



**LAKEWOOD VILLAGE TOWN HALL
100 HIGHRIDGE DRIVE
LAKEWOOD VILLAGE, TEXAS**

**TOWN COUNCIL MEETING
FEBRUARY 9, 2017 7:00 P.M.**

REGULAR SESSION – AGENDA

Call to Order and Announce a Quorum is Present

A. PLEDGE TO THE FLAG:

B. VISITOR/CITIZENS FORUM: At this time, any person with business before the Council not scheduled on the agenda may speak to the Council. No formal action may be taken on these items at this meeting.

C. CONSENT AGENDA: All of the items on the Consent Agenda are considered to be self-explanatory and will be enacted by one motion. There will be no separate discussion of these items unless a Council Member or citizen so request. For a citizen to request removal of an item from the Consent Agenda a speaker card must be filled out and submitted to the Town Secretary prior to the call to order.

1. Minutes of January 12, 2017 Council Meeting (Asbell)
2. Minutes of January 31, 2017 Council Meeting (Asbell)
3. Resolution in Opposition to Senate Bill 2 (Asbell)

D. REGULAR AGENDA:

1. Presentation of Audit of Fiscal Year 2015-2016, Mr. Wayne Nabors, Nabors CPA Services (Asbell)
2. Discussion of Texas Municipal League Insurance Coverage with Mr. Ryan Burns, TML (Asbell)
3. Discussion of Republic Services Contract Amendment (Asbell)
4. Discussion of CoServ Power Quality Issues (Vargus)
5. Consideration of Discharge of Civil Penalties assessed on 423 Hillside (Vargus)
6. Consideration of Replat of 595 Melody (Vargus)

E. EXECUTIVE SESSION: In accordance with Texas Government Code, Section 551.001, et seq., the Town Council will recess into Executive Session (closed meeting) to discuss the following: (1) §551.071(2): Consultation with Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter re: Town boundaries, annexations, dis-annexation, and interlocal agreements; (2) §551.072: Deliberation regarding the purchase, exchange, lease, or value of real property; and (3) §551.087: To discuss or deliberate regarding commercial or financial information that the Town of Lakewood Village has received from a business prospect that the Town seeks to have locate, stay, or expand in or near the territory of the Town of Lakewood Village and with which the Town is conducting economic development negotiations; and/or to deliberate the offer of a financial or other incentive to the business prospect.

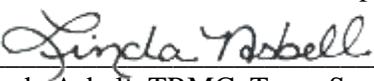
F. RECONVENE: Reconvene into regular session and consideration of action, if any, on items discussed in executive session

G. COUNCIL AND STAFF COMMENTS: Comments may be made by Council or Staff. No formal action may be taken on these items at this meeting.

H. ADJOURNMENT

I do hereby certify that the above notice of meeting was posted on the designated place for official notice at 3:55 p.m. on Friday, February 3, 2017.




Linda Asbell, TRMC, Town Secretary

The Town Council reserves the right to adjourn into closed session at any time during the course of this meeting to discuss any of the matters listed above, as authorized by Texas Government Code Section 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices) and 551.087 (Economic Development), 418.183 (Homeland Security)

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the Town Secretary's office at 972-294-5555 or FAX 972-292-0812 for further information.

One or more members of the LAKEWOOD VILLAGE MUNICIPAL DEVELOPMENT DISTRICT may attend this meeting. No action will be taken by the MDD Board during this meeting.

LAKEWOOD VILLAGE TOWN COUNCIL

COUNCIL MEETING

JANUARY 12, 2017

Council Members:

Dr. Mark Vargus, Mayor
Ed Reed – Mayor Pro-Tem
Clint Bushong
Gary Newsome
Ray Duff
Dan Tantalo

Town Staff:

Linda Asbell, TRMC, Town Secretary

REGULAR SESSION - 7:00 P.M.

With a quorum of the Council Members present, Mayor Vargus called the Regular Meeting of the Town Council to order at 7:00 p.m. on Thursday, January 12, 2017, in the Council Chambers of the Lakewood Village Town Hall, 100 Highridge Drive, Lakewood Village, Texas.

PLEDGE TO THE FLAG:

(Agenda Item A)

Mayor Vargus led the Pledge of Allegiance

PUBLIC HEARING:

(Agenda Item B)

A public hearing was held to provide an opportunity for citizens to comment on the proposed water and wastewater impact fees. Mayor Vargus opened the public hearing at 7:00 p.m.

MOTION: Upon a motion made by Councilman Newsome and seconded by Mayor Pro-Tem Reed, council voted five (5) “ayes”, no (0) “nays” to close the public hearing at 7:01 pm. *The motion carried.*

VISITOR/CITIZENS FORUM:

(Agenda Item C)

Mr. Randy Farmer, 309 W. Eldorado Pkwy, Ste 104, Little Elm, introduced himself as having an Edward Jones office in Little Elm. Mr. Farmer spoke about the Little Elm Trivia Contest and stated that it will include a live auction for a four wheeler valued at \$9,000. Mr. Farmer invited Lakewood Village citizens and council to attend as individuals or to sponsor a VIP table of eight.

Mr. Heath Woodrum, 6565 Rocky Ridge Trail, and spoke regarding paying past building permit fees he was charged when he constructed his home in Braewood Bay. Mayor Vargus reported that the town has received his letter requesting a partial refund and it has been forwarded to the

**LAKWOOD VILLAGE TOWN COUNCIL
REGULAR SESSION
JANUARY 12, 2017**

Page 2

Town Attorney. The Town needs to wait until the Town Attorney provides the town with a response. Mayor Vargus invited Mr. Woodrum to contact him after he receives the letter from the attorney.

CONSENT AGENDA:

(Agenda Item D)

1. Minutes of December 8, 2016 Council Meeting (Asbell)
2. Ordinance Calling a General Election for May 6, 2017 (Asbell)
3. Ratification of Water/Wastewater Impact Fee Ordinance (Asbell)

Councilman Tantalo and Councilman Bushong requested the minutes to the December 8, 2016 council meeting be considered separately as neither attended that meeting.

