214,093 | 1,024 | 215,117 |
| Interest expense | <u>(185,834)</u> | | <u>(185,834)</u> |
| Total nonoperating revenues (expenses) | <u>28,259</u> | <u>1,024</u> | <u>29,283</u> |
| Income (loss) before transfers | 164,886 | 24,088 | 188,974 |
| Transfers (to)/from other funds | <u>(65,217)</u> | <u>(10,000)</u> | <u>(75,217)</u> |
| Change in net position | 99,669 | 14,088 | 113,757 |
| Net position - beginning | <u>2,225,368</u> | <u>179,690</u> | <u>2,405,058</u> |
| Net position - ending | <u>\$ 2,325,037</u> | <u>193,778</u> | <u>2,518,815</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, 2023

| | Business-Type Activities | | Totals |
|---|--------------------------|--------------------------------|--------------------|
| | LWV Utility Fund | Rocky Point Utility Fund | |
| Cash flows from operating activities: | | | |
| Cash received from customers and users | \$ 675,139 | 41,079 | 716,218 |
| Cash payments to suppliers | <u>(275,639)</u> | <u>(10,302)</u> | <u>(285,941)</u> |
| Net cash provided by operating activities | <u>399,500</u> | <u>30,777</u> | <u>430,277</u> |
| Cash flows from capital and related financing activities: | | | |
| Debt principal, repayment | (25,000) | | (25,000) |
| Acquisition/disposition of capital assets | <u>(1,559,174)</u> | <u>(19,610)</u> | <u>(1,578,784)</u> |
| Net cash used by capital and related financing activities | <u>(1,584,174)</u> | <u>(19,610)</u> | <u>(1,603,784)</u> |
| Cash flows from noncapital financing activities: | | | |
| Transfer in/(out) | <u>(65,217)</u> | <u>(10,000)</u> | <u>(75,217)</u> |
| Net cash used by noncapital financing activities | <u>(65,217)</u> | <u>(10,000)</u> | <u>(75,217)</u> |
| Cash flows from investing activities: | | | |
| Interest on deposits and investments | <u>214,093</u> | <u>1,024</u> | <u>215,117</u> |
| Net cash provided by investing activities | <u>214,093</u> | <u>1,024</u> | <u>215,117</u> |
| Cash flows from non-operating activities | | | |
| Interest expense | <u>(185,834)</u> | | <u>(185,834)</u> |
| Net cash provided by non-operating activities | <u>(185,834)</u> | | <u>(185,834)</u> |
| Net increase in cash and cash equivalents | (1,221,632) | 2,191 | (1,219,441) |
| Cash and cash equivalents - beginning | <u>5,058,252</u> | <u>19,454</u> | <u>5,077,706</u> |
| Cash and cash equivalents - ending | <u>\$ 3,836,620</u> | <u>21,645</u> | <u>3,858,265</u> |

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

| | | | |
|--|-------------------|---------------|----------------|
| Operating income | \$ 136,627 | 23,064 | 159,691 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Depreciation | 104,438 | 6,003 | 110,441 |
| (Increase)/decrease in accounts receivable | (22,666) | 1,310 | (21,356) |
| (Increase)/decrease in other receivables | 148,089 | | 148,089 |
| Increase/(decrease) in customer deposits | 4,900 | 400 | 5,300 |
| Increase/(decrease) in other payables | <u>28,112</u> | | <u>28,112</u> |
| Total adjustments | <u>262,873</u> | <u>7,713</u> | <u>270,586</u> |
| Net cash provided by operating activities | <u>\$ 399,500</u> | <u>30,777</u> | <u>430,277</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, 2023

(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 needs.

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-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, 2023

-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 *LWV 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, 2023

-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, 2023

-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, 2023

-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, 2023.
- 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, 2023

-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, 2023, fund balances are composed of the following:

| | <u>General Fund</u> | <u>Municipal Development District</u> | <u>Total Governmental Funds</u> |
|-----------------------|-------------------------|---|---|
| Nonspendable: | \$ | | |
| Restricted: | | | |
| Municipal Development | | 61,218 | 61,218 |
| Debt service | 4,565 | | 4,565 |
| PSA funds | 73,347 | | 73,347 |
| Capital improvements | | | |
| Committed: | | | |
| Assigned: | | | |
| Road maintenance | | | |
| Unassigned: | <u>2,073,868</u> | _____ | <u>2,073,868</u> |
| Total fund balances | <u>\$ 2,151,780</u> | <u>61,218</u> | <u>2,212,998</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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-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, 2023, the Town's carrying amount of deposits was \$6,136,590 and the bank balance was \$6,197,180. Of the bank balance, \$250,000 was covered by federal depository insurance, \$146,041 was covered by pledged bank securities and \$5,801,139 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, 2023

-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, 2023 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 | \$ 10,709 | 4,405 | | | 15,114 |
| Property taxes | 871 | | | | 871 |
| Accounts receivable | _____ | _____ | 61,783 | 3,087 | 64,870 |
| Total receivables | \$ <u>11,580</u> | <u>4,405</u> | <u>61,783</u> | <u>3,087</u> | <u>80,855</u> |

