



**LAKEWOOD VILLAGE TOWN HALL
100 HIGHRIDGE DRIVE
LAKEWOOD VILLAGE, TEXAS
TOWN COUNCIL MEETING
DECEMBER 14, 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. PUBLIC HEARING: A public hearing is scheduled to provide an opportunity for citizen comment on the proposed impact fee ordinance.

D. CONSENT AGENDA:

1. Ordinance Calling General Election for May 5, 2018 (Asbell)
2. Minutes of November 9, 2017 Council Meeting (Asbell)
3. Depository Services Agreement (Asbell)

E. REGULAR AGENDA:

1. Consideration of Audit of 2016-2017 Fiscal Year, Mr. Wayne Nabors, Nabors CPA Services (Vargus)
2. Consideration of Impact Fee Ordinance (Vargus & Bushong)
3. Discussion of Finance and Audit Committee Ordinance (Shields)
4. Consideration of Request from Neighborhood Watch Committee for Signs (Newsome)

F. 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: §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; (2) §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.; (3) § 551.072 Texas Government Code to wit: deliberations about real property; and (4) § 551.076 Texas Government Code to wit: deliberations regarding security devices

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

H. REPORTS: Reports about items of community interest. No formal action may be taken on these items at this meeting.

I. ADJOURNMENT

I do hereby certify that the above notice of meeting was posted on the designated place for official notice at 4:00 p.m. on Friday, December 8, 2017.

Linda Asbell, TRMC, CMC, 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.



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

**PUBLIC HEARING
DECEMBER 14, 2015 7:00 P.M.**

PUBLIC HEARING NOTICE

NOTICE is hereby given that The Town of Lakewood Village will hold a public hearing to consider the amendment of land use assumptions, capital improvements plan, and imposition of water and wastewater impact fees.

The amount of the proposed maximum assessable water impact fee per service unit is \$6,724.

The amount of the proposed maximum assessable wastewater impact fee per service unit is \$2,788.

Any member of the public has the right to appear at the hearing and present evidence for or against the proposed land use assumptions, capital improvements plan, or proposed water and wastewater impact fees.

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 for further information.

ORDINANCE NO. 17-XX

AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LAKEWOOD VILLAGE, DENTON COUNTY, TEXAS, AUTHORIZING A GENERAL MUNICIPAL ELECTION TO BE HELD ON MAY 5, 2018, FOR THE PURPOSE OF ELECTING ONE MAYOR (PLACE 6) AND ONE TOWN COUNCILMEMBER EACH FOR PLACES 2, AND 4; AUTHORIZING A JOINT ELECTION WITH OTHER DENTON COUNTY POLITICAL SUBDIVISIONS; AUTHORIZING A CONTRACT FOR ELECTION SERVICES WITH DENTON COUNTY; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the general election for the Town of Lakewood Village, as set forth by the Texas Election Code, is required to be held on May 5, 2018, at which time the voters will elect persons to Town Council Places 2, 4, and 6 (Mayor).

WHEREAS, in accordance with § 271.002 of the Texas Election Code, the Town election will be conducted jointly with other political subdivisions of Denton County, Texas; and

WHEREAS, the Town Council of the Town of Lakewood Village finds it to be in the public interest to call the foregoing election and enter into a contract with Denton County to conduct said election jointly with other Denton County government entities.

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

SECTION 1. ELECTION ORDERED

That a general municipal election, is hereby ordered to be held on the 5th day of May, 2018, for the purpose of allowing the qualified voters of the Town of Lakewood Village to elect at-large one Mayor (Place 6), Town Councilmember, Place 2; and one Town Councilmember, Place 4.

SECTION 2. JOINT ELECTION

The election will be conducted jointly with other political subdivisions in Denton County pursuant to Chapters 31 and 271, of the Texas Election Code.

SECTION 3. PRECINCT

The election precinct for said election shall be Denton County Precinct 1048. The polling place shall be Lakewood Village Town Hall, 100 Highridge Drive, Lakewood Village, Texas. Election polls shall open at 7:00 a.m. and close at 7:00 p.m.

SECTION 4. ELECTION OFFICIALS

All election officials shall be the officials appointed to such positions by Denton County and to the extent required by law, are hereby so appointed.

SECTION 5. EARLY VOTING

Early voting by personal appearance shall be held jointly with other Denton County public entities. Hours of the early voting by personal appearance shall be determined by Denton County and reflected in the Joint Election contract. The Denton County Election Administrator is hereby appointed to serve as the Early Voting Clerk. Applications for ballot by mail shall be mailed to:

Denton County Elections
Frank Phillips, Early Voting Clerk
P.O. Box 1720
Denton, TX 76202

Applications for ballots by mail must be received no later than the close of business on Tuesday, April 24, 2018.

SECTION 6. RUNOFF

Should a runoff election be required following the canvass of the May 5, 2018, election for any of the offices to be elected in the foregoing election, the Council hereby orders that a runoff election be held on a date determined by Denton County and reflected in the Joint Election contract.

SECTION 7: AUTHORIZATION

The Town Secretary is hereby authorized to negotiate and execute a contract for a joint election and election services with Denton County. The Town Secretary is hereby authorized to take any and all actions necessary to comply with the provisions of the Texas Election Code and any other state or federal law in carrying out and conducting the elections, whether or not expressly authorized herein.

SECTION 8: EFFECTIVE DATE

This ordinance shall be effective immediately upon adoption.

DULY PASSED AND APPROVED BY THE TOWN COUNCIL OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS, on this 14th day of December, 2017.

Dr. Mark E. Vargus
Mayor

ATTESTED:

Linda Asbell, TRMC
Town Secretary

LAKEWOOD VILLAGE TOWN COUNCIL

COUNCIL MEETING

NOVEMBER 9, 2017

Council Members:

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

Town Staff:

Linda Asbell, TRMC, CMC, 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 7:05 p.m. on Thursday, November 9, 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

MAYORAL STATEMENT:

(Agenda Item B)

Mayor Vargus gave a statement regarding meeting decorum. Mayor Vargus reported that in 2007 the then Mayor received an attorney opinion stating that the law makes no provision for citizens to speak during a council meeting, the law only provides for citizens ability to speak during public hearings. The presiding officer can, however, allow for public comments. Mayor Vargus would like to engage citizens but the running commentary from the audience during the council meetings has become distracting. The council meets once per month and has limited time to accomplish tasks. Mayor Vargus reported that the council will follow the standard protocol used in other cities. Citizens will be allowed to speak for 3 minutes during public comments portion of the agenda about anything and during public hearings following the speaker protocol. Mayor Vargus stated that he is a professor and is used to engaging his students, the audience, but he will do a better job of facilitating the meetings so the council can get business accomplished and stay on point.

VISITOR/CITIZENS FORUM:

(Agenda Item C)

No one requested to speak.

PUBLIC HEARING:

(Agenda Item D)

A public hearing was held to provide an opportunity for citizens to comment on the proposed fence ordinance. Mayor Vargus reported that several years ago he and Councilman Bushong discussed holding a public hearing on any ordinance that has a penalty. Mayor Vargus opened the public hearing at 7:08 p.m. Mayor Vargus invited questions from the audience. No one requested to speak.

MOTION: Upon a motion made by Councilman Bushong and seconded by Councilman Newsome, council voted five (5) “ayes”, no (0) “nays” to close the public hearing at 7:08 pm. *The motion carried.*

PUBLIC HEARING:

(Agenda Item E)

A public hearing was held to provide an opportunity for citizens to comment on the proposed variance request for garage size and garage door setback at 418 Hillside Drive. Mayor Vargus opened the public hearing at 7:08 p.m. No one requested to speak.

MOTION: Upon a motion made by Councilman Bushong and seconded by Mayor Pro-Tem Ed Reed, council voted five (5) “ayes”, no (0) “nays” to close the public hearing at 7:09 pm. *The motion carried.*

CONSENT AGENDA:

(Agenda Item F)

1. Engagement of Nabors CPA for Audit Services (Asbell)
2. Replat of 206 Highridge Drive (Asbell)
3. Minutes of October 12, 2017 Council Meeting (Asbell)

There was some discussion on a silent or non-vote being counted as an affirmative or “aye” vote.

MOTION: Upon a motion made by Councilman Bushong and seconded by Councilwoman Shields, council voted five (5) “ayes”, no (0) “nays” to approve the consent agenda items as presented. *The motion carried.*

REGULAR AGENDA:

(Agenda Item G)

**Councilmember's Related Party Disclosures
– Required for Audit (Vargus)**

(Agenda Item G.1)

Town Secretary Linda Asbell distributed the disclosures. Mayor Vargus requested council complete the disclosures and returned them to Secretary Asbell before the end of the meeting.

**Variance Request for Garage Size and
Garage Door Setback, 418 Hillside Drive
(Asbell)**

(Agenda Item G.2)

Mayor Vargus introduced Mike Baalman, owner of 418 Hillside Drive. Mayor Vargus reported the lot size of 418 Hillside Drive is one-sixth of an acre and narrows significantly toward the back of the lot. Mr. Baalman reported that he cannot meet the requirements of zoning due to lot size. There was some discussion about the setback requirements for flatwork, as well as the side entry garage being slightly smaller than the minimum requirement. Mayor Vargus stated that he appreciates Mr. Baalman designing the house to have a side-entry garage in spite of the small and irregularly shaped lot.

