

TOWN OF LAKEWOOD VILLAGE, TEXAS

Financial Statements
(With Auditor's Report Thereon)

September 30, 2013

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TOWN OF LAKEWOOD VILLAGE
 Annual Financial Report
 For the Year Ended September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type 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, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the individual fund schedules of the Town of Lakewood Village, Texas as of and for the year ended September 30, 2013, as listed in the table of contents. These financial statements are the responsibility of the management of the Town of Lakewood Village. My responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village, Texas, at September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition in my opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the LWV Utility fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Nabors CPA Services, P.C.

December 12, 2013

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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, 2013.

Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$2,563,923 (net assets). Of this amount \$599,859, (unrestricted net assets) 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 \$345,977, an increase of \$70,839 in comparison with the prior year. Of this balance, \$145,465 is available for spending at the government's discretion (unassigned), \$190,000 is assigned for street re-surfacing and \$10,000 is assigned for parks. Unassigned fund balance represents 42 percent of total fund expenditures. At the close of the current fiscal year, the Town of Lakewood Village's governmental funds had a current ratio of 302:1, based on the current assets of \$347,126 and current liabilities of \$1,149.

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 assets* presents information on all of the Town of Lakewood Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 11-13 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 two 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 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 14 - 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 19-21 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 22-34 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$2,563,923 at the close of the most recent fiscal year.

A portion of the Town of Lakewood Village’s net assets 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 Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 347,126	276,848	295,922	243,391	643,048	520,239
Capital Assets	353,270	375,474	1,610,282	1,635,988	1,963,552	2,011,462
Total assets	700,396	652,322	1,906,204	1,879,379	2,606,600	2,531,701
Long-term liabilities		28,137				28,137
Other liabilities	869	39,851	41,808	52,805	42,677	92,656
Total liabilities	869	67,988	41,808	52,805	42,677	120,793
Net assets:						
Invested in capital assets						
net of related debt	353,270	347,337	1,610,282	1,635,988	1,963,552	1,983,325
Restricted	512				512	
Unrestricted	345,745	236,997	254,114	190,586	599,859	427,583
Total net assets	\$ 699,527	584,334	1,864,396	1,826,574	2,563,923	2,410,908

Governmental Activities:

- During the year, revenues decreased by \$23,805 (9%).
- Expenses for the year decreased by \$19,460 (9%).

Business-type Activities:

- Charges for services increased by \$8,289 (3%) during the year while expenses decreased by \$9,712 (4%).

TOWN OF LAKEWOOD VILLAGE - Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 34,046	56,195	313,787	305,498	347,833	361,693
General revenues:						
Property taxes	174,552	183,210			174,552	183,210
Other taxes	42,108	44,812			42,108	44,812
Other	17,080	10,968	26,796	20,455	43,876	31,423
Total revenues	267,786	295,185	340,583	325,953	608,369	621,138
Expenses:						
General government	157,266	133,127			157,266	133,127
Public safety	26,000	30,950			26,000	30,950
Public works	31,449	49,501			31,449	49,501
Interest	44	2,071			44	2,071
Water & sewer			240,595	250,307	240,595	250,307
Total expenses	214,759	215,649	240,595	250,307	455,354	465,956
Increase in net assets before other transfers	53,027	79,536	99,988	75,646	153,015	155,182
Transfers	23,745	(49,040)	(23,745)	49,040		
Increase/(decrease) in net assets	76,772	30,496	76,243	124,686	153,015	155,182
Net assets - beginning (as restated)	622,755	553,838	1,788,153	1,701,888	2,410,908	2,255,726
Net assets - ending	699,527	584,334	1,864,396	1,826,574	2,563,923	2,410,908

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 \$345,977, an increase of \$70,839 from the prior year. Of the current combined ending fund balance, \$145,465 is unassigned, \$190,000 is assigned for street resurfacing and \$10,000 is assigned for parks.