MOTION: Upon a motion made by Councilman Newsome and seconded by Councilman Duff, council voted three (3) “ayes”, no (0) “nays” with two abstentions (Councilman Bushong, and Councilman Tantalo) to approve the minutes as presented. *The motion carried.*

MOTION: Upon a motion made by Councilman Bushong and seconded by Mayor Pro-Tem Reed, council voted five (5) “ayes”, no (0) “nays” to approve consent agenda items two and three as presented. *The motion carried.*

REGULAR AGENDA:

(Agenda Item E)

**Consideration of Employment of Building
Official & Building Inspectors (Vargus)**

(Agenda Item E.1)

Mayor Vargus reported that Mayor Pro-Tem Reed created job descriptions for the building official and building inspectors. The building inspectors will become part-time employees of the town which will provide them insurance protection through the town’s policy. The town will be responsible for the employer’s portion of the employment taxes. The increased cost to the town is minimal but it equates to an approximate 7% increase in pay to the building employees. Councilman Tantalo stated that he has concerns about adding three people to the payroll of the town.

MOTION: Upon a motion made by Mayor Pro-Tem Reed and seconded by Councilman Bushong, council voted four (4) “ayes”, one (1) “nays” (Councilman Tantalo) to create the positions of Building Official and Building Inspector as part-time positions. *The motion carried.*

**Discussion of Town Hall Improvements
(Bushong)**

(Agenda Item E.2)

Councilman Bushong reported that Town Hall does not currently screen trash and air-conditioning equipment as required in the new requirements of the residential code. Councilman Bushong reviewed estimated project costs and proposed that the project could be divided between two fiscal years. Mayor Vargus stated that former Deputy Mayor Pro-Tem Guthrie was a proponent of always requiring the town to follow all the rules the citizens are required to follow. Mayor Vargus stated that he supports this project and would like to see firm numbers. Councilman Tantalo stated that he supports the project and likes the idea of splitting it across two fiscal years.

EXECUTIVE SESSION:

(Agenda Item F)

At 7:27 p.m. Mayor Vargus recessed into executive session in accordance with Texas Government Code, Section 551.001, et seq., the Town Council will recess into Executive Session (closed meeting) to discuss the following: (1) §551.071(1): Consultation with Attorney regarding pending litigation – *Bizios vs. Town of Lakewood Village*, 453 S.W. 3d 598 (Tex. App. – Fort Worth 2014), pet. granted, No. 15-0116 (Tex. 2016); (2) §551.071(2): Consultation with Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter re: Town boundaries, annexations, dis-annexation, and interlocal agreements; (3) §551.072: Deliberation regarding the purchase, exchange, lease, or value of real property; (4) §551.087: To discuss or deliberate regarding commercial or financial information that the Town of Lakewood Village has received from a business prospect that the Town seeks to have locate, stay, or expand in or near the territory of the Town of Lakewood Village and with which the Town is conducting economic development negotiations; and/or to deliberate the offer of a financial or other incentive to the business prospect; and, (5) §551.076: To discuss or deliberate regarding security devices.

RECONVENE:

(Agenda Item G)

Mayor Vargus reconvened the regular session of the Lakewood Village Town Council at 8:16 pm. No action was taken.

MOTION: Upon a motion made by Mayor Pro-Tem Reed and seconded by Councilman Duff, council voted five (5) “ayes”, no (0) “nays” to authorize Mayor Vargus to finalize and execute an agreement with Mr. Harry Bizios. *The motion carried.*

COUNCIL AND STAFF COMMENTS

(Agenda Item H)

Town Secretary Linda Asbell reported that, after nearly two years of efforts, the Denton County Elections Administration Department and the Denton County Commissioners Court has agreed to a redistricting, which will create a single precinct for Lakewood Village and the Lakewood Village Extraterritorial Jurisdiction. The creation of this precinct will allow the citizens of Lakewood Village to vote for the mayor and councilmembers, school district board members, and any other ballot issues on a single ballot with Town Hall as their guaranteed polling place.

Town Secretary Linda Asbell reported that a person has been contacting citizens and claiming to be a building inspector working for the Town. This person has been attempting to set up appointments to inspect homes. Secretary Asbell reported that building inspectors do not contact citizens directly and any citizen receiving a call should contact her at Town Hall.

Councilman Bushong reported that solicitors were seen in town over the weekend. Councilman Bushong reminded everyone that going door-to-door prohibited without a permit. Secretary Asbell reported that there are currently no approved solicitor permits.

ADJOURNMENT

(Agenda Item I)

MOTION: Upon a motion made by Councilman Bushong and seconded by Councilman Duff council voted five (5) “ayes” and no (0) “nays” to adjourn the Regular Meeting of the Lakewood Village Town Council at 8:27 p.m. on Thursday, December 8, 2016. The motion carried.

These minutes approved by the Lakewood Village Town Council on the 12th day of February 2017.

APPROVED

Dr. Mark E. Vargus
MAYOR

ATTEST:

**LAKWOOD VILLAGE TOWN COUNCIL
REGULAR SESSION
JANUARY 12, 2017**

Page 5

Linda Asbell, TRMC
TOWN SECRETARY

LAKEWOOD VILLAGE TOWN COUNCIL

COUNCIL MEETING

JANUARY 31, 2017

Council Members:

Dr. Mark Vargus, Mayor
Ed Reed – Mayor Pro-Tem
Clint Bushong
Gary Newsome
Ray Duff
Dan Tantalo

Town Staff:

Linda Asbell, TRMC, Town Secretary
Andy Messer, Town Attorney

Also Attending:

Eric Farage, President of the Lakewood Village Municipal Development District
Mr. Farage arrived at 6:30 p.m.

SPECIAL MEETING - 5:30 P.M.

With a quorum of the Council Members present, Mayor Vargus called the Special Meeting of the Town Council to order at 5:53 p.m. on Thursday, January 12, 2017, in the third Floor Conference Room at 6351 Preston Rd., Frisco, Texas 75034.