MOTION: Upon a motion made by Councilman Bushong and seconded by Councilman Newsome, council voted five (5) “ayes”, no (0) “nays” to approve a variance for garage size, garage door, and to allow the driveway to be placed no closer than one-foot off the property line. *The motion carried.*

Consideration of Fence Ordinance (Vargus)

(Agenda Item G.3)

Mayor Vargus reported that he incorporated Councilman Bushong’s recommendation to include a requirement that only new materials may be used. Council discussed adding “ornamental iron” to permitted materials. Mayor Vargus reported that the allowance for privacy fence for waterfront lots has been removed.

MOTION: Upon a motion made by Councilman Bushong and seconded by Councilwoman Shields, council voted four (4) “ayes”, one (1) “nays” (Tantalo) to approve the fence ordinance as discussed, adding “ornamental iron” to Section 3.1. *The motion carried.*

Discussion of Impact Fee Report (Bushong)

(Agenda Item G.4)

Councilman Bushong reported that Mr. Darrell West provided the committee comments to the council last month. Councilman Bushong reviewed the next steps for adopting the amended impact fees. Councilman Tantalo stated that he reviewed the notes of the council meeting July 13th the impact fees were proposed to be amended to cover the inclusion of the wells. Councilman Tantalo stated that it looks like the report has been completely rewritten. Councilman Tantalo stated that he asked the engineer for the net effect to the town and the engineer did not provide that information. Councilman Tantalo stated he wants to know why the impact fees were rewritten. Mayor Vargus explained there are two ways to calculate impact fees; one option is to include on-site equipment the other option is to exclude the on-site equipment. The previous impact fees were calculated with an inclusion of the on-site equipment. The Town Attorney reported that the town does not have to participate in the on-site equipment. The impact fees were recalculated to exclude the on-site equipment which will reduce the amount of burden to the tax payers of Lakewood Village. There was some discussion about the authorization of the tasking of the engineer and remaining funds available on the task to cover the amendment of the impact fees. There was some discussion about the budget and the reason the impact fees were amended.

**Consideration of Authorizing Expenditures
for Road Repairs (Newsome)**

(Agenda Item G.5)

Mayor Vargus stated that there should be no more delays. There is some concern about the price of paving increasing in the near future due to the hurricane damage repairs beginning in south Texas. Mayor Vargus reported that the town has a good history with Walt's Paving. Councilman Tantalo asked how much money was in the budget and, if the sales tax money was moved out of the account and returned to the Municipal Development District. There was some discussion about.....

MOTION: A motion was made by Councilman Bushong to authorize \$25,000 with a 10% contingency.

There was some discussion about paving services provided by a different vendor. Councilman Newsome reviewed an overlay product that was quoted at a 43% higher rate than Walt's Paving. Councilwoman Shields stated that she wants the company to come out and verify the work was completed correctly.

RETURN TO MOTION: Upon a motion made by Councilman Bushong and seconded by Councilwoman Shields, council voted four (4) "ayes", one (1) "nays" (Tantalo) to authorize \$25,000 with a 10% contingency for Walt's Paving to complete asphalt road repairs. *The motion carried.*

**Consideration of 2017-2018 Capital
Improvements Projects (Vargus)**

(Agenda Item G.6)

Mayor Vargus reviewed the capital improvement projects previously discussed by council. Mayor Vargus reported that CoServ is currently replacing leaning and rotting poles and cleaning the lights in The Shores. There was some discussion about necessary improvements to the Carrie Lane lift station, and moving of equipment at the sewer plant to get ready for expansion. Mayor Vargus reported that the front door of town hall needs to be replaced to be compliant with accessibility requirements for a public building, and reported that drainage improvements are necessary at Peninsula and Shoreline. There was some discussion about a basketball half-court at Witt Park and fencing around the park at Town Hall. There was some discussion about asking for volunteers to install a vinyl three-rail fence around the park. Councilman Tantalo asked if multiple vendors have been contacted to ask for competitive pricing. There was some discussion about the legal requirements for bidding projects. Mayor Vargus reported on the status of the fire hydrant project. Mayor Vargus reported on the previous cost of repairs to the Stowe Lift station. There was some discussion about selection of contractors for projects. Councilman Tantalo requested completely project plans be provided. Mayor Pro-Tem Reed stated that larger cities have staff to prepare reports and prepare project plans, Lakewood Village needs the flexibility to handle projects differently due to the size of the town. Councilman Tantalo reported that vendors can provide the plans. Mayor Vargus reported that he presents numbers that are an educated guess for do-not-exceed costs. If, during the project, the costs get close to the do-not-exceed number Mayor Vargus will place the issue before council again. Mayor Vargus requested a motion to approve the capital projects as presented.

MOTION: Upon a motion made by Mayor Pro-Tem Reed and seconded by Councilman Bushong, council voted three (3) “ayes”, two (2) “nays” (Tantalo, Shields) to approve the capital improvement as presented. *The motion carried.*

**Consideration of 2016-2017 Budget
Amendment (Vargus)**

(Agenda Item G.7)

Mayor Vargus reported that the auditor does not focus on individual lines he looks at categories. Mayor Vargus reported that many of the lines in the budget are there for internal tracking purposes. Mayor Vargus reviewed General Fund revenues and expenses. Councilman Tantalo stated that law requires strict compliance with the budget. There was some discussion about budget line reimbursements. There was some discussion about using different formatting for budgets. Mayor Vargus reviewed Utility Fund revenues and expenses. Councilman Tantalo asked about spending over budget. Mayor Vargus reviewed the capital improvement expenditures and unanticipated expenditures due to equipment failures (clarifier, blower motor, lift station). Councilman Tantalo stated that the council should not approve a budget amendment

**LAKWOOD VILLAGE TOWN COUNCIL
REGULAR SESSION
NOVEMBER 9, 2017**

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after going over budget. There was some discussion about when the financials are officially closed for the fiscal year.

MOTION: Upon a motion made by Councilman Bushong and seconded by Mayor Pro-Tem Reed, council voted three (3) “ayes”, two (0) “nays” (Tantalo, Shields) to approve the budget amendment as presented. *The motion carried.*

EXECUTIVE SESSION:

(Agenda Item H)

No executive session was held

RECONVENE:

(Agenda Item I)

COUNCIL AND STAFF COMMENTS

(Agenda Item J)

Councilwoman Shields reported that she and Councilman Bushong met with the City of Corinth finance director. The Finance Committee meeting was cancelled so they were able to meet one-on-one with the Finance Director. Shields will be following up with her to take advantage of some of the information provided.

Councilwoman Shields reported that the parks committee met on October 30th. The parks committee would like to partner with Mike Baalman when his foundation is poured at 418 Hillside to take advantage of pricing. Councilwoman Shields reported that the parks committee will be receiving quotes on pricing for hoops, lighting, and concrete and will bring that information to council.

Mayor Pro-Tem Reed, reported that Sheryl France has volunteered to help with the Dark Skies initiative. Mayor Pro-Tem Reed and Ms. France met and discussed possibility of partnering on the initiative. Mayor Pro-Tem Reed reported he is attempting to set up a meeting with the University of North Texas Astronomy Professor and has planned to contact Texas Women’s University. CoServ has provided some information about vendor who can provide lighting compliant with Dark Skies. Mayor Pro-Tem Reed reported on the number of poles straightened, and lighting fixtures repaired.

Councilman Newsome, reported on the very successful Halloween Hayride. This year had more children participate than in any previous year. Councilman Newsome thanked everyone that helped.

**LAKWOOD VILLAGE TOWN COUNCIL
REGULAR SESSION
NOVEMBER 9, 2017**

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Summer Alvis, reported that she often gets calls from CoServ for locates and she can provide that information to Mayor Pro-Tem Reed so he knows when they are in town.

Town Secretary Asbell reported that Christmas at Town Hall will be December 10th from 3pm – 5pm

Town Secretary Asbell reported that the Town Appreciation Dinner, will be held December 16th at 6PM. Invitations will be sent out to all volunteers who served on boards, contractors, and others who provided service to the town

ADJOURNMENT

(Agenda Item I)

MOTION: Upon a motion made by Councilman Bushong and seconded by Councilwoman Shields council voted five (5) “ayes” and no (0) “nays” to adjourn the Regular Meeting of the Lakewood Village Town Council at 8:50 p.m. on Thursday, November 9, 2017. The motion carried.

These minutes approved by the Lakewood Village Town Council on the 14th day of December 2017.

APPROVED

Ed Reed
MAYOR PRO-TEM

ATTEST:

Linda Asbell, TRMC, CMC
TOWN SECRETARY

Town of Lakewood Village

Depository Agreement

PointBank is pleased to offer banking services to the Town of Lakewood Village in accord with the Request for Proposal for a five year depository services agreement to begin January 1, 2018 through December 31, 2022 with a two year fixed rate of 1.02%. We can administratively review the rate in two years to see if it is appropriate to change it, either up or down.