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 assets of the Enterprise Funds at the end of the year amounted to \$254,114. The total increase in unrestricted net assets of the Enterprise Funds was \$63,528. 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 \$1,216, and expenditures were less than budgetary estimates by \$9,308. The budget had called for a \$29,810 increase in fund balance, however, less than budgeted expenditures resulted in \$40,334 increase 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 2013, amounts to \$1,963,553 (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 and system improvements totaling \$8,687 were added to the Rocky Point Utility Fund capital assets.
- System and improvements totaling \$35,349 were added to the LWV Utility Fund capital assets.

Additional information on the Town of Lakewood Village's capital assets can be found in Note 3.C. on pages 31-32 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Lakewood Village had no outstanding debt.

Additional information on the Town of Lakewood Village long-term debt can be found in Note 3.D. on pages 32-33 of this report.

Economic Factors and Next Year's Budgets and Rates

In determining the budget and related ad-valorem tax rate the Town considers economic factors such as the Eldorado Parkway corridor related development, property tax values, sales and franchise fee taxes, and construction permits. The last fiscal year saw an upturn in housing starts, and we anticipate a continued slow recovery in our custom housing market. We believe property values have steadied due to our unique lakeside location and custom homes, however, we have adopted a conservative approach in the budget. We anticipate restrained sales tax growth as the local economy continues to improve. Given our attractive location, we expect increased developer attention in Lakewood Village as the FM720/Eldorado Parkway construction in Little Elm is completed.

In fiscal year 2014 the Town budget calls for significant capital investment in roads and utilities related infrastructure. The Town currently has adequate capital reserves to fund the utility improvements to both the water and sewer systems. The Town engineers have recommended and the Town council has approved a budget which includes the first phase of a complete town-wide concrete road reconstruction project. To accomplish this goal it is likely that the town will borrow funds via privately placed bank debt.

The Town has historically operated with a relatively low ad-valorem tax rate of \$0.25 per \$100 of valuation which is one-half to one-third that of surrounding municipalities. Given the current level of cash reserves and our conservative budgeting approach, there will be no change in the M&O tax rate. Currently, the town has no debt. While it is likely the Town will incur debt for the road construction, there will be no increase in the I&S tax rate during fiscal year 2014. Town reserves previously assigned to road construction will be used to fund our debt service for the first year of the project. Regardless of the debt issuance, fiscal 2014 will mark the 34th consecutive year the Town's tax rate has been \$0.25 or less.

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.

BASIC FINANCIAL STATEMENTS

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TOWN OF LAKEWOOD VILLAGE

Statement of Net Assets

September 30, 2013

	Primary Government			Component Unit
	Governmental	Business-type		Economic
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Development</u>
				<u>Corporation</u>
ASSETS				
Cash and cash equivalents	\$ 345,671	232,038	577,709	
Restricted cash and equivalents		40,305	40,305	12,423
Receivables (Net of allowance for uncollectibles):				
Property taxes	280		280	
Sales taxes	1,175		1,175	341
Accounts receivable		23,579	23,579	
Capital assets (net of accumulated depreciation):				
Land	185,917	50,814	236,731	
Furniture and equipment	7,797		7,797	
Buildings, systems and improvements	38,642	1,559,468	1,598,110	
Streets	<u>120,914</u>	<u> </u>	<u>120,914</u>	<u> </u>
Total assets	<u>700,396</u>	<u>1,906,204</u>	<u>2,606,600</u>	<u>12,764</u>
 LIABILITIES				
Deposits payable		37,250	37,250	
Sales tax payable		781	781	
Payroll liabilities	869		869	
Other payables	<u> </u>	<u>3,777</u>	<u>3,777</u>	
Total liabilities	<u>869</u>	<u>41,808</u>	<u>42,677</u>	
 NET ASSETS				
Invested in capital assets, net of related debt	353,270	1,610,282	1,963,552	
Restricted	512		512	12,764
Unrestricted	<u>345,745</u>	<u>254,114</u>	<u>599,859</u>	<u> </u>
Total net assets	<u>\$ 699,527</u>	<u>1,864,396</u>	<u>2,563,923</u>	<u>12,764</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, 2013