PLEDGE TO THE FLAG:

(Agenda Item A)

Mayor Vargus led the Pledge of Allegiance

EXECUTIVE SESSION:

(Agenda Item B)

At 5:55 p.m. Mayor Vargus recessed into executive session in accordance with Texas Government Code, Section 551.001, et seq., the Town Council will recess into Executive Session (closed meeting) to discuss the following: (1) §551.071(1): Consultation with Attorney regarding pending litigation – *Bizios vs. Town of Lakewood Village*, 453 S.W. 3d 598 (Tex. App. – Fort Worth 2014), pet. granted, No. 15-0116 (Tex. 2016); (2) §551.071(2): Consultation with Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter re: Town boundaries, annexations, dis-annexation, and interlocal agreements; (3) §551.072: Deliberation regarding the purchase, exchange, lease, or value of real property; and (4) §551.087: To discuss or deliberate regarding commercial or financial information that the Town of Lakewood Village has received from a business prospect that the Town seeks to have

**LAKWOOD VILLAGE TOWN COUNCIL
SPECIAL MEETING
JANUARY 31, 2017**

Page 2

locate, stay, or expand in or near the territory of the Town of Lakewood Village and with which the Town is conducting economic development negotiations; and/or to deliberate the offer of a financial or other incentive to the business prospect.

RECONVENE:

(Agenda Item C)

Mayor Vargus reconvened the regular session of the Lakewood Village Town Council at 9:22 pm. No action was taken.

ADJOURNMENT

(Agenda Item D)

MOTION: Upon a motion made by Mayor Pro-Tem Reed and seconded by Councilman Tantalo council voted five (5) “ayes” and no (0) “nays” to adjourn the Special Meeting of the Lakewood Village Town Council at 9:23 p.m. on Tuesday, January 31, 2017. The motion carried.

These minutes approved by the Lakewood Village Town Council on the 12th day of February 2017.

APPROVED

Ed. Reed
MAYOR PRO-TEM

ATTEST:

Linda Asbell, TRMC
TOWN SECRETARY

RESOLUTION NO. 17-01

**A RESOLUTION OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS,
IN OPPOSITION TO A REVENUE CAP AND LEGISLATIVE
INTERFERENCE WITH LOCAL SERVICES.**

WHEREAS, Texas cities lead the nation in population growth and seventy-four percent of Texas residents live in incorporated cities; and

WHEREAS, Texas cities receive virtually no financial assistance from the State but cities are required to generate and remit to the State over \$200 million annually to fund state programs; and

WHEREAS, bills have been introduced to cap the amount of property tax revenue cities can collect each year in a specious claim that it will reduce the property tax burden on homeowners and businesses; and

WHEREAS, currently, if a Texas city increases property tax collections by more than eight percent over the previous year, voters can petition for an election to roll back the increase; and

WHEREAS, bills have been introduced to replace that eight percent “rollback rate” with a hard cap of four percent and require mandatory elections on an increase over four percent – all with the false claim that this would provide property tax relief; and

WHEREAS, according to the state comptroller’s latest survey of property tax rates in 963 cities in Texas, 56 percent of cities raised their property taxes by less than four percent from 2014 to 2015 and 27 percent of cities actually reduced their property taxes; and

WHEREAS, that means property owners in at least 547 Texas cities would have seen no reduction in their city property taxes if the four percent cap had been in effect; and

WHEREAS, while the savings to individual taxpayers are very small or even non-existent, a four percent cap could represent a loss in vital city services; and

WHEREAS, cities collect just 16 percent of the property taxes levied in Texas, and the overwhelming majority of property taxes paid by Texans (55 percent) go to school districts; and

WHEREAS, according to the comptroller’s report, the total amount of property taxes collected by cities rose by 3.61 percent between 2014 and 2015, while school district tax collections rose by more than twice that rate or 7.72 percent; and

WHEREAS, school property taxes have been rising because the legislature continues to reduce the state’s share of funding for schools, which forces districts to obtain more revenue from property taxes.

NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS:

- Section 1. That all of the above recitals are true and correct;
- Section 2. That the Town Council of the Town of Lakewood Village, Texas, is OPPOSED to the legislative imposition of a revenue cap and legislative interference with local services; and
- Section 3. That imposing a revenue cap on cities: (a) does not provide meaningful tax relief; (b) robs cities of the ability to meet local needs; and (c) diverts attention from the real cause of higher property taxes, which is the legislature's failure to address the problem of school funding.

PASSED AND APPROVED this 9th day of FEBRUARY, 2017

APPROVED:

Dr. Mark E. Vargus,
Mayor

ATTEST:

Linda Asbell, TRMC
Town Secretary

TOWN OF LAKEWOOD VILLAGE, TEXAS

Financial Statements
(With Auditor's Report Thereon)

September 30, 2016

TOWN OF LAKEWOOD VILLAGE
Annual Financial Report
For the Year Ended September 30, 2016

	Page Number
Independent Auditor’s Report.	1
Management’s Discussion and Analysis.	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.	12
Statement of Activities.. . . .	13
Fund Financial Statements:	
Balance Sheet - Governmental Fund.	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds.	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.. . . .	18
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual - General Fund.	19
Statement of Net Position - Proprietary Funds.	20
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.	21
Statement of Cash Flows - Proprietary Funds.	22
Notes to the Financial Statements.. . . .	23
Individual Fund Schedules:	
Schedule of Revenues, Expenses, and Changes in Fund Net Position - Budget and Actual - Water and Sewer Fund.	38



Nabors CPA Services, P.C.

CERTIFIED PUBLIC ACCOUNTANT
AUDIT, TAX AND CONSULTING SERVICES

(972) 464-1226
8765 Stockard Drive, Suite 404
Frisco, Texas 75034

How well do you know your CPA?

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Nabors CPA Services, P.C.

January 4, 2017

This page left blank intentionally.

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, 2016.

Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$2,615,819 (net position). Of this amount \$78,174, (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 \$76,965, a decrease of \$(111,116) in comparison with the prior year. Of this balance, \$63,055 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 15 percent of general fund expenditures, and 15 percent of total governmental fund expenditures. At the close of the current fiscal year, the Town of Lakewood Village's governmental funds had a current ratio of approximately 2.6:1, based on the current assets of \$125,352 and current liabilities of \$48,387.