Town of Lakewood Village

PointBank

Signature



Signature

Printed Name/Title

J. Raymond David, Sr., CEO

Printed Name/Title

III. REQUIRED FINANCIAL INSTITUTION INFORMATION

Please find the audited financial statements of Pilot Point Bancorp, Inc. and PointBank.

PointBank Hours of Operation:

Lobby Hours

9:00 AM – 4:00 PM Monday-Thursday

9:00 AM – 6:00 PM Friday

9:00 AM – 12:00 PM Saturday

Drive-thru Hours

7:30 AM – 6:00 PM Monday-Friday

9:00 AM – 1:00 PM Saturday

Accessibility of Night Depository Services

Located in each Drive-thru and available 24 hours per day

IV. REQUIRED BANKING SERVICES

A. Account Structure

PointBank will provide a statement for each account which will include the daily balance and detail of each transaction as of the last day of each month for the accounts indicated in the RFP at no cost to the Town of Lakewood Village.

B. Online Banking

PointBank will provide Online Banking services to include internet access for each account to include current and available balances and detailed reporting for each transaction at no cost to the Town of Lakewood Village. See Attached Samples.

C. Investment of Idle Funds and Safekeeping of Town Securities

PointBank accepts that all certificates of deposit bought by the Town will be bought on a competitive basis and that the Town has no obligation to invest its funds with or through PointBank.

D. Standard Disbursing Services

PointBank agrees to pay all checks upon presentation at no cost to the Town of Lakewood Village.

E. Standard Deposit Services

PointBank will provide immediate credit on all incoming wire transfers and U.S. Treasury checks upon receipt and all other checks based on PointBank's published availability schedule at no cost to the Town of Lakewood.

PointBank will accept deposits during regular banking in our lobbies as well as extended hours within our Drive-thru's.

Additionally, if more convenient for the Town of Lakewood, Night Deposit Services are available at each of PointBank's convenient banking locations.

F. Reporting and Account Analysis

PointBank will provide Account Analysis statements for each Town of Lakewood account on a timely basis should you request within four business days of the next month. PointBank is bidding for the services of the Town of Lakewood at no cost so the Analysis will ultimately show no cost to the Town of Lakewood.

G. Account Executive

PointBank will assign Joshua Youngblood to the relationship of the Town of Lakewood. Joshua is located at the Little Elm branch of PointBank.

H. Overdraft, Stop Payments, and Charge-back Provisions

PointBank will provide Overdraft Protection and Stop Payment Services at a fee of \$30.00 per item. Should an item deposited by the Town of Lakewood be returned, PointBank will charge a \$5.00 Charge-Back fee.

I. Collateralization of Deposits

PointBank will pledge bonds, to be held by an independent third party safekeeping institution, sufficient to cover a minimum of 102% of all anticipated time and demand deposits for the Town of Lakewood. PointBank will utilize The Independent Bankers Bank in Dallas, Texas. All substitutions of collateral will be approved by the Town of Lakewood prior to execution.

J. Check Capture Services

PointBank will provide the necessary equipment and software for the Town of Lakewood to transmit electronic checks to PointBank in accordance with the Check 21 Act at no cost to the Town of Lakewood.

K. Other Services

PointBank will provide additional services as needed by the Town of Lakewood. A Services and Fees Schedule has been provided for your convenience and consideration.

TOWN OF LAKEWOOD VILLAGE, TEXAS

Financial Statements
(With Auditor's Report Thereon)

September 30, 2017

TOWN OF LAKEWOOD VILLAGE
Annual Financial Report
For the Year Ended September 30, 2017

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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, 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

DRAFT

December 5, 2017

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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, 2017.

Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$2,778,604 (net position). Of this amount \$203,430, (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 \$209,447, an increase of \$132,482 in comparison with the prior year. Of this balance, \$167,597 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 63 percent of general fund expenditures, and 63 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 6:1, based on the current assets of \$253,848 and current liabilities of \$44,401.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Lakewood Village's basic financial statements. The Town of Lakewood Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Lakewood Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Lakewood Village's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Lakewood Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 17-21 of this report.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-38 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Lakewood Village, assets exceed liabilities by \$2,778,604 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 253,848	125,352	104,630	158,087	358,478	283,170
Capital Assets	<u>1,874,577</u>	<u>2,006,942</u>	<u>1,825,015</u>	<u>1,808,452</u>	<u>3,699,592</u>	<u>3,815,394</u>
Total assets	<u>2,128,425</u>	<u>2,132,294</u>	<u>1,929,645</u>	<u>1,966,539</u>	<u>4,058,070</u>	<u>4,098,564</u>
Long-term liabilities	1,178,000	1,327,000			1,178,000	1,327,000
Other liabilities	43,720	88,345	57,746	67,669	101,466	150,745
Total liabilities	<u>1,221,720</u>	<u>1,415,345</u>	<u>57,746</u>	<u>67,669</u>	<u>1,279,466</u>	<u>1,477,745</u>
Net position:						
Invested in capital assets						
net of related debt	696,577	679,942	1,825,015	1,808,452	2,521,592	2,488,394
Restricted	10,782	7,451		41,800	10,782	49,251
Unrestricted	<u>199,346</u>	<u>29,556</u>	<u>46,884</u>	<u>48,618</u>	<u>246,230</u>	<u>78,174</u>
Total net position	\$ <u>906,705</u>	<u>716,949</u>	<u>1,871,899</u>	<u>1,898,870</u>	<u>2,778,604</u>	<u>2,615,819</u>

Governmental Activities:

- During the year revenues increased by \$40,462 (9%), primarily due to property tax, sales tax, and lien receipts.
- Expenses for the year decreased by \$213,178 (40%), primarily due to legal fees and street improvements.

Business-type Activities:

- Charges for services increased by \$1,443 (0.4%) during the year primarily due to water sales, while expenses decreased by \$30,721 (8.5%), due primarily to engineering and repairs and maintenance.

TOWN OF LAKEWOOD VILLAGE - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 52,379	54,109	327,743	326,300	380,122	380,409
General revenues:						
Property taxes	267,219	251,633			267,219	251,633
Other taxes	101,321	97,422			101,321	97,422
Other	<u>26,604</u>	<u>10,208</u>	<u>6,560</u>	<u>12,003</u>	<u>33,164</u>	<u>22,211</u>
Total revenues	447,523	413,372	334,303	338,303	781,826	751,675
Expenses:						
General government	235,018	400,633			235,018	400,633
Public safety	24,900	38,100			24,900	38,100
Public works	40,218	71,656			40,218	71,656
Interest	24,925	27,850			24,925	27,850
Water & sewer			<u>331,036</u>	<u>361,757</u>	<u>331,036</u>	<u>361,757</u>
Total expenses	325,061	538,239	331,036	361,757	656,097	899,996
Increase in net position before other transfers	122,462	(124,867)	3,267	(23,454)	125,729	(148,321)
Transfers	30,238	55,021	(30,238)	(31,748)		23,273
Gain/(loss) on disposal of capital assets	<u>37,056</u>	<u>5,962</u>			<u>37,056</u>	<u>5,962</u>
Increase/(decrease) in net position	189,756	(63,884)	(26,971)	(55,202)	162,785	(119,086)
Net position - beginning	<u>716,949</u>	<u>780,833</u>	<u>1,898,870</u>	<u>1,954,072</u>	<u>2,615,819</u>	<u>2,734,905</u>
Net position - ending	\$ <u>906,705</u>	<u>716,949</u>	<u>1,871,899</u>	<u>1,898,870</u>	<u>2,778,604</u>	<u>2,615,819</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 \$209,447, an increase of \$132,482 from the prior year. Of the current combined ending fund balance, \$167,597 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 \$46,884. The total decrease in unrestricted net position of the Enterprise Funds was \$1,734. 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 \$17,135, and expenditures were more than budgetary estimates by \$3,757. The budget had called for a \$113,894 increase in fund balance, however, more than budgeted revenues resulted in \$133,169 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 2017, amounts to \$3,699,592 (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:

- Drainage improvements totaling \$9,604 were added to the general fund.
- System and improvements, land, and equipment totaling \$103,320 were added to the LWV Utility Fund.

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

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

Additional information on the Town of Lakewood Village long-term debt can be found in Note 3.D. on pages 35-36 of this report.

Cash Flow and Historical Trends

General Fund

In 2014 the Town issued \$1,600,000 in ten year certificates of obligation, with the first principle and interest payment due in fiscal 2015. The debt-servicing required based on 2015 tax-roles was \$0.21 per \$100 of assessed value. The Town adopted a debt servicing rate of only \$0.05, reduced discretionary spending and chose to use the budgeted operating surplus and reserves to pay the remaining balance. The long-term goal of the Town was to reduce expenses while organically growing revenues sufficient to offset the use of reserves.