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-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, 2022, upon which the 2022/2023 levy was based, was approximately \$194,664,389. The tax rate for fiscal year 2022/2023 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, 2023 was a follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|-----------------------------|---------------------------|
| Governmental activities: | | | | |
| Land and improvements | \$ 142,395 | | | 142,395 |
| Buildings & Improvement | 80,425 | | | 80,425 |
| Furniture & Equipment | 55,073 | | | 55,073 |
| Streets | 6,945,644 | | | 6,945,644 |
| Construction in progress | <u> </u> | <u>57,005</u> | <u> </u> | <u>57,005</u> |
| Totals at historical cost | 7,223,537 | 57,005 | <u> </u> | 7,280,542 |
| Less accumulated depreciation | <u>(798,668)</u> | <u>(235,083)</u> | <u> </u> | <u>(1,033,751)</u> |
| Governmental activities capital assets, net | <u>\$ 6,424,869</u> | <u>(178,078)</u> | <u> </u> | <u>6,246,791</u> |
| Business-type activities: | | | | |
| LWV Utility: | | | | |
| Land | \$ 34,892 | | | 34,892 |
| Buildings and improvements | 29,737 | | | 29,737 |
| Equipment | 5,824 | 295,419 | | 301,243 |
| Water systems & improvements | 1,673,998 | | | 1,673,998 |
| Sanitation systems & improvements | 1,685,895 | | | 1,685,895 |
| Construction in progress | <u>402,166</u> | <u>1,263,755</u> | <u> </u> | <u>1,665,921</u> |
| Totals at historical cost | 3,832,512 | 1,559,174 | <u> </u> | 5,391,686 |
| Less accumulated depreciation | <u>(1,784,908)</u> | <u>(104,438)</u> | <u> </u> | <u>(1,889,346)</u> |
| Business-type activities capital assets, net | <u>\$ 2,047,604</u> | <u>1,454,736</u> | <u> </u> | <u>3,502,340</u> |

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-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>174,260</u> | <u>19,610</u> | | <u>193,870</u> |
| Totals at historical cost | 193,715 | 19,610 | | 213,325 |
| Less accumulated depreciation | <u>(32,372)</u> | <u>(6,003)</u> | | <u>(38,375)</u> |
| Component unit capital assets, net | <u>\$ 161,343</u> | <u>13,607</u> | | <u>174,950</u> |
| Depreciation expense was charged to functions/programs of the primary government as follows: | | | | |
| Government Activities: | | | | |
| Administration | | | | \$ 6,329 |
| Public works | | | | <u>228,754</u> |
| Total depreciation expense - government activities | | | | <u>\$ 235,083</u> |
| Business-type activities: | | | | |
| LWV Utility | | | | \$ 104,838 |
| Rocky Point Utility | | | | <u>6,003</u> |
| Total depreciation expense - business-type activities | | | | <u>\$ 110,841</u> |

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-continued-

(3) DETAILED NOTES ON ALL FUNDS

D. Long-term Debt

Bonds Payable

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

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.

On April 13, 2022 the Town Council approved the issuance of \$4,990,000 of certificate of obligation bonds to fund the construction of waterworks and sewer system improvements.

Certificate of obligation bonds issued by the Town are backed by the full faith and credit of the Town. The \$4,990,000 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.

Interest expense for all bond issues was \$339,520 for the year ended September 30, 2023.

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

| Governmental Activities | <u>Beginning</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> | <u>Due in One Year</u> |
|-------------------------------|---------------------|------------------|------------------|------------------|----------------------------|
| CO Series 2020 | \$ 4,400,000 | | (75,000) | 4,325,000 | 75,000 |
| CO Series 2022 | <u>4,990,000</u> | | <u>(25,000)</u> | <u>4,965,000</u> | <u>25,000</u> |
| Total governmental activities | \$ <u>9,390,000</u> | | <u>(100,000)</u> | <u>9,290,000</u> | <u>100,000</u> |

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-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>Year</u> <u>Ended</u> | <u>Governmental Activities</u> | | |
|-----------------------------|--------------------------------|------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2024 | 75,000 | 150,550 | 225,550 |
| 2025 | 200,000 | 143,675 | 343,675 |
| 2026 | 205,000 | 134,575 | 339,575 |
| 2027 | 215,000 | 126,175 | 341,175 |
| 2028 | 225,000 | 117,375 | 342,375 |
| Thereafter | <u>3,405,000</u> | <u>680,957</u> | <u>4,085,957</u> |
| Total | <u>\$ 4,325,000</u> | <u>1,353,307</u> | <u>5,678,307</u> |