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 15-19 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 23-36 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 \$2,615,819 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 125,352	189,007	158,087	244,035	283,170	433,042
Capital Assets	<u>2,006,942</u>	<u>2,063,891</u>	<u>1,808,452</u>	<u>1,753,572</u>	<u>3,815,394</u>	<u>3,817,463</u>
Total assets	<u>2,132,294</u>	<u>2,252,898</u>	<u>1,966,539</u>	<u>1,997,607</u>	<u>4,098,564</u>	<u>4,250,505</u>
Long-term liabilities	1,327,000	1,472,000			1,327,000	1,472,000
Other liabilities	88,345	65	67,669	43,536	150,745	43,601
Total liabilities	<u>1,415,345</u>	<u>1,472,065</u>	<u>67,669</u>	<u>43,536</u>	<u>1,477,745</u>	<u>1,515,601</u>
Net position:						
Invested in capital assets						
net of related debt	679,942	591,891	1,808,452	1,753,572	2,488,394	2,345,463
Restricted	7,451	7,721	41,800	41,669	49,251	49,390
Unrestricted	<u>29,556</u>	<u>181,221</u>	<u>48,618</u>	<u>158,830</u>	<u>78,174</u>	<u>340,051</u>
Total net position	\$ <u>716,949</u>	<u>780,833</u>	<u>1,898,870</u>	<u>1,954,071</u>	<u>2,615,819</u>	<u>2,734,904</u>

Governmental Activities:

- During the year revenues increased by \$18,498 (5%), primarily due to property tax receipts.
- Expenses for the year increased by \$223,285 (71%), primarily due to legal fees and road maintenance.

Business-type Activities:

- Charges for services decreased by \$27,314 (8%) during the year due to final settlement of restitution received in prior years, while expenses increased by \$102,906 (40%), due primarily to engineering and repairs and maintenance..

TOWN OF LAKEWOOD VILLAGE - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 54,109	73,233	326,300	353,614	380,409	426,847
General revenues:						
Property taxes	251,633	229,467			251,633	229,467
Other taxes	97,422	83,621			97,422	83,621
Other	<u>10,208</u>	<u>8,553</u>	<u>12,003</u>	<u>867</u>	<u>22,211</u>	<u>9,420</u>
Total revenues	413,372	394,874	338,303	354,481	751,675	749,355
Expenses:						
General government	400,633	217,429			400,633	217,429
Public safety	38,100	28,750			38,100	28,750
Public works	71,656	43,452			71,656	43,452
Interest	27,850	25,323			27,850	25,323
Water & sewer			<u>361,757</u>	<u>258,851</u>	<u>361,757</u>	<u>258,851</u>
Total expenses	538,239	314,954	361,757	258,851	899,996	573,805
Increase in net position before other transfers	(124,867)	79,920	(23,454)	95,630	(148,321)	175,550
Transfers	55,021	41,819	(31,748)	(33,579)	23,273	8,240
Gain/(loss) on disposal of capital assets	<u>5,962</u>	<u>(46,518)</u>	<u> </u>	<u> </u>	<u>5,962</u>	<u>(46,518)</u>
Increase/(decrease) in net position	(63,884)	75,221	(55,202)	62,052	(119,086)	137,272
Net position - beginning	<u>780,833</u>	<u>705,112</u>	<u>1,954,072</u>	<u>1,892,020</u>	<u>2,734,905</u>	<u>2,597,632</u>
Net position - ending	\$ <u>716,949</u>	<u>780,833</u>	<u>1,898,870</u>	<u>1,954,072</u>	<u>2,615,819</u>	<u>2,734,904</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 \$76,965, a decrease of \$(111,116) from the prior year. Of the current combined ending fund balance, \$70,342 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 \$48,618. The total decrease in unrestricted net position of the Enterprise Funds was \$(55,202). 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 \$45,064, and expenditures were more than budgetary estimates by \$191,403. The budget had called for a \$4,650 increase in fund balance, however, more than budgeted expenditures resulted in \$(117,366) decrease 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 2016, amounts to \$1,826,342 (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:

- Construction of concrete streets and playground equipment were added to the general fund totaling \$20,505.
- System and improvements totaling \$136,150 were added to the LWV and Rocky Point Utility Funds capital assets.

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 33-34 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. Building permits remained steady in the previous year and we forecast a similar volume of housing starts. We believe property values have firmed and will increase in the 6-8 percent range due to our unique lakeside location and custom home building flexibility. Fiscal 2016 sales tax receipts were flat year-to-year across all economic units. This was anticipated after the Town's sales tax receipts more than tripled over the previous two years, and we forecast only a slight increase in the upcoming year. Given our attractive location, we expect increased developer attention in Lakewood Village as the FM720/Eldorado Parkway construction in Little Elm is completed.

After significant capital improvements in fiscal year 2016, the Town plans to primarily build reserves during fiscal year 2017 while making strategic targeted capital investments when appropriate. The focus of the governmental budget is the continued retirement of the town's debt while making moderate improvements in town infrastructure.

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 maintenance and operations (M&O) tax rate. Fiscal 2017 will mark the 36th consecutive year the Town's M&O tax rate has been \$0.25 or less. In fiscal 2014, the Town entered the municipal debt market for the first time and issued \$1,600,000 in Certificates of Obligation to fund road improvements. The Town's strong balance sheet, significant reserves, and fiscal discipline led to strong demand from creditors in the competitive bidding process. To avoid debt rating costs and additional SEC related fees, the Town issued ten-year debt via a private placement. The debt is callable by the Town in five years and bears an interest rate of 1.99 percent. The town council has adopted a debt servicing tax rate (I&S) of \$0.05 per \$100 of valuation. The I&S tax will provide approximately 25 percent of the required debt servicing revenues, with the remainder paid from current operating revenues.

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

This page left blank intentionally.