Debt Servicing Payments and Operating Surplus

	<u>2015 Audit</u>	<u>2017 Audit</u>
Revenues:		
Total	\$ <u>376,469</u>	<u>428,692</u>
Expenses:		
General government	(167,876)	(158,884)
Public safety	(28,750)	(24,900)
Public works	(43,452)	(40,218)
Parks & playground		(2,588)
Capital improvements		<u>(12,624)</u>
Income before bond payment	<u>136,391</u>	<u>189,478</u>
Bonds:		
Principle payment	(128,000)	(149,000)
Interest payment	(38,084)	(24,925)
Surplus (deficit) after bond payment	<u>(29,693)</u>	<u>15,553</u>
General fund CASH - unrestricted	\$ <u><u>177,416</u></u>	<u><u>238,562</u></u>

As the table above shows, in 2015, after the Town reduced discretionary spending on parks and deferred all capital expenditures, \$29,693 of reserves were needed to make the bond payment. In the current year, we resumed expenditures for our parks and capital improvements. Despite increasing bond payments, we are now adding to our surplus due to our growth in revenues and reduced expenses. The General Fund cash balance has increased relative to 2015 and we expect the surplus and cash balances to continue to increase in the future.

Utility Fund

In conjunction with the planning and engineering of the new roads, in 2014 the Town invested significant resources in replacing and upsizing water mains in the affected area. The Town also embarked on a multi-year commitment to bring the town's infrastructure up to modern fire-fighting standards. This project resulted in a three-fold increase in the number of fire-hydrants, and a five-fold increase in our pumping capacity. In 2016-2017, the town added a new ground storage tank and hydro-pneumatic pressure tank which significantly increased our distribution system. As the Table shows, since 2014 the Town has invested almost on-half million dollars in system improvements, which exceeds our operating cash flow, resulting in a planned draw-down in our capital reserves.

Utility Fund Cash Flow and CAPX

	<u>2014</u>	<u>Audit Reports</u> <u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Operating Cash Flow	\$ 123,684	161,666	69,510	60,512	415,372
Capital Improvements	\$ (250,630)	(43,760)	(92,331)	(103,320)	(490,041)

In 2016 and 2017 our operating cash flow significantly declined from it's long-term trend. Some of this decline is temporary due to spending on impact fees and associated well feasibility study and the unusual occurrence of multiple complex sewer repairs. However, some of the decline is likely structural due to new maintenance routines for both water and sewer infrastructure (e.g. quarterly cleaning of sewer lines, lift stations, exercising hydrants and valves, etc.). The near term-goal is to increase our capital reserves. The level of capital expenditures is planned to decrease in fiscal 2018 resulting in an increase in our cash balances. In addition, although the timing is uncertain some of our spending on capital improvements and engineering will ultimately be recoverable from developers through our impact fee regime.

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. Given our attractive location, we expect increased developer attention in Lakewood Village as the FM720/Eldorado Parkway construction in Little Elm is completed.

As discussed previously, after significant capital improvements in 2017, the Town plans to primarily build reserves during fiscal 2018 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, operating surplus, cash flows, and our conservative budgeting approach, there will likely be no change in the maintenance and operations (M&O) tax rate. Fiscal 2018 will mark the 37th consecutive year the Town's M&O 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 Position

September 30, 2017

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 238,562	39,869	278,431
Cash and equivalents - restricted	9,657	42,800	52,457
Receivables (Net of allowance for uncollectibles):			
Property taxes	681		681
Sales taxes	3,608		3,608
Accounts receivable		12,357	12,357
Noncurrent assets:			
Due from other funds	1,340	9,604	10,944
Capital assets (net of accumulated depreciation):			
Land	118,225	73,475	191,700
Furniture and equipment	10,849	5,061	15,910
Buildings, systems and improvements	32,268	1,740,139	1,772,407
Streets	1,713,235		1,713,235
Construction in progress	<u> </u>	<u>6,340</u>	<u>6,340</u>
Total assets	<u>2,128,425</u>	<u>1,929,645</u>	<u>4,058,070</u>
 LIABILITIES			
Deposits payable		42,800	42,800
Other payables	43,720	4,002	47,722
Noncurrent liabilities:			
Due to other funds		10,944	10,944
Bonds payable:			
Due within one year	154,000		154,000
Due in more than one year	<u>1,024,000</u>	<u> </u>	<u>1,024,000</u>
Total liabilities	<u>1,221,720</u>	<u>57,746</u>	<u>1,279,466</u>
 NET POSITION			
Invested in capital assets, net of related debt	696,577	1,825,015	2,521,592
Restricted	10,782		10,782
Unrestricted	<u>199,346</u>	<u>46,884</u>	<u>246,230</u>
Total net position	<u>\$ 906,705</u>	<u>1,871,899</u>	<u>2,778,604</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, 2017

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	\$ 235,018	52,379		
Public safety	24,900			
Public works	40,218			
Interest	<u>24,925</u>			
Total governmental activities	<u>325,061</u>	<u>52,379</u>		
Business-type activities				
Water and sewer	<u>331,036</u>	<u>327,743</u>		
Total business-type activities	<u>331,036</u>	<u>327,743</u>		
Total primary government	<u>\$ 656,097</u>	<u>380,122</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

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(182,639)		(182,639)
(24,900)		(24,900)
(40,218)		(40,218)
<u>(24,925)</u>		<u>(24,925)</u>
<u>(272,682)</u>		<u>(272,682)</u>
	<u>(3,293)</u>	<u>(3,293)</u>
	<u>(3,293)</u>	<u>(3,293)</u>
		<u>(275,975)</u>
267,219		267,219
36,028		36,028
65,293		65,293
23,434		23,434
465	342	807
2,705	6,218	8,923
37,056		37,056
<u>30,238</u>	<u>(30,238)</u>	<u> </u>
<u>462,438</u>	<u>(23,678)</u>	<u>438,760</u>
189,756	(26,971)	162,785
<u>716,949</u>	<u>1,898,870</u>	<u>2,615,819</u>
<u>\$ 906,705</u>	<u>1,871,899</u>	<u>2,778,604</u>

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

TOWN OF LAKEWOOD VILLAGE

Balance Sheet

Government Funds

September 30, 2017

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 238,562		238,562
Cash and cash equivalents - restricted	1,162	8,495	9,657
Due from other funds	1,340		1,340
Receivables (net of allowance for uncollectibles):			
Property taxes	681		681
Sales taxes	<u>2,483</u>	<u>1,125</u>	<u>3,608</u>
Total assets	<u>\$ 244,228</u>	<u>9,620</u>	<u>253,848</u>
 LIABILITIES & FUND BALANCES			
Liabilities:			
Deferred revenue	\$ 681		681
Other liabilities	<u>43,720</u>		<u>43,720</u>
Total liabilities	<u>44,401</u>		<u>44,401</u>
Fund balances:			
Restricted	1,162	9,620	10,782
Assigned:	31,068		31,068
Unassigned	<u>167,597</u>	<u> </u>	<u>167,597</u>
Total fund balance	<u>199,827</u>	<u>9,620</u>	<u>209,447</u>
Total liabilities & fund balances	<u>\$ 244,228</u>	<u>9,620</u>	<u>253,848</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, 2017

Total Fund Balances - Governmental Funds \$ 209,447

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 \$2,200,933, the accumulated depreciation was \$(193,991), and gain on disposal of capital assets was \$37,056. Proceeds of \$(108,499) 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 \$(1,327,000), 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.

608,499

Current year capital outlays of \$12,624 and long-term debt principal payments of \$149,000 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.

161,624

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

(73,546)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing \$681 of deferred revenue as revenue.

681

Net Position of Governmental Activities **\$ 906,705**

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, 2017

	<u>General Funds</u>	<u>Municipal Development District</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes			
Property	\$ 266,580		266,580
Franchise	36,028		36,028
Sales	47,101	18,192	65,293
Fines and forfeitures	23,434		23,434
Licenses and permits	43,406		43,406
Fees and service charges	8,973		8,973
Interest	465		465
Miscellaneous	<u>2,705</u>		<u>2,705</u>
Total revenues	<u>428,692</u>	<u>18,192</u>	<u>446,884</u>
 EXPENDITURES			
General government	161,472		161,472
Public safety	24,900		24,900
Public works	40,218		40,218
Capital outlay	12,624		12,624
Debt service:			
Principal	149,000		149,000
Interest and fiscal charges	<u>24,925</u>		<u>24,925</u>
Total expenditures	<u>413,139</u>		<u>413,139</u>
Excess/(deficiency) of revenues over expenditures	<u>15,553</u>	<u>18,192</u>	<u>33,745</u>
 OTHER FINANCING SOURCES AND USES			
Proceeds from sale of capital assets	108,499		108,499
Insurance proceeds	27,053		27,053
Casualty expenditures	(27,053)		(27,053)
Court settlement	(40,000)		(40,000)
Transfers (to)/from other funds	<u>46,097</u>	<u>(15,859)</u>	<u>30,238</u>
Total other financing sources	<u>114,596</u>	<u>(15,859)</u>	<u>98,737</u>
Net change in fund balances	130,149	2,333	132,482
Fund balance, beginning	<u>69,678</u>	<u>7,287</u>	<u>76,965</u>
Fund balance, ending	<u>\$ 199,827</u>	<u>9,620</u>	<u>209,447</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, 2017

Total Net Change in Fund Balances - Governmental Funds \$ 132,482

Current year capital outlays of \$12,624 and long-term debt principal payments of \$149,000, 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.