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	\$ 157,266	34,046		
Public safety	26,000			
Public works	31,449			
Interest	<u>44</u>			
Total governmental activities	<u>214,759</u>	<u>34,406</u>		
Business-type activities				
Water and sewer	<u>240,595</u>	<u>313,787</u>		
Total business-type activities	<u>240,595</u>	<u>313,787</u>		
 Total primary government	 <u>\$ 455,354</u>	 <u>347,833</u>		

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

Change in net assets

Net assets - beginning (as restated)

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			Component Unit Economic Development Corporation
Primary Government			
Governmental Activities	Business-type Activities	Total	
(123,220)		(123,220)	
(26,000)		(26,000)	
(31,449)		(31,449)	
(44)		(44)	
<u>(180,713)</u>		<u>(180,713)</u>	
	<u>73,192</u>	<u>73,192</u>	
	<u>73,192</u>	<u>73,192</u>	
(180,713)	<u>73,192</u>	<u>(107,521)</u>	
174,552		174,552	
26,007		26,007	
16,101		16,101	4,747
1,684	2,822	4,506	50
15,396	23,974	39,370	
<u>23,745</u>	<u>(23,745)</u>		
<u>257,485</u>	<u>3,051</u>	<u>260,536</u>	<u>4,797</u>
76,772	76,243	153,015	
<u>622,755</u>	<u>1,788,153</u>	<u>2,410,908</u>	<u>7,967</u>
<u>\$ 699,527</u>	<u>1,864,396</u>	<u>2,563,923</u>	<u>12,764</u>

TOWN OF LAKEWOOD VILLAGE

Balance Sheet

Government Funds

September 30, 2013

	<u>General Funds</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 345,671		345,671
Receivables (net of allowance for uncollectibles):			
Property taxes	280		280
Sales taxes	<u>663</u>	<u>512</u>	<u>1,175</u>
Total assets	\$ <u>346,614</u>	<u>512</u>	<u>347,126</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Deferred revenue	\$ 280		280
Payroll liabilities	<u>869</u>		<u>869</u>
Total liabilities	<u>1,149</u>		<u>1,149</u>
Fund balances:			
Restricted		512	512
Assigned	200,000		200,000
Unassigned	<u>145,465</u>	<u> </u>	<u>145,465</u>
Total fund balance	<u>345,465</u>	<u>512</u>	<u>345,977</u>
Total liabilities & fund balances	\$ <u>346,614</u>	<u>512</u>	<u>347,126</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 Assets
September 30, 2013

Total Fund Balances - Governmental Funds	\$ 345,977
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the end of the year, the cost of these assets was \$446,400 and the accumulated depreciation was \$93,130. The net effect of including the ending capital assets (net of depreciation) in the governmental activities is to increase net assets.	353,270
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$280 of deferred revenue as revenue. The net effect of this is to increase net assets.	<u>280</u>
Net Assets of Governmental Activities	<u>\$ 699,527</u>