TOWN OF LAKEWOOD VILLAGE

Statement of Net Position

September 30, 2016

	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 - unrestricted	\$ 112,232	102,203	214,435	
Cash and equivalents - restricted	7,451	41,800	49,251	
Receivables (Net of allowance for uncollectibles):				
Property taxes	42		42	
Sales taxes	5,358		5,358	
Accounts receivable		14,084	14,084	
Noncurrent assets:				
Due from other funds	269		269	
Capital assets (net of accumulated depreciation):				
Land	186,648	54,933	241,581	
Furniture and equipment	13,310		13,310	
Buildings, systems and improvements	33,861	1,753,519	1,787,380	
Streets	<u>1,773,123</u>	_____	<u>1,773,123</u>	_____
Total assets	<u>2,132,294</u>	<u>1,966,539</u>	<u>4,098,833</u>	_____
LIABILITIES				
Deposits payable		41,800	41,800	
Sales tax payable		837	837	
Other payables	88,345	24,763	113,108	
Noncurrent liabilities:				
Due to other funds		269	269	
Bonds payable:				
Due within one year	149,000		149,000	
Due in more than one year	<u>1,178,000</u>	_____	<u>1,178,000</u>	
Total liabilities	<u>1,415,345</u>	<u>67,669</u>	<u>1,483,014</u>	
NET POSITION				
Invested in capital assets, net of related debt	679,942	1,808,452	2,488,394	
Restricted	7,451	41,800	49,251	
Unrestricted	<u>29,556</u>	<u>48,618</u>	<u>78,174</u>	_____
Total net position	<u>\$ 716,949</u>	<u>1,898,870</u>	<u>2,615,819</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, 2016

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	\$ 400,633	54,109		
Public safety	38,100			
Public works	71,656			
Interest	<u>27,850</u>			
Total governmental activities	<u>538,239</u>	<u>54,109</u>		
Business-type activities				
Water and sewer	<u>361,757</u>	<u>326,300</u>		
Total business-type activities	<u>361,757</u>	<u>326,300</u>		
 Total primary government	 \$ <u>899,996</u>	 <u>380,409</u>		

General revenues:
Property taxes
Franchise fees
Sales taxes
Fines and forfeitures
Investment earnings
Miscellaneous revenue
Gain on disposal of capital assets
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			Component Unit Economic Development Corporation
Primary Government			
Governmental Activities	Business-type Activities	Total	
(346,524)		(346,524)	
(38,100)		(38,100)	
(71,656)		(71,656)	
<u>(27,850)</u>		<u>(27,850)</u>	
<u>(484,130)</u>		<u>(484,130)</u>	
	<u>(35,457)</u>	<u>(35,457)</u>	
	<u>(35,457)</u>	<u>(35,457)</u>	
		<u>(519,587)</u>	
251,633		251,633	
42,836		42,836	
54,586		54,586	9,799
6,888		6,888	
1,079	932	2,011	21
2,241	11,071	13,312	
5,962		5,962	
<u>55,021</u>	<u>(31,748)</u>	<u>23,273</u>	<u>(23,273)</u>
<u>420,246</u>	<u>(19,745)</u>	<u>400,501</u>	<u>(13,453)</u>
(63,884)	(55,202)	(119,086)	
<u>780,833</u>	<u>1,954,072</u>	<u>2,734,905</u>	<u>13,453</u>
<u>\$ 716,949</u>	<u>1,898,870</u>	<u>2,615,819</u>	<u>=====</u>

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

TOWN OF LAKEWOOD VILLAGE

Balance Sheet
Government Funds
September 30, 2016

	General <u>Fund</u>	Municipal Development <u>District</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 113,748	5,771	119,519
Cash and cash equivalents - restricted	164		164
Due from other funds	269		269
Receivables (net of allowance for uncollectibles):			
Property taxes	42		42
Sales taxes	<u>3,842</u>	<u>1,516</u>	<u>5,358</u>
Total assets	<u>\$ 118,065</u>	<u>7,287</u>	<u>125,352</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Deferred revenue	\$ 42		42
Other liabilities	<u>48,345</u>		<u>48,345</u>
Total liabilities	<u>48,387</u>		<u>48,387</u>
Fund balances:			
Restricted	164	7,287	7,451
Assigned:	6,459		6,459
Unassigned	<u>63,055</u>		<u>63,055</u>
Total fund balance	<u>69,678</u>	<u>7,287</u>	<u>76,965</u>
Total liabilities & fund balances	<u>\$ 118,065</u>	<u>7,287</u>	<u>125,352</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, 2016

Total Fund Balances - Governmental Funds \$ 76,965

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 \$2,183,547, the accumulated depreciation was \$(119,656), and gain on disposal of capital assets was \$(5,962). Proceeds of \$(9,081) from sales of assets recognized as revenue in the governmental activities is eliminated in the government wide financial statements. In addition, long-term liabilities, including bonds payable and legal liabilities of \$(1,512,000), 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. 548,772

Current year capital outlays of \$20,505 and long-term debt principal payments of \$145,000 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. 165,505

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (74,335)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$42 of deferred revenue as revenue. 42

Net Position of Governmental Activities \$ 716,949

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, 2016

	<u>General Funds</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes			
Property	\$ 252,452		252,452
Franchise	42,836		42,836
Sales	36,779	17,807	54,586
Fines and forfeitures	6,888		6,888
Licenses and permits	38,476		38,476
Fees and service charges	15,633		15,633
Interest	1,079		1,079
Miscellaneous	<u>11,321</u>		<u>11,321</u>
Total revenues	<u>405,464</u>	<u>17,807</u>	<u>423,271</u>
 EXPENDITURES			
General government	286,292	5	286,297
Public safety	38,100		38,100
Public works	71,656		71,656
Capital outlay	20,505		20,505
Debt service:			
Principal	145,000		145,000
Interest and fiscal charges	<u>27,850</u>		<u>27,850</u>
Total expenditures	<u>589,403</u>	<u>5</u>	<u>589,408</u>
Excess/(deficiency) of revenues over expenditures	<u>(183,939)</u>	<u>17,802</u>	<u>(166,137)</u>
 OTHER FINANCING SOURCES			
Transfers (to)/from other funds	<u>66,573</u>	<u>(11,552)</u>	<u>55,021</u>
Total other financing sources	<u>66,573</u>	<u>(11,552)</u>	<u>55,021</u>
Net change in fund balances	(117,366)	6,250	(111,116)
Fund balance, beginning	<u>187,044</u>	<u>1,037</u>	<u>188,081</u>
Fund balance, ending	\$ <u>69,678</u>	<u>7,287</u>	<u>76,965</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, 2016

Total Net Change in Fund Balances - Governmental Funds \$ (111,116)

Current year capital outlays of \$20,505 and long-term debt principal payments of \$145,000, 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.