161,624

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 \$37,056 legal liabilities of \$40,000, and depreciation of \$(73,546) are not recognized as an expense in governmental funds since they do not require the use of current resources. Also, proceeds of \$(108,499) 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.

(104,989)

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

639

Changes in Net Position of Governmental Activities **\$ 189,756**

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property	\$ 262,600	266,580	266,580	
Franchise	32,000	27,584	27,584	
Sales	30,000	38,672	47,101	8,429
Fines and forfeitures	2,000	23,808	23,434	(374)
Licenses and permits	37,700	44,681	43,406	(1,275)
Fees and service charges	6,100	6,750	17,417	10,667
Interest	500	459	465	6
Miscellaneous	<u>2,500</u>	<u>3,023</u>	<u>2,705</u>	<u>(318)</u>
Total revenues	<u>373,400</u>	<u>411,557</u>	<u>428,692</u>	<u>17,135</u>
EXPENDITURES				
General government	135,875	153,087	161,472	(8,385)
Public safety	30,000	24,900	24,900	
Public works	37,500	46,081	40,218	5,863
Capital outlay		8,369	12,624	(4,255)
Debt service:				
Principal	149,000	149,000	149,000	
Interest	<u>24,925</u>	<u>24,925</u>	<u>24,925</u>	
Total expenditures	<u>377,300</u>	<u>406,362</u>	<u>413,139</u>	<u>(6,777)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,900)</u>	<u>5,195</u>	<u>15,553</u>	<u>10,358</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets		108,499	108,499	
Insurance proceeds		27,053	27,053	
Casualty expenditures		(27,053)	(27,053)	
Court settlement		(40,000)	(40,000)	
Transfers (to)/from other funds	<u>41,000</u>	<u>40,200</u>	<u>46,097</u>	<u>5,897</u>
Total other financing sources	<u>41,000</u>	<u>108,699</u>	<u>114,596</u>	<u>5,897</u>
Net change in fund balances	37,100	113,894	130,149	16,255
Fund balance, beginning	<u>69,678</u>	<u>69,678</u>	<u>69,678</u>	
Fund balance, ending	<u>\$ 106,778</u>	<u>183,572</u>	<u>199,827</u>	<u>16,255</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, 2017

	<u>Business-Type Activities</u>		
	<u>LWV Utility Fund</u>	<u>Rocky Point Utility Fund</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 38,275	1,594	39,869
Cash and cash equivalents - restricted	40,300	2,500	42,800
Accounts receivable (net of allowance for uncollectibles)	<u>11,472</u>	<u>885</u>	<u>12,357</u>
Total current assets	<u>90,047</u>	<u>4,979</u>	<u>95,026</u>
Noncurrent assets:			
Due from other funds	9,604		9,604
Capital assets:			
Land	57,553	15,922	73,475
Equipment	5,824		5,824
Water systems and improvements	1,510,521	89,248	1,599,769
Sanitation systems and improvements	1,484,160		1,484,160
Buildings and improvements		3,533	3,533
Construction in progress	6,340		6,340
Less: Accumulated depreciation	<u>(1,337,158)</u>	<u>(10,928)</u>	<u>(1,348,086)</u>
Total noncurrent assets	<u>1,736,844</u>	<u>97,775</u>	<u>1,834,619</u>
Total assets	<u>\$ 1,826,891</u>	<u>102,754</u>	<u>1,929,645</u>
LIABILITIES			
Current liabilities:			
Customer deposits	\$ 40,300	2,500	42,800
Other payables	3,873	129	4,002
Due to other funds	<u>10,944</u>		<u>10,944</u>
Total current liabilities	<u>55,117</u>	<u>2,629</u>	<u>57,746</u>
Total liabilities	<u>55,117</u>	<u>2,629</u>	<u>57,746</u>
NET POSITION			
Invested in capital assets, net of related debt	1,727,240	97,775	1,825,015
Unrestricted	<u>44,534</u>	<u>2,350</u>	<u>46,884</u>
Total net position	<u>\$ 1,771,774</u>	<u>100,125</u>	<u>1,871,899</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, 2017

	Business-Type Activities		
	LWV	Rocky Point	Totals
	Utility Fund	Utility Fund	
OPERATING REVENUES			
Water	\$ 146,713	16,977	163,690
Sewer	103,063		103,063
Sanitation	45,123		45,123
Fees and services	15,867		15,867
Other income	<u>5,264</u>	<u>954</u>	<u>6,218</u>
Total operating revenues	<u>316,030</u>	<u>17,931</u>	<u>333,961</u>
 OPERATING EXPENSES			
Contract services	55,463	2,400	57,863
Administrative	79,490	2,804	82,294
Repairs and maintenance	60,858	842	61,700
Miscellaneous	882	250	1,132
Garbage collections	41,291		41,291
Depreciation	<u>83,708</u>	<u>3,048</u>	<u>86,756</u>
Total operating expenses	<u>321,692</u>	<u>9,344</u>	<u>331,036</u>
 Operating income (loss)	<u>(5,662)</u>	<u>8,587</u>	<u>2,925</u>
 NONOPERATING REVENUES (EXPENSES)			
Interest revenue	315	27	342
Interest expense	<u>529</u>	<u>(529)</u>	<u>342</u>
Total nonoperating revenues (expenses)	<u>844</u>	<u>(502)</u>	<u>342</u>
 Income (loss) before transfers	(4,818)	8,085	3,267
 Transfers (to)/from other funds	(37,990)	7,752	(30,238)
 Change in net position	(42,808)	15,837	(26,971)
 Net position - beginning	<u>1,814,582</u>	<u>84,288</u>	<u>1,898,870</u>
 Net position - ending	<u>\$ 1,771,774</u>	<u>100,125</u>	<u>1,871,899</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, 2017

	Business-Type Activities		Totals
	LWV Utility Fund	Rocky Point Utility Fund	
Cash flows from operating activities:			
Cash received from customers and users	\$ 319,022	17,666	336,688
Cash payments to suppliers	<u>(258,510)</u>	<u>(6,296)</u>	<u>(264,806)</u>
Net cash provided by operating activities	<u>60,512</u>	<u>11,370</u>	<u>71,882</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	<u>(103,320)</u>	_____	<u>(103,320)</u>
Net cash used by capital and related financing activities	<u>(103,320)</u>	_____	<u>(103,320)</u>
Cash flows from noncapital financing activities:			
Advance repayments	17,890	(17,890)	
Interest income/expense	529	(529)	
Transfer in/(out)	<u>(37,990)</u>	<u>7,752</u>	<u>(30,238)</u>
Net cash used by noncapital financing activities	<u>(19,571)</u>	<u>(10,667)</u>	<u>(30,238)</u>
Cash flows from investing activities:			
Interest on deposits and investments	<u>315</u>	<u>27</u>	<u>342</u>
Net cash provided by investing activities	<u>315</u>	<u>27</u>	<u>342</u>
Net increase in cash and cash equivalents	(62,064)	730	(61,334)
Cash and cash equivalents - beginning	<u>140,639</u>	<u>3,364</u>	<u>144,003</u>
Cash and cash equivalents - ending	<u>\$ 78,575</u>	<u>4,094</u>	<u>82,669</u>
Reconciliation of Net Income to Net Cash Provided/(Used) by Operating Activities			
Operating income	\$ (5,662)	8,587	2,925
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	83,708	3,048	86,756
(Increase)/decrease in accounts receivable	1,992	(265)	1,727
(Increase)/decrease in other receivables	(9,604)		(9,604)
Increase/(decrease) in customer deposits	1,000		1,000
Increase/(decrease) in other payables	(10,085)		(10,085)
Increase/(decrease) in sales tax payable	<u>(837)</u>	_____	<u>(837)</u>
Total adjustments	<u>66,174</u>	<u>2,783</u>	<u>68,957</u>
Net cash provided by operating activities	<u>\$ 60,512</u>	<u>11,370</u>	<u>71,882</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, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. **Reporting Entity**

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

Blended Component Unit. The Lakewood Village Municipal Development District (MDD) is a political subdivision of the State of Texas and the Town, established by the voters in 2009 for the purposes of promoting economic development within the Town as prescribed by Chapter 377 of the Texas Local Government Code. The MDD is presented as a governmental fund type. The fund is supported by a one-half cent sales tax which is currently used in full to fund the cost of construction of infrastructure, other capital asset acquisition, and debt service related to the Rocky Point proprietary fund. As of September 30, 2017, the amount provided by the MDD to the Rocky Point Proprietary fund totals \$77,014.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. 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.

B. 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, 2017

-continued-

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following proprietary funds:

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

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

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. 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.