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, 2013

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes			
Property	\$ 174,552		174,552
Franchise	26,007		26,007
Sales	9,341	6,760	16,101
Fines and forfeitures	252		252
Licenses and permits	24,627		24,627
Fees and service charges	9,167		9,167
Interest	1,684		1,684
Miscellaneous	<u>15,396</u>		<u>15,396</u>
Total revenues	<u>261,026</u>	<u>6,760</u>	<u>267,786</u>
EXPENDITURES			
General government	139,775		139,775
Public safety	26,000		26,000
Public works	26,736		26,736
Debt service:			
Principal	28,137		28,137
Interest	<u>44</u>		<u>44</u>
Total expenditures	<u>220,692</u>		<u>220,692</u>
Excess/(deficiency) of revenues over expenditures	<u>40,334</u>		<u>47,094</u>
OTHER FINANCING SOURCES			
Transfers (to)/from other funds	<u>33,370</u>	(9,625)	<u>23,745</u>
Total other financing sources	<u>33,370</u>	(9,625)	<u>23,745</u>
Net change in fund balances	73,704	(2,865)	70,839
Fund balance, beginning	<u>271,761</u>	<u>3,377</u>	<u>275,138</u>
Fund balance, ending	<u>\$ 345,465</u>	<u>512</u>	<u>345,977</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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 70,839
Depreciation 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 depreciation of \$22,204 is to decrease net assets.	(22,204)
Debt payments are not recognized as an expense in government activities. The net effect of debt payments is to increase net assets.	<u>28,137</u>
Changes in Net Assets of Governmental Activities	<u>\$ 76,772</u>

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes				
Property	\$ 172,600	172,600	174,552	1,952
Franchise	33,000	26,000	26,007	7
Sales	8,000	9,000	9,341	341
Fines and forfeitures	2,500	2,500	252	(2,248)
Licenses and permits	23,300	24,100	24,627	527
Fees and service charges	6,100	8,610	9,167	557
Interest	1,200	2,000	1,684	(316)
Miscellaneous	<u>2,300</u>	<u>15,000</u>	<u>15,396</u>	<u>396</u>
Total revenues	<u>249,000</u>	<u>259,810</u>	<u>261,026</u>	<u>1,216</u>
 EXPENDITURES				
General government	127,600	146,600	139,775	6,825
Public safety	32,000	26,000	26,000	
Public works	28,200	28,200	26,736	1,464
Capital outlay	3,000	1,000		1,000
Debt service:				
Principal	28,137	28,137	28,137	
Interest	<u>63</u>	<u>63</u>	<u>44</u>	<u>19</u>
Total expenditures	<u>219,000</u>	<u>230,000</u>	<u>220,692</u>	<u>9,308</u>
Excess (deficiency) of revenues over expenditures	<u>30,000</u>	<u>29,810</u>	<u>40,334</u>	<u>10,524</u>
 OTHER FINANCING SOURCES				
Transfers (to)/from other funds		<u>33,370</u>	<u>33,370</u>	
Total other financing sources		<u>33,370</u>	<u>33,370</u>	
Net change in fund balances	30,000	63,180	73,704	10,524
Fund balance, beginning	<u>271,761</u>	<u>271,761</u>	<u>271,761</u>	_____
Fund balance, ending	<u>\$ 301,761</u>	<u>334,941</u>	<u>345,465</u>	<u>10,524</u>

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

TOWN OF LAKEWOOD VILLAGE

Statement of Net Assets

Proprietary Funds

September 30, 2013

	Business-Type Activities		
	LWV	Rocky Point	
	Utility	Utility	
	Fund	Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 232,038		232,038
Restricted cash and cash equivalents	38,401	1,904	40,305
Accounts receivable (net of allowance for uncollectibles)	22,150	1,429	23,579
Due from other funds	30,035		30,035
Total current assets	322,624	3,333	325,957
Noncurrent assets:			
Capital assets:			
Land	34,892	15,922	50,814
Water systems and improvements	1,151,468	45,430	1,196,898
Sanitation systems and improvements	1,387,997		1,387,997
Buildings and improvements		3,533	3,533
Less: Accumulated depreciation	(1,027,191)	(1,769)	(1,028,960)
Total noncurrent assets	1,547,166	63,116	1,610,282
Total assets	\$ 1,869,790	66,449	1,936,239
LIABILITIES			
Current liabilities:			
Customer deposits	\$ 34,900	2,350	37,250
Sales tax payable	781		781
Other payables	3,555	222	3,777
Due to other funds		30,035	30,035
Total current liabilities	39,236	32,607	71,843
Total liabilities	39,236	32,607	71,843
NET ASSETS			
Invested in capital assets, net of related debt	1,547,166	63,116	1,610,282
Unrestricted	283,388	(29,274)	254,114
Total net assets	\$ 1,830,554	33,842	1,864,396