165,505

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Gain on disposal of capital assets of \$5,962 legal liabilities and depreciation of \$(74,335) are not recognized as an expense in governmental funds since they do not require the use of current resources. Also, proceeds of \$(9,081) from sales of capital assets is recognized as revenue in the governmental activities, but is eliminated in the government wide statements. The net effect of the current year's activity is to decrease net position.

(117,454)

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

(819)

Changes in Net Position of Governmental Activities \$ (63,884)

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 252,000	252,000	252,452	452
Franchise	34,000	34,000	42,836	8,836
Sales	28,000	28,000	36,779	8,779
Fines and forfeitures	1,000	1,000	6,888	5,888
Licenses and permits	35,300	35,300	38,476	3,176
Fees and service charges	5,100	5,100	15,633	10,533
Interest	1,000	1,000	1,079	79
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>11,321</u>	<u>7,321</u>
Total revenues	<u>360,400</u>	<u>360,400</u>	<u>405,464</u>	<u>45,064</u>
EXPENDITURES				
General government	163,000	163,000	286,292	(123,292)
Public safety	29,000	29,000	38,100	(9,100)
Public works	33,200	33,200	71,656	(38,456)
Capital outlay			20,505	(20,505)
Debt service:				
Principal	145,000	145,000	145,000	
Interest	<u>27,800</u>	<u>27,800</u>	<u>27,850</u>	<u>(50)</u>
Total expenditures	<u>398,000</u>	<u>398,000</u>	<u>589,403</u>	<u>(191,403)</u>
Excess (deficiency) of revenues over expenditures	<u>(37,600)</u>	<u>(37,600)</u>	<u>(183,939)</u>	<u>(146,339)</u>
OTHER FINANCING SOURCES				
Transfers (to)/from other funds	<u>42,250</u>	<u>42,250</u>	<u>66,573</u>	<u>24,323</u>
Total other financing sources	<u>42,250</u>	<u>42,250</u>	<u>66,573</u>	<u>24,323</u>
Net change in fund balances	4,650	4,650	(117,366)	(122,016)
Fund balance, beginning	<u>187,044</u>	<u>187,044</u>	<u>187,044</u>	_____
Fund balance, ending	<u>\$ 191,694</u>	<u>191,694</u>	<u>69,678</u>	<u>(122,016)</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, 2016

	Business-Type Activities		
	LWV Utility Fund	Rocky Point Utility Fund	Totals
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 101,339	864	102,203
Cash and cash equivalents - restricted	39,300	2,500	41,800
Accounts receivable (net of allowance for uncollectibles)	<u>13,464</u>	<u>620</u>	<u>14,084</u>
Total current assets	<u>154,103</u>	<u>3,984</u>	<u>158,087</u>
Noncurrent assets:			
Due from other funds	17,890		17,890
Capital assets:			
Land	39,011	15,922	54,933
Water systems and improvements	1,464,115	89,248	1,553,363
Sanitation systems and improvements	1,457,952		1,457,952
Buildings and improvements		3,533	3,533
Less: Accumulated depreciation	<u>(1,253,449)</u>	<u>(7,880)</u>	<u>(1,261,329)</u>
Total noncurrent assets	<u>1,725,519</u>	<u>100,823</u>	<u>1,826,342</u>
Total assets	<u>\$ 1,879,622</u>	<u>104,807</u>	<u>1,984,429</u>
LIABILITIES			
Current liabilities:			
Customer deposits	\$ 39,300	2,500	41,800
Sales tax payable	837		837
Other payables	24,634	129	24,763
Due to other funds	<u>269</u>	<u>17,890</u>	<u>18,159</u>
Total current liabilities	<u>65,040</u>	<u>20,519</u>	<u>85,559</u>
Total liabilities	<u>65,040</u>	<u>20,519</u>	<u>85,559</u>
NET POSITION			
Invested in capital assets, net of related debt	1,707,629	100,823	1,808,452
Restricted	39,300	2,500	41,800
Unrestricted	<u>67,653</u>	<u>(19,035)</u>	<u>48,618</u>
Total net position	<u>\$ 1,814,582</u>	<u>84,288</u>	<u>1,898,870</u>

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

TOWN OF LAKEWOOD VILLAGE
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
September 30, 2016

	Business-Type Activities		
	LWV	Rocky Point	Totals
	Utility Fund	Utility Fund	
OPERATING REVENUES			
Water	\$ 143,844	15,760	159,604
Sewer	102,550		102,550
Sanitation	44,562		44,562
Fees and services	19,584		19,584
Other income	<u>5,753</u>	<u>5,318</u>	<u>11,071</u>
Total operating revenues	<u>316,293</u>	<u>21,078</u>	<u>337,371</u>
 OPERATING EXPENSES			
Contract services	126,101	2,400	128,501
Administrative	70,799	1,513	72,312
Repairs and maintenance	38,137		38,137
Miscellaneous	406		406
Garbage collections	41,131		41,131
Depreciation	<u>79,065</u>	<u>2,205</u>	<u>81,270</u>
Total operating expenses	<u>355,639</u>	<u>6,118</u>	<u>361,757</u>
 Operating income (loss)	 <u>(39,346)</u>	 <u>14,960</u>	 <u>(24,386)</u>
 NONOPERATING REVENUES (EXPENSES)			
Interest revenue	997	25	1,022
Interest expense		<u>(90)</u>	<u>(90)</u>
Total nonoperating revenues (expenses)	<u>997</u>	<u>(65)</u>	<u>932</u>
 Income (loss) before transfers	 (38,349)	 14,895	 (23,454)
 Transfers (to)/from other funds	 (38,000)	 6,252	 (31,748)
 Change in net position	 (76,349)	 21,147	 (55,202)
 Net position - beginning	 <u>1,890,931</u>	 <u>63,141</u>	 <u>1,954,072</u>
 Net position - ending	 <u>\$ 1,814,582</u>	 <u>84,288</u>	 <u>1,898,870</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, 2016