C. Assets, liabilities, and net position or equity

1. Deposits

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

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-continued-

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

C. 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

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-continued-

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

C. 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, 2017.
- 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.

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-continued-

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. 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, 2017, 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		9,620	9,620
Debt service	1,162		1,162
Committed:			
Assigned:			
Road maintenance	31,068		31,068
Unassigned:	<u>167,597</u>	<u> </u>	<u>167,597</u>
Total fund balances	<u>\$ 199,827</u>	<u>9,620</u>	<u>209,447</u>

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

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(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, 2017, the Town's carrying amount of deposits was \$330,888 and the bank balance was \$353,372. Of the bank balance, \$250,000 was covered by federal depository insurance and \$103,372 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, 2017

-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, 2017 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	\$ 681				681
Sales taxes	2,483	1,125			3,608
Accounts receivable	—	—	11,472	885	12,357
Total receivables	\$ <u>3,164</u>	<u>1,125</u>	<u>11,472</u>	<u>885</u>	<u>16,646</u>

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TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-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, 2016, upon which the 2016/2017 levy was based, was approximately \$88,860,000. The tax rate for fiscal year 2016/2017 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, 2017 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental activities:				
Land	\$ 186,648	3,020	(71,443)	118,225
Buildings & Improvement	63,739			63,739
Furniture & Equipment	39,057			39,057
Streets	<u>1,911,489</u>	<u>9,604</u>		<u>1,921,093</u>
Totals at historical cost	2,200,933	12,624	(71,443)	2,142,114
Less accumulated depreciation	<u>(193,991)</u>	<u>(73,546)</u>		<u>(267,537)</u>
Governmental activities capital assets, net	<u>\$ 2,006,942</u>	<u>(60,922)</u>	<u>(71,443)</u>	<u>1,874,577</u>
Business-type activities:				
LWV Utility:				
Land	\$ 39,011	18,542		57,553
Equipment		5,824		5,824
Water systems & improvements	1,464,115	46,406		1,510,521
Sanitation systems & improvements	1,457,952	26,208		1,484,160
Construction in progress		<u>6,340</u>		<u>6,340</u>
Totals at historical cost	2,961,078	103,320		3,064,398
Less accumulated depreciation	<u>(1,253,449)</u>	<u>(83,709)</u>		<u>(1,337,158)</u>
Business-type activities capital assets, net	<u>\$ 1,707,629</u>	<u>19,611</u>		<u>1,727,240</u>

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-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 \$24,925 for the year ended September 30, 2017.

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>1,327,000</u>	_____	(149,000)	<u>1,178,000</u>	<u>154,000</u>
Total governmental activities	\$ <u>1,327,000</u>	=====	<u>(149,000)</u>	<u>1,178,000</u>	<u>154,000</u>

Debt Service Requirement to Maturity

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

Year <u>Ended</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	173,000	8,925	181,925
2023 - 2024	<u>362,000</u>	<u>7,264</u>	<u>369,264</u>
Total	\$ <u>1,178,000</u>	<u>84,835</u>	<u>1,262,835</u>

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-continued-

(3) DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables and Transfers

The composition of the interfund balances as of September 30, 2017 is as follows:

Interfund transfers:

	<u>General Fund</u>	<u>MDD Fund</u>	LWV <u>Utility Fund</u>	Rocky Point <u>Utility Fund</u>	<u>Total</u>
Transfers In:	\$ 46,097			7,752	53,849
Transfers Out:	_____	(15,859)	(37,990)	_____	(53,849)
	<u>\$ 46,097</u>	<u>(15,859)</u>	<u>(37,990)</u>	<u>7,752</u>	=====

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

(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. The judgement was to be paid half each in fiscal years 2016 and 2017. A current liability in the amount of \$40,000 has been recorded in the General Fund as of September 30, 2017.

-continued-

TOWN OF LAKEWOOD VILLAGE

Notes to the Financial Statements

September 30, 2017

-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 December 5, 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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive Negative <u>(Negative)</u>
OPERATING REVENUES				
Water sales, fees and service charges	\$ 333,315	343,604	327,743	(15,861)
Other income	<u>1,000</u>	<u>1,983</u>	<u>6,218</u>	<u>4,235</u>
Total operating revenues	<u>334,315</u>	<u>345,587</u>	<u>333,961</u>	<u>(11,626)</u>
OPERATING EXPENSES				
Contract services	46,160	45,277	57,863	(12,586)
Administrative	72,095	73,793	82,294	(8,501)
Repairs and maintenance	36,300	79,021	61,700	17,321
Miscellaneous	1,000	882	1,132	(250)
Trash collections	42,000	41,291	41,291	
Capital improvements	110,000	137,388		137,388
Depreciation			<u>86,756</u>	<u>(86,756)</u>
Total operating expenses	<u>307,555</u>	<u>377,652</u>	<u>331,036</u>	<u>46,616</u>
Operating income (loss)	<u>26,760</u>	<u>(32,065)</u>	<u>2,925</u>	<u>34,990</u>
NONOPERATING REVENUE (EXPENSE)				
Transfers in/(out)	(38,000)	(36,000)	(30,238)	5,762
Interest income	<u>1,010</u>	<u>917</u>	<u>342</u>	<u>(575)</u>
Total nonoperating revenue (expense)	<u>(36,990)</u>	<u>(35,083)</u>	<u>(29,896)</u>	<u>5,187</u>
Change in net position	(10,230)	(67,148)	(26,971)	40,177
Net position - beginning	<u>1,898,870</u>	<u>1,898,870</u>	<u>1,898,870</u>	_____
Net position - ending	\$ <u>1,888,640</u>	<u>1,831,722</u>	<u>1,871,899</u>	<u>40,177</u>

**TOWN OF LAKEWOOD VILLAGE
ORDINANCE NO. 17-XX**

AN ORDINANCE OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS, UPDATING AND REVISING WATER AND WASTEWATER CAPITAL IMPROVEMENTS PLAN, LAND USE ASSUMPTIONS, AND IMPACT FEES, DEFINING TERMS, REQUIRING AN IMPACT FEE AND PROVIDING FOR EXCEPTIONS; CALCULATING FEES, PROVIDING FOR CREDITS; PROVIDING FOR ACCOUNTING FOR FEES AND INTEREST; PROVIDING FOR REFUNDS; PROVIDING FOR APPEALS; REPEALING CONFLICTING ORDINANCES, PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, in 1987 the Texas Legislature adopted Senate Bill 336, subsequently amended and adopted as Chapter 395 of the Local Government Code authorizing impact fees for water and wastewater facilities; and

WHEREAS, the Capital Improvement Advisory Committee of the Town of Lakewood Village (“CIAC”), created pursuant to Sec. 395.058, Tex. Loc. Gov’t Code, filed its written comments on the proposed amendments to the Capital Improvements Plan, Land Use Assumptions, and to the Water and Wastewater Impact Fees before the fifth (5th) business day before the date of the public hearing on the adoption of the amendments to the Capital Improvements Plan, Land Use Assumptions, and Water and Wastewater Impact Fee; and

WHEREAS, as required by Section 395.054, Tex. Loc. Gov’t Code, the Town Council conducted a public hearing on December 14, 2017 on the adoption of amendments to the Capital Improvements Plan, Land Use Assumptions, and Water and Wastewater Impact Fees in which any member of the public had the right to appear at the hearing and present evidence for or against the plan and proposed fee; and

WHEREAS, the Town Council desires to adopt the amendments to the Capital Improvements Plan, Land Use Assumptions, and Water and Wastewater Impact Fees and related administrative process as herein described and finds that it is in the best interest of the citizens of the Town of Lakewood Village;

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

Section 1. Purpose.

This ordinance is adopted pursuant to the provisions of Chapter 395 of the Texas Local Government Code, as amended, as well as under the authority of Article XI, Section 5 of the Texas Constitution. This ordinance implements a policy of the Town to impose fees on each new development project to pay the costs of constructing capital improvements and facility expansions necessary to serve new development.