Debt Service Requirement to Maturity Series 2022

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

| <u>Year</u> <u>Ended</u> | <u>Business-type Activities</u> | | |
|-----------------------------|---------------------------------|------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2024 | 25,000 | 173,113 | 198,113 |
| 2025 | 140,000 | 169,813 | 309,813 |
| 2026 | 145,000 | 164,113 | 309,113 |
| 2027 | 150,000 | 158,213 | 308,213 |
| 2028 | 155,000 | 152,113 | 307,113 |
| Thereafter | <u>4,350,000</u> | <u>1,495,003</u> | <u>5,845,003</u> |
| Total | <u>\$ 4,965,000</u> | <u>2,312,368</u> | <u>7,277,368</u> |

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables and Transfers

The composition of the interfund balances as of September 30, 2023 is as follows:

Interfund transfers:

| | General <u>Fund</u> | MDD <u>Fund</u> | LWV Utility <u>Fund</u> | Rocky Point Utility <u>Fund</u> | <u>Total</u> |
|----------------|------------------------|--------------------|-------------------------------|---------------------------------------|-------------------|
| Transfers In: | \$ 112,527 | | | | |
| Transfers Out: | | (37,310) | (65,217) | (10,000) | (112,527) |
| | <u>\$ 112,527</u> | <u>(37,310)</u> | <u>(65,217)</u> | <u>(10,000)</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 projects.

(4) PUBLIC IMPROVEMENT DISTRICT

The town established a Public Improvement District for the South Oak Phase 3 development. The PID states that the owners of (1) taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment under the proposal, as determined by the current roll of the appraisal district in which the property is located and (2) real property liable for assessment under the proposal who: (A) constitute more than 50 percent of all record owners of property that is liable for assessment under the proposal; or (B) own taxable real property that constitutes more than 50 percent of the area of all taxable real property that is liable for assessment under the proposal (the “Petitioner”), submitted and filed with the Town Secretary of the Town (the “Town Secretary”) a petition (“Petition”) requesting the establishment of a public improvement district for property within the ETJ of the Town. The Town will not be obligated to pay any assessments levied against the property or to pay any debt service on bonds secured by assessments levied against the property. The Town has engaged a PID Administrator for the PID identified below. All assessments paid, whether in full or annually with homeowner’s tax bill, flow through an account at the Town and are wired to the trustee hired to administer thee bonds.

The Lakewood Village Public Improvement District No. 1 (the “PID No. 1”)

On June 30, 2022, the Town passed and approved Resolution No. 22-17 authorizing the establishment of the PID No. 1 in accordance with Chapter 372, Texas Local Government Code, as amended, which authorization was effective upon publication as required by the act. The purpose of the PID is to finance the actual costs of authorized improvements that confer a special benefit on approximately 70.16 acres within the ETJ of the Town; generally located south of Cardinal Ridge Lane, east of Lake Lewisville, and west of Eldorado Parkway. The property is governed by a development agreement adopted by the Town Council on September 28, 2021, which establishes the standards for the development of, the property.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2023

-continued-

(5) 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.

(6) EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through January 11, 2024, 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, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | Variance with Final Budget Positive Negative <u>(Negative)</u> |
|---|----------------------------|-------------------------|---------------------------|---|
| OPERATING REVENUES | | | | |
| Water sales, fees and service charges | \$ 469,760 | 469,760 | 556,835 | 87,075 |
| Other income | | | <u>27,350</u> | <u>27,350</u> |
| Total operating revenues | <u>469,760</u> | <u>469,760</u> | <u>584,185</u> | <u>114,425</u> |
| OPERATING EXPENSES | | | | |
| Contract services | 48,000 | 48,000 | 46,311 | 1,689 |
| Administrative | 115,000 | 91,000 | 124,822 | (33,822) |
| Repairs and maintenance | 35,000 | 35,000 | 79,081 | (44,081) |
| Miscellaneous | 2,000 | 2,000 | 334 | 1,666 |
| Trash collections | 63,000 | 63,000 | 63,505 | (505) |
| Depreciation | | | <u>110,441</u> | <u>(110,441)</u> |
| Total operating expenses | <u>263,000</u> | <u>239,000</u> | <u>424,494</u> | <u>(185,494)</u> |
| Operating income (loss) | <u>206,760</u> | <u>230,760</u> | <u>159,691</u> | <u>(71,069)</u> |
| NONOPERATING REVENUE (EXPENSE) | | | | |
| Interest income | 5,000 | 16,000 | 215,117 | 199,117 |
| Interest expense | (174,113) | (174,113) | (185,834) | (11,721) |
| Transfers in/(out) | <u>(50,000)</u> | <u>(143,700)</u> | <u>(75,217)</u> | <u>68,483</u> |
| Total nonoperating revenue (expense) | <u>(219,113)</u> | <u>(301,813)</u> | <u>(45,934)</u> | <u>255,879</u> |
| Change in net position | (12,353) | (71,053) | 113,757 | 184,810 |
| Net position - beginning | <u>2,405,058</u> | <u>2,405,058</u> | <u>2,405,058</u> | _____ |
| Net position - ending | \$ <u>2,392,705</u> | <u>2,334,005</u> | <u>2,518,815</u> | <u>184,810</u> |