	Business-Type Activities		Totals
	LWV Utility Fund	Rocky Point Utility Fund	
Cash flows from operating activities:			
Cash received from customers and users	\$ 324,551	21,158	345,709
Cash payments to suppliers	<u>(255,041)</u>	<u>(3,913)</u>	<u>(258,954)</u>
Net cash provided by operating activities	<u>69,510</u>	<u>17,245</u>	<u>86,755</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	<u>(92,331)</u>	<u>(43,818)</u>	<u>(136,149)</u>
Net cash used by capital and related financing activities	<u>(92,331)</u>	<u>(43,818)</u>	<u>(136,149)</u>
Cash flows from noncapital financing activities:			
Advance proceeds	(20,000)	20,000	
Advance repayments	2,110	(2,110)	
Interest income/expense	90	(90)	
Transfer in/(out)	<u>(38,000)</u>	<u>6,252</u>	<u>(31,748)</u>
Net cash used by noncapital financing activities	<u>(55,800)</u>	<u>24,052</u>	<u>(31,748)</u>
Cash flows from investing activities:			
Interest on deposits and investments	<u>907</u>	<u>25</u>	<u>932</u>
Net cash provided by investing activities	<u>907</u>	<u>25</u>	<u>932</u>
Net increase in cash and cash equivalents	(77,714)	(2,496)	(80,210)
Cash and cash equivalents - beginning	<u>218,353</u>	<u>5,860</u>	<u>224,213</u>
Cash and cash equivalents - ending	<u>\$ 140,639</u>	<u>3,364</u>	<u>144,003</u>

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

Operating income	\$ (39,346)	14,960	(24,386)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	79,065	2,205	81,270
(Increase)/decrease in accounts receivable	5,658	80	5,738
Increase/(decrease) in customer deposits	2,600		2,600
Increase/(decrease) in other payables	21,393		21,393
Increase/(decrease) in sales tax payable	<u>140</u>		<u>140</u>
Total adjustments	<u>108,856</u>	<u>2,285</u>	<u>111,141</u>
Net cash provided by operating activities	<u>\$ 69,510</u>	<u>17,245</u>	<u>86,755</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, 2016

(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, 2016, the amount provided by the MDD to the Rocky Point Proprietary fund totals \$58,431.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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. The EDC was dissolved during the year by vote of the EDC board and the citizens of Lakewood Village. The sales tax previously allocated to the EDC was re-allocated to the General Fund.

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, 2016

-continued-

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The government reports the following proprietary funds:

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

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

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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, 2016

-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, 2016.
- 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, 2016

-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, 2016, 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		7,287	7,287
Debt service	164		164
Committed:			
Assigned:			
Road maintenance	6,459		6,459
Unassigned:	<u>63,055</u>	<u> </u>	<u>63,055</u>
Total fund balances	\$ <u>69,678</u>	<u>7,287</u>	<u>76,965</u>

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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, 2016, the Town's carrying amount of deposits was \$263,686 and the bank balance was \$337,017. Of the bank balance, \$250,000 was covered by federal depository insurance and \$87,017 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.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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, 2016 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	\$ 42				42
Sales taxes	3,842	1,516			5,358
Accounts receivable	—	—	13,464	620	14,084
Total receivables	\$ <u>3,884</u>	<u>1,516</u>	<u>13,464</u>	<u>620</u>	<u>19,484</u>

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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, 2015, upon which the 2015/2016 levy was based, was approximately \$87,956,874. The tax rate for fiscal year 2015/2016 was \$.30 per \$100 of assessed valuation, with \$.25 allocated to maintenance and operation (M&O), and \$.05 allocated to debt service (I&S).

C. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 185,917	3,850	(3,119)	186,648
Buildings & Improvement	63,739			63,739
Furniture & Equipment	33,402	5,655		39,057
Streets	<u>1,900,489</u>	<u>11,000</u>		<u>1,911,489</u>
Totals at historical cost	2,183,547	20,505	(3,119)	2,200,933
Less accumulated depreciation	<u>(119,656)</u>	<u>(74,335)</u>		<u>(193,991)</u>
Governmental activities capital assets, net	\$ <u>2,063,891</u>	<u>(53,830)</u>	<u>(3,119)</u>	<u>2,006,942</u>
Business-type activities:				
LWV Utility:				
Land	\$ 34,892	4,119		39,011
Water systems & improvements	1,387,712	76,403		1,464,115
Sanitation systems & improvements	<u>1,446,142</u>	<u>11,810</u>		<u>1,457,952</u>
Totals at historical cost	2,868,746	92,332		2,961,078
Less accumulated depreciation	<u>(1,174,384)</u>	<u>(79,065)</u>		<u>(1,253,449)</u>
Business-type activities capital assets, net	\$ <u>1,694,362</u>	<u>13,267</u>		<u>1,707,629</u>

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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>45,430</u>	<u>43,818</u>		<u>89,248</u>
Totals at historical cost	64,855	43,818		108,703
Less accumulated depreciation	<u>(5,675)</u>	<u>(2,205)</u>		<u>(7,880)</u>
Component unit capital assets, net	\$ <u>59,210</u>	<u>41,613</u>		<u>100,823</u>

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

Government Activities:

Administration	\$ 5,277
Public works	<u>69,058</u>

Total depreciation expense - government activities \$ 74,335

Business-type activities:

LWV Utility	\$ 79,065
Rocky Point Utility	<u>2,205</u>

Total depreciation expense - business-type activities \$ 81,270

D. Long-term Debt

Note Payable

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 2015 fiscal year the Town Council took action to transfer loan repayment from the MDD to the Rocky Point Utility Fund. On September 30, 2015, the loan was paid in full..