Section 2. Definitions

- (1) Advisory Committee (also referred to as Impact Fee Advisory Committee). The Town's Planning and Zoning Commission, together with such ad hoc representatives as may be appointed from time to time, to fulfill the composition mandated by Tex. Loc. Gov't Code sec. 395.058
- (2) Assessment. The determination of the amount of the maximum impact fee per service unit which can be imposed on new development pursuant to Schedule 1 of this ordinance.
- (3) Capital improvement. Either a water facility or facility expansion, or a wastewater facility or facility expansion, with a life expectancy of three or more years, to be owned and operated by or on behalf of the Town.
- (4) Capital improvements plan. Either water improvements or wastewater improvements adopted or revised under this ordinance, See "Impact fee capital improvements plan".
- (5) Town. Town of Lakewood Village, Denton County, Texas.
- (6) Collection. The receipt of impact fees by the Town from a property owner in accordance with Schedule 2 of this ordinance.
- (7) Credit. The amount of the reduction of an impact fee for fees, payments, or charges for the same type of capital improvements for which the impact fee has been assessed.
- (8) Facility expansion. The expansion of either a water facility or a wastewater facility.
- (9) Final plat approval or approval of a final plat. The point at which the applicant has complied with all the conditions of approval required within the Town's Subdivision Ordinance and the plat has been released for filing with the Denton County Clerk.
- (10) Final plat recordation. The point at which the applicant has complied with all conditions precedent to recording an approved final plat in the county, including any infrastructure or other improvements required by the Subdivision Ordinance, Subdivision Regulations or any other ordinance.
- (11) Impact fee. A charge or assessment imposed against new development in order to generate revenue for funding or recovering the costs of capital improvements or facility expansions necessitated by and attributable to new development. The term includes amortized charges, lump sum charges, capital recovery fees, contributions in aid of construction, and any other fee that functions as described by this definition. The term does not include:
 - (a) Dedication of rights-of-way or easements, or the construction or dedication of on-site or off-site water distribution, wastewater collection or drainage facilities, or streets, sidewalks, or curbs if the dedication or construction is required by a valid ordinance and is necessitated by and attributable to the new development;

- (b) Lot or acreage fees or pro-rata fees to be placed in trust funds for the purpose of reimbursing developers for constructing or over-sizing water or wastewater mains or lines; or
- (c) Other pro rata fees for reimbursement of water or wastewater mains or lines extended by the Town.

(12) Impact fee capital improvements plan. Either a water improvements plan or a wastewater improvements plan adopted or revised pursuant to this ordinance. Impact fee capital improvements plan may refer either to the plan for a particular service or to the aggregation of capital improvements or facilities expansions and the associated costs programmed for all service area for a particular category of capital improvements or facilities expansions.

(13) Land use assumptions. A description of the service area and projections of changes in land uses, densities, intensities, and population in the service area over at least a ten-year period which has been adopted by the Town, as may be amended from time to time, and upon which the capital improvements plan is based.

(14) Land use equivalency table. A table converting the demands for capital improvements generated by various land uses to numbers of service as may be amended from time to time. The land use equivalency table may be incorporated in a schedule of impact fee rates.

(15) New development. A project involving the construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure, or any use or extension of land, which has the effect of increasing the requirements for capital improvements or facility expansions, measured by the number of service units to be generated by such activity, and which requires either the approval and filing with the County in which the property is located of a plat pursuant to the Town's subdivision regulations or the issuance of a building permit, or connection to the Town's water or wastewater system, and which has not been exempted from these regulations by provisions herein.

(16) Offset. The amount of the reduction of an impact fee designed to fairly reflect the value of system facilities provided by a developer, pursuant to rules herein established or council-approved administrative guidelines pursuant to the Town's Subdivision Ordinance, Subdivision Regulations or requirements.

(17) Plat. The term defined in the Town's Subdivision Ordinance, Subdivision Regulations. Plat includes Minor Plat Replat, Amended Plat.

(18) Recoupment. The imposition of an impact fee to reimburse the Town for capital improvements which the Town has previously oversized to serve new development and which have been included in the applicable capital improvements plan.

(19) Service area. The entire area within the corporate limits and extraterritorial jurisdiction of the Town, within which impact fees for water or wastewater improvements or facility expansions may be collected for new development occurring within such area and within which fees so collected

will be expended for those types of improvements or expansions identified in the capital improvements plan applicable to the service area.

(20) Service unit. A living unit equivalent based upon a 5/8" x 3/4" displacement type water meter, which serves as the standardized measure of consumption, use or generation attributable to the new unit of development.

(21) Sit-related facility. An improvement or facility which is for the primary use or benefit of a new development and/or which is for the primary purpose of safe and adequate provision of water or wastewater facilities to serve the new development, and which is not included in the capital improvements plans for such facilities and for which the developer or property owner is solely responsible under subdivision or other applicable development regulations.

(22) System facility. A water or a wastewater facility or facility expansion which is designated in the capital improvements plan for that type of facility, and which is not a site-related facility. System facility may include a capital improvement which is located offsite or within or on the perimeter of the development site.

(23) Wastewater facility. A wastewater interceptor or main, lift station, treatment facility or other facility included within and comprising an integral component of the Town's collection and transmission system for wastewater. Wastewater facility includes land, easements or structures associated with such facilities. Wastewater facility excludes a site-related facility.

(24) Wastewater facility expansion. The expansion of the capacity of any existing wastewater improvement for the purpose of serving new development but does not include the repair, maintenance, modernization or expansion of an existing wastewater facility to serve existing development.

(25) Wastewater capital improvements plan. The adopted plan, as may be amended from time to time, which identifies the wastewater facilities or wastewater facility expansions and their associated costs which are necessitated by and which are attributable to new development, for a period not to exceed 10 years, and which are to be financed in whole or in part through the imposition of impact fees for wastewater facilities pursuant to this Ordinance.

(26) Water facility. A water transmission line or main, pump station, storage tank, water supply facility, treatment facility or other facility included within and comprising an integral component of the Town's water storage or distribution system. Water facility includes land, easements or structures associated with such facilities. Water facility excludes site-related facilities.

(27) Water facility expansion. The expansion of the capacity of any existing water facility for the purpose of serving new development but does not include the repair, maintenance, modernization or expansion of an existing water facility to serve existing development.

(28) Water capital improvements plan. The adopted plan, as may be amended from time to time, which identifies the water facilities or water facility expansions and their associated costs which are necessitated by and which are attributable to new development, for a period not to exceed 10 years,

and which are to be financed in whole or in part through the imposition of impact fees for water facilities pursuant to this Ordinance.

Section 3. Applicability

A. The provisions of this ordinance apply to all new, non-exempt development within the corporate boundaries or extraterritorial jurisdiction of the Town located within a service area.

B. No final plat for new development shall be approved within the service area without assessment of an impact fee pursuant to this Ordinance. No final plat for single family or duplex residential development shall be approved nor shall a building permit be issued or utility connection be made for other types of new development until the property owner has paid the impact fee stated in schedule 2 of this ordinance.

Section 4. Calculation of Maximum Impact Fees

Maximum impact fees per service unit shall be established for each service area for each type of capital improvement. The maximum impact fee per service unit for each service area shall be computed in the following manner:

- (1) Calculate the total projected costs of capital improvements necessitated by and attributable to new development in the service area identified in the capital improvements plan ("CIP Costs");
- (2) From such amount, subtract a credit equal to fifty percent (50%) of the amount determined in subsection (1); alternatively, subtract a credit equal to that portion of ad valorem tax revenues, if any, to be generated by new service units during the period the capital improvements plan is in effect, including the payment of debt, associated with the improvements in the plan from the amount determined in subsection (1) ("Credits").
- (3) Divide the resultant amount by the total number of service units ("Service Units) anticipated within the service area, based upon the land use assumptions for that service area.
- (4) The formula for calculating the maximum impact fee per service unit described by subsections (1) through (3) may be expressed as:
$$\text{(Total CIP Costs - Total Credits) / Total Service Units}$$

Section 5. Use of Proceeds from Impact Fees

A. Impact fees and the interest earned thereon for each service area may be used to finance or to recoup the costs of any capital improvements or facility expansions identified in the capital improvements plan for the service area, including but not limited to the construction contract price, surveying and engineering fees, and land acquisition costs (including land purchases, court awards and

costs, attorney's fees, and expert witness fees). Impact fees may also be used to pay the principal sum and interest and other finance costs on bonds, notes or other obligations issued by or on behalf of the Town to finance such capital improvements or facility expansions. Impact fees also may be used to pay fees actually contracted to be paid to an independent qualified engineer or financial consultant for preparation of or updating the capital improvements plan.

B. Impact fees collected pursuant to this Ordinance shall not be used to pay for any of the following expenses:

- (1) construction, acquisition or expansion of capital improvements or assets other than those identified in the applicable capital improvements plan;
- (2) repair, operation, or maintenance of existing capital improvements or facility expansions;
- (3) upgrade, expansion or replacement of existing capital improvements to serve existing development in order to meet stricter safety, efficiency, environmental or regulatory standards;
- (4) upgrade, expansion, or replacement of existing capital improvements to provide better service to existing development; provided, however, that impact fees may be used to pay the costs of upgrading, expanding or replacing existing capital improvements in order to meet the need for new capital improvements generated by new development; or
- (5) administrative and operating costs of the Town.

Section 6. Accounting for Fees and Interest.

A. All impact fees collected shall be deposited in interest-bearing accounts clearly identifying the category of capital improvements or facility expansions within the service area for which the fee is adopted.

B. Interest earned will be credited to the account and is subject to the same restrictions on expenditures under section 5 as the funds generating such interest.

C. The records of the accounts into which impact fees are deposited shall be open for public inspection and copying during ordinary business hours consistent with the Public Information Act,

Section 7 Use of Other Financing Mechanisms

A. The Town may finance water and wastewater improvements or facility expansions designated in the applicable capital improvements plan through the issuance of bonds or through any

other authorized mechanism, in such manner and subject to such limitations as may be provided by law, in addition to the use of impact fees.

B, Except as herein otherwise provided, the assessment and collection of an impact fee shall be additional and supplemental to, and not in substitution of, any other tax, fee, charge or assessment which is lawfully imposed on and due against the property.