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 Assets
Proprietary Funds
September 30, 2013

	Business-Type Activities		
	LWV	Rocky Point	Totals
	Utility Fund	Utility Fund	
OPERATING REVENUES			
Water	\$ 143,936	15,345	159,281
Sewer	104,805		104,805
Sanitation	42,111		42,111
Fees and services	7,313	277	7,590
Other income	23,954	20	23,974
Total operating revenues	<u>322,119</u>	<u>15,642</u>	<u>337,761</u>
 OPERATING EXPENSES			
Contract services	30,238	1,950	32,188
Administrative	64,160	2,409	66,569
Repairs and maintenance	25,145	675	25,820
Miscellaneous	3,960		3,960
Garbage collections	40,786		40,786
Depreciation	<u>68,275</u>	<u>1,467</u>	<u>69,742</u>
Total operating expenses	<u>232,564</u>	<u>6,501</u>	<u>239,065</u>
 Operating income (loss)	<u>89,555</u>	<u>9,141</u>	<u>98,696</u>
 NONOPERATING REVENUES (EXPENSES)			
Interest revenue	2,807	15	2,822
Interest expense	<u> </u>	<u>(1,530)</u>	<u>(1,530)</u>
Total nonoperating revenues (expenses)	<u>2,807</u>	<u>(1,515)</u>	<u>1,292</u>
 Income (loss) before transfers	92,362	7,626	99,988
 Transfers (to)/from other funds	(33,370)	9,625	(23,745)
 Change in net assets	58,992	17,251	76,243
 Net assets - beginning (as restated)	<u>1,771,562</u>	<u>16,591</u>	<u>1,788,153</u>
 Net assets - ending	<u>\$ 1,830,554</u>	<u>33,842</u>	<u>1,864,396</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, 2013

	Business-Type Activities		Totals
	LWV	Rocky Point	
	Utility Fund	Utility Fund	
Cash flows from operating activities:			
Cash received from customers and users	\$ 325,963	15,742	341,705
Cash payments to suppliers	(162,001)	(4,875)	(166,876)
Net cash provided by operating activities	163,962	10,867	174,829
Cash flows from capital and related financing activities:			
Purchase of capital assets	(35,349)	(8,687)	(44,036)
Net cash used by capital and related financing activities	(35,349)	(8,687)	(44,036)
Cash flows from noncapital financing activities:			
Advances (to)/from other funds	(16015)	2,000	(14,015)
Advance repayments	10,386	(10,386)	
Interest expense		(1,530)	(1,530)
Transfer in/(out)	(33,370)	9,625	(23,745)
Net cash used by noncapital financing activities	(38,999)	(291)	(39,290)
Cash flows from investing activities:			
Interest on deposits and investments	2,807	15	2,822
Net cash provided by investing activities	2,807	15	2,822
Net increase in cash and cash equivalents	92,421	1,904	94,325
Cash and cash equivalents - beginning	178,018		178,018
Cash and cash equivalents - ending	\$ 270,439	1,904	272,343

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

Operating income	\$ 89,555	9,141	97,166
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	68,275	1,467	69,742
Decrease in accounts receivable	3,044	329	3,373
Decrease in grant receivable			
Net increase/(decrease) in customer deposits	800	(229)	571
Increase in other payables	2,590	159	2,749
Decrease in sales tax payable	(302)		(302)
Total adjustments	74,407	1,726	76,133
Net cash provided by operating activities	\$ 163,962	10,867	173,299

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

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

(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 both blended and discrete component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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, 2013, the amount provided by the MDD to the Rocky Point Proprietary fund totals \$20,774.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Discretely Presented Component Unit. The Town of Lakewood Village Economic Development Corporation (EDC) which has a September 30 year end, services all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within the geographic boundaries of the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets 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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-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.

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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 assets 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.