<u>Beginning Balance</u>	<u>Additions</u>		<u>Retirements</u>	<u>Ending Balance</u>
\$ _____	<u>Principal</u>	<u>Interest</u>	<u>(2,200)</u>	<u>17,890</u>
	<u>20,000</u>	<u>90</u>		

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

D. Long-term Debt (continued)

Bonds Payable

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

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

Interest expense for the bond issue was \$27,850 for the year ended September 30, 2016.

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

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
Governmental Activities Certificates of Obligation					
Series 2014, 1.99%, 2015-2024	\$ <u>1,472,000</u>	<u> </u>	<u>(145,000)</u>	<u>1,327,000</u>	<u>149,000</u>
Total governmental activities	\$ <u>1,472,000</u>	<u> </u>	<u>(145,000)</u>	<u>1,327,000</u>	<u>149,000</u>

Debt Service Requirement to Maturity

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

<u>Year Ended</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	149,000	24,925	173,925
2018	154,000	21,910	175,910
2019	158,000	18,806	176,806
2020	163,000	15,612	178,612
2021	168,000	12,318	180,318
2022 - 2024	<u>535,000</u>	<u>16,189</u>	<u>551,189</u>
Total	\$ <u>1,327,000</u>	<u>109,760</u>	<u>1,436,760</u>

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables and Transfers

The composition of the interfund balances as of September 30, 2016 is as follows:

Interfund transfers:

	<u>General Fund</u>	<u>MDD Fund</u>	<u>LWV Utility Fund</u>	<u>Rocky Point Utility Fund</u>	<u>EDC</u>	<u>Total</u>
Transfers In:	\$ 66,573			6,252		72,825
Transfers Out:	<u> </u>	<u>(11,552)</u>	<u>(38,000)</u>	<u> </u>	<u>(23,273)</u>	<u>(72,825)</u>
	<u>\$ (66,573)</u>	<u>(11,552)</u>	<u>(38,000)</u>	<u>6,252</u>	<u>(23,273)</u>	<u> </u>

The transfer from the LWV Utility Fund and Rocky Point Utility Fund were to cover administrative and capital asset costs incurred on behalf of the utility fund. The transfer from the general fund was to cover street construction costs paid from general fund reserves, and the transfer from the EDC was to pay for capital asset additions.

(4) COMMITMENTS AND CONTINGENCIES

Litigation

In 2014, the Town sought a Temporary Restraining order to stop construction on a home site within the Town's Extra Territorial Jurisdiction (ETJ) in order to require permitting and inspections to comply with the Town's building code regulations. The order was upheld by the District Court but later reversed by both the lower Appeals Court and the Texas Supreme Court. As a result, a judgement in the amount of \$80,000 was entered against the Town for the defendant's attorney fees and costs. A current liability in the amount of \$40,000 has been recorded in the General Fund as of September 30, 2016. The remaining \$40,000 is accounted for in the government wide statements as a long term liability.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2016

-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 4, 2017, the date which the financial statements were available to be issued.

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
OPERATING REVENUES				
Water sales, fees and service charges	\$ 328,320	328,320	326,300	(2,020)
Other income	<u>1,000</u>	<u>1,000</u>	<u>11,071</u>	<u>10,071</u>
Total operating revenues	<u>329,320</u>	<u>329,320</u>	<u>337,371</u>	<u>8,051</u>
OPERATING EXPENSES				
Contract services	66,600	66,600	128,501	(61,901)
Administrative	70,345	70,345	72,312	(1,967)
Repairs and maintenance	29,500	29,500	38,137	(8,637)
Miscellaneous	1,000	1,000	406	594
Trash collections	42,000	42,000	41,131	869
Capital improvements	65,165	65,165		65,165
Depreciation			<u>81,270</u>	<u>(81,270)</u>
Total operating expenses	<u>274,610</u>	<u>274,610</u>	<u>361,757</u>	<u>(87,147)</u>
Operating income (loss)	<u>54,710</u>	<u>54,710</u>	<u>(24,386)</u>	<u>(79,096)</u>
NONOPERATING REVENUE (EXPENSE)				
Transfers in/(out)	(38,000)	(38,000)	(31,748)	6,252
Interest income	<u>610</u>	<u>610</u>	<u>932</u>	<u>322</u>
Total nonoperating revenue (expense)	<u>(37,390)</u>	<u>(37,390)</u>	<u>(30,816)</u>	<u>6574</u>
Change in net position	17,320	17,320	(55,202)	(72,522)
Net position - beginning	<u>1,954,072</u>	<u>1,954,072</u>	<u>1,954,072</u>	_____
Net position - ending	\$ <u>1,971,392</u>	<u>1,971,392</u>	<u>1,898,870</u>	<u>(72,522)</u>



MEMORANDUM

TO: Town Council
FROM: Linda Asbell, TRMC, Town Secretary
DATE: February 6, 2017
RE: Agenda Item D.2. – Texas Municipal League Insurance Coverage

Mr. Ryan Burns with TML Risk Pool will attend the council meeting to review and answer questions about insurance coverage carried by the Town.



MEMORANDUM

TO: Town Council
FROM: Linda Asbell, TRMC, Town Secretary
DATE: February 6, 2017
RE: Agenda Item D.3. – Republic Services Contract Amendment

Mr. Rick Bernas with Republic Services will attend the council meeting to review contract terms and answer questions about proposed changes.



MEMORANDUM

TO: Town Council
FROM: Linda Asbell, TRMC, Town Secretary
DATE: February 6, 2017
RE: Agenda Item D.4. – CoServ Power Quality

Mayor Vargus will provide information during the council meeting.



MEMORANDUM

TO: Town Council
FROM: Linda Asbell, TRMC, Town Secretary
DATE: February 6, 2017
RE: Agenda Item D.5. – Discharge of Civil Penalties assessed on 423 Hillside Drive

Mayor Vargus will provide information during the council meeting.



MEMORANDUM

TO: Town Council
FROM: Linda Asbell, TRMC, Town Secretary
DATE: February 6, 2017
RE: Agenda Item D.6. – Replat of 595 Melody

Mayor Vargus will provide information during the council meeting.