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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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 assets.

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:

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

6. Fund Equity (continued)

- 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, 2013.
- 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.

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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

6. Fund Equity (continued)

As of September 30, 2013, 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		512	512
Committed:			
Assigned:			
Street Paving	190,000		190,000
Parks	10,000		10,000
Unassigned:	<u>145,465</u>	—	<u>145,465</u>
Total fund balances	\$ <u>345,465</u>	<u>512</u>	<u>345,977</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.
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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(2) **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

A. Budgetary Information (continued)

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, 2013, the Town's carrying amount of deposits was \$630,188 and the bank balance was \$655,237. Of the bank balance, \$250,000 was covered by federal depository insurance and \$405,237 was secured by marketable securities pledged by the financial institution holding the Town's depository contract.

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, 2013

-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 counterparty, 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, 2013 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>
Property taxes	\$ 280				280
Sales taxes	663	512			1,175
Accounts receivable	—	—	<u>22,150</u>	<u>1,429</u>	<u>23,579</u>
Total receivables	<u>\$ 943</u>	<u>—</u>	<u>22,150</u>	<u>1,429</u>	<u>25,034</u>

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

Property taxes are based on the appraised values provided by the Collin 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, 2011, upon which the 2012/2013 levy was based, was approximately \$68,365,633. The tax rate for fiscal year 2012/2013 was \$.25 per \$100 of assessed valuation.

C. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 185,917			185,917
Buildings & Improvement	63,739			63,739
Furniture & Equipment	21,833			21,833
Streets	<u>174,911</u>	<u> </u>		<u>174,911</u>
Totals at historical cost	446,400			446,400
Less accumulated depreciation	<u>(70,926)</u>	<u>(22,204)</u>		<u>(93,130)</u>
Governmental activities capital assets, net	\$ <u>375,474</u>	<u>(22,204)</u>		<u>353,270</u>
Business-type activities:				
LWV Utility:				
Land	\$ 34,892			34,892
Water systems & improvements	1,116,119	35,349		1,151,468
Sanitation systems & improvements	<u>1,387,997</u>	<u> </u>		<u>1,387,997</u>
Totals at historical cost	2,539,008	35,349		2,574,357
Less accumulated depreciation	<u>(958,916)</u>	<u>(68,275)</u>		<u>(1,027,191)</u>
Business-type activities capital assets, net	\$ <u>1,580,092</u>	<u>(32,926)</u>		<u>1,547,166</u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-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	\$ 11,400	4,522		15,922
Building & improvements	3,533			3,533
Water system	<u>41,265</u>	<u>4,165</u>		<u>45,430</u>
Totals at historical cost	56,198	8,687		64,885
Less accumulated depreciation	<u>(302)</u>	<u>(1,467)</u>		<u>(1,769)</u>
Component unit capital assets, net	\$ <u>55,896</u>	<u>7,220</u>		<u>63,116</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government Activities:	
Administration	\$ 17,491
Public works	<u>4,713</u>
Total depreciation expense - government activities	\$ <u>22,204</u>
Business-type activities:	
LWV Utility	\$ 68,275
Rocky Point Utility	<u>1,467</u>
Total depreciation expense - business-type activities	\$ <u>69,742</u>

D. Notes Payable

On November 19, 2010, the Town borrowed \$70,000 from the depository bank to finance land purchased by the Town. The note bears interest at 3.69% through November 4, 2011, at which time the rate will be 2.84% greater than the interest the bank pays the Town on their certificate of deposit. The note is to be repaid in 36 monthly installments of \$2,059 through November 19, 2013.

Note payable activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note payable	\$ <u>28,137</u>	=====	<u>(28,137)</u>	=====	=====

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

D. Notes Payable (continued)

In February 2012, the Town of Lakewood Village and the Lakewood Village MDD entered into an economic development agreement. Under the terms of the three-year agreement, the Town agreed to make available up to \$50,000 from the Town’s proprietary fund. Interest on the line-of-credit accrues monthly at the rate of 0.5 percent of the outstanding balance. During the 2013 fiscal year the Town Council took action to transfer loan repayment from the MDD to the Rocky Point Utility Fund. On September 30, 2013, the loan balance was \$30,035.

Beginning Balance	Additions		Retirements	Ending Balance
	Principal	Interest		
\$ <u>38,421</u>	<u>2,000</u>	<u>1,530</u>	<u>(11,916)</u>	<u>30,035</u>

E. Interfund Receivables, Payables and Transfers

The composition of the interfund balances as of September 30, 2013 is as follows:

Interfund transfers:

	Transfers In / (Out)
General Fund	\$ 33,370
LWV Utility Fund	(33,370)

The transfer from the LWV Utility Fund was to cover administrative costs incurred on behalf of the utility fund.

(4) OTHER INFORMATION

A. 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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2013

-continued-

(4) OTHER INFORMATION (continued)

B. Potential Income from Legal Actions

The Town was awarded \$81,745 in court ordered restitution in 2005 and \$49,945 in additional civil judgment penalties in 2008 as repayment for misappropriation of Town funds by a prior employee. Payments of \$4,810 were received in fiscal year 2013 bringing the total received to \$49,329 as of September 30, 2013. No payment has been received on the civil judgment as of September 30, 2013, which is accruing interest at 5 percent per annum. The balance as of September 30, 2013 is approximately \$99,348 after applying accrued interest of approximately \$16,987. There is no way of estimating how much if any will be received in future years and so no receivable amount has been recorded.

(5) EVALUATION OF SUBSEQUENT EVENTS

The Town has evaluated subsequent events through December 12, 2013, the date which the financial statements were available to be issued.

(6) RESTATEMENT OF BEGINNING NET ASSETS

Net assets of the governmental activities and Rocky Point Utility Fund at September 30, 2013 have been restated by \$38,421 to reflect the transfer of the liability of loan repayment previously held by the MDD Fund.

INDIVIDUAL FUND SCHEDULES

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TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Budget and Actual - LWV Utility Fund
For the Fiscal Year Ended September 30, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
OPERATING REVENUES				
Water sales, fees and service charges	\$ 314,500	334,100	298,165	(35,935)
Other income	<u>4,000</u>	<u>4,000</u>	<u>23,954</u>	<u>19,954</u>
Total operating revenues	<u>318,500</u>	<u>338,100</u>	<u>322,119</u>	<u>(15,981)</u>
OPERATING EXPENSES				
Contract services	50,400	29,000	30,238	(1,238)
Administrative	62,800	93,146	64,160	28,986
Repairs and maintenance	34,000	33,100	25,145	7,955
Miscellaneous	10,000	2,500	3,960	(1,460)
Trash collections	40,000	40,000	40,786	(786)
Capital improvements	30,000	84,000		84,000
Depreciation	<u>60,000</u>	<u>60,000</u>	<u>68,275</u>	<u>(8,275)</u>
Total operating expenses	<u>287,200</u>	<u>341,746</u>	<u>232,564</u>	<u>109,182</u>
Operating income (loss)	<u>31,300</u>	<u>(3,646)</u>	<u>89,555</u>	<u>93,201</u>
NONOPERATING REVENUE (EXPENSE)				
Transfers in/(out)			(33,370)	(33,370)
Interest income	<u>1,800</u>	<u>1,800</u>	<u>2,807</u>	<u>1,007</u>
Total nonoperating revenue (expense)	<u>1,800</u>	<u>1,800</u>	<u>(30,563)</u>	<u>(32,363)</u>
Change in net assets	33,100	(1,846)	58,992	60,838
Net assets - beginning	<u>1,771,562</u>	<u>1,771,562</u>	<u>1,771,562</u>	_____
Net assets - ending	\$ <u>1,804,662</u>	<u>1,769,716</u>	<u>1,830,554</u>	<u>60,838</u>