C. The Town Council may decide that the Town may credit or offset all or a part of impact fees due for a new development pursuant to duly adopted criteria. Any such action shall be in accordance applicable procedures in an open meeting.

Section 8. Impact Fee as Additional and Supplemental Regulation

A. Impact fees established by these regulations are additional and supplemental to, and not in substitution of, any other requirements imposed by the Town on the development of land or the issuance of building permits or certificates of occupancy. Such fee is intended to be consistent with and to further the policies of Town's comprehensive land use plan, the capital improvements plan, the zoning ordinance, subdivision regulations and other Town policies, ordinances and resolutions by which the Town seeks to ensure the provision of adequate public facilities in conjunction with the development of land.

B. This ordinance shall not affect, in any manner, the permissible use of property, density of development, design, and improvement standards and requirements, or any other aspect of the development of land or provision of public improvements subject to the Zoning Ordinance, Subdivision Ordinance, Subdivision Ordinance, Regulations or other regulations of the Town, which shall be operative and remain in full force and effect without limitation with respect to all such development.

C. The maximum impact fee assessed per service unit for water or wastewater facilities, as set forth in Schedules 1 and as may be amended from time to time, hereby is declared to be an approximate and appropriate measure of the impacts generated by a new unit of development on the Town's water or wastewater system.

Section 9. Assessment and Collection Schedules for Impact Fees

The amount of the impact fees to be assessed per service unit shall be as set forth in Schedule 1. The amount of the impact fees which are to be collected per service unit shall be as set forth in Schedule 2. Schedules 1 and 2 may be amended from time to time utilizing the amendment procedure set forth in Section 13 of this ordinance.

Section 10. Assessment of Impact Fees

Assessment of impact fees for any new development shall occur in accordance with the provisions of Section 395.016 of the Texas Local Government Code, as it exists or as amended.

Section 11 Collection of Impact Fees

A. Impact fees shall be collected at the time the Town issues a building permit for a new development within the corporate limits of the Town, or at the time of application for an individual meter connection to the water or wastewater system, for land outside Town limits, unless a different time is provided for in an agreement for capital improvements pursuant to subsection (C).

B. The number of service units for a new development shall be determined by using the Land Use Equivalency Table. In determining the number of service units, the following rules shall apply:

- (1) Each new freestanding building requires a new water meter, except as provided in subsection (2).
- (2) Where a site is redeveloped (clearance and reconstruction), no new service units will be attributed to such redevelopment, provided that the water meter is of the same size as the development previously occupying the site. If the meter size is increased, the number of new service units will be based upon the increase in capacity of the meter.
- (3) Existing buildings or land uses may be expanded using existing meter service. No service units will be attributed to such development if the water meter size remains the same. If the meter size is increased, the number of service units will be based upon the increase in capacity of the meter.
- (4) In determining the number of service units for wastewater impact fees, no service units will be attributed to irrigation meters.
- (5) If a new development does not require a water meter for water or wastewater service, or does not generate the need for water or wastewater services, no service will be attributable to the development.

C. The impact fees to be collected per service unit for a new development shall be the amount listed in Schedule 2. The Town may enter into an agreement with a developer for a different time and manner of payment of impact fees, in which case the agreement shall determine the time and manner of payment.

D. The Town shall compute the impact fees for a new development in the following manner:

- (1) The amount of each impact fee shall be determined by multiplying the number of service units generated by the new development by the impact fee per service unit for the service area using Schedule 2. The number of service units shall be determined by using the land equivalency table below. For single-family residential developments, each irrigation meter shall be counted as additional service unit(s) at the appropriate size.

Land Use Equivalency Table for Water & Wastewater Impact Fees

WATER METER SIZE	SERVICE UNIT EQUIVALENT
5/8"x3/4" PD	1.0
3/4" PD	1.5
1" PD	2.5
1 1/2" PD	5
2" PD	8
2" Compound	8
2" Turbine	16
3" Compound	17.5
3" Turbine	35
4" Compound	30
4" Turbine	65
6" Compound	67.5
6" Turbine	140
8" Compound	90
8" Turbine	240
10" Turbine	350

**PD = Positive Displacement Meter (typical residential meter)*

***Operating capacities obtained from American Water Works Association (AWWA) C700-15, C701-15, and C702-15. Turbine and Compound meter flows are based on Class II (in-line) meters.*

- (2) The amount of each impact fee shall be reduced by any allowable credits for that category of capital improvements, in the manner provided in Section 12.
- (3) The total amount of the impact fees for the new development shall be attached to the development application as a condition of approval.
- (4) The amount of each impact fee for a new development shall not exceed an amount computed by multiplying the fee assessed per service unit pursuant to Section 10 under Schedule I by the number of service units generated by the development.

- (5) Whenever the property owner proposes to increase the number of service units for a development, the additional impact fees collected for such new service units shall be determined by using Schedule 2 then in effect, and such additional fee shall be collected at the times prescribed by this section.

E, Impact fees may be assessed but not collected for property where service is not available unless:

- (1) The Town commits to commence construction of necessary facilities identified in the capital improvements plan within two years and have service available in five years; or
- (2) The Town agrees in writing to permit the owner of the property to construct or finance the capital improvement or facility expansion and agrees that the costs incurred or funds advanced will either:
 - (a) be credited against the impact fees otherwise due from new development; or
 - (b) reimburse thru a pro rata agreement to the owner for such costs from impact fees paid from other new developments that will use such capital improvements of facility expansions, in which case fees shall be reimbursed to the owner at the time collected as other new development plats are recorded; or
 - (c) the owner voluntarily requests that the Town reserve capacity to serve future development and enters into a valid written agreement,

Section 12. Credits Against Impact Fees

A. The Town shall credit the contribution of land, improvements or funding for construction of any system facility that is required or agreed to by the Town, pursuant to rules established in this section or pursuant to administrative guidelines promulgated by the Town. The credit shall be associated with the plat or other detailed plan of development for the property that is to be served by the facility.

B. Master planned projects, including subdivisions containing multiple phases may apply for credits against impact fees for the entire project based upon contributions of land, improvements or funds toward construction of system facilities, or other capital improvements supplying excess capacity. The credit determination shall be incorporated within an agreement for credits, in accordance with subsection (F).

C. All credits against impact fees shall be based upon standards promulgated by the Town, which may be adopted as administrative guidelines, including the following standards:

- (1) No credit shall be given for the dedication or construction of site-related facilities.
- (2) The unit costs used to calculate offsets and credits may be those assumed for the water or wastewater improvements included in the applicable capital improvements plan, or other costs used by the Town in the ordinary course of administering its capital facilities agreements and contracts.
- (3) In no event will the Town grant a credit against impact fees due for a category of capital improvements when no impact fees can be collected pursuant to this Ordinance, or for any amount exceeding the total impact fees due for the development for the same type of improvement, unless expressly agreed to by the Town Council in writing.
- (4) In no event will the Town grant credit against impact fees due for a category of capital improvements based upon contributions of a different category of capital improvements.
- (5) The Town may participate in the costs of a system improvement to be dedicated to the Town, including costs that exceed the amount of the impact fees due for the development, in accordance with policies and rules established by the Town. The amount of any credit for construction of a system facility shall be reduced by the amount of any participation funds received from the Town.

D. Credits for construction of improvements shall be deemed created when the improvements are completed and the Town has accepted the facility. Notwithstanding any other agreements, credits created shall expire 10 years from the date the credit was created. Upon application by the property owner, the Town may agree to extend the expiration date for the credit on mutually agreeable terms.

E. Unless an agreement for credits under subsection (F) is executed providing for a different manner of applying credits against impact fees due, a credit associated with a plat shall be applied at the time of application for the first building permit, or, for land outside the Town, for each utility connection, and, at each application for a building permit or utility connection thereafter, to reduce impact fees due until the credit is exhausted.

F. An owner of a new development who has constructed or financed a capital improvement or facility expansion designated in the applicable capital improvements plan, or other capital improvement that supplies excess capacity, as required or authorized by the Town, shall enter into an agreement with the Town to provide for credits against impact fees due for the development.

The agreement shall identify the basis for, the method for computing and the amount of the credit due and any reduction in credits attributable to consumption of capacity by developed lots or tracts served by the capital improvements. For multi-phased projects, the Town may require that total credits be proportionally allocated among the phases. If authorized by the Town, the agreement also may provide

for allocation of credits among new developments within the project, and provisions for the timing and collection of impact fees.

Section 13. Updates to Plans and Revision of Fees

A. The Town shall update its land use assumptions and capital improvements plans at least every five (5) years, commencing from the date of adoption of such plans, and shall recalculate the impact fees based thereon in accordance with the procedures set forth in Texas Local Government Code, Ch. 395, or in any successor statute.

B. The Town may review its land use assumptions, impact fees, capital improvements plans and other factors such as market conditions more frequently than provided in subsection (A) to determine whether the land use assumptions and capital improvements plans should be updated and the impact fees recalculated accordingly, utilizing statutory update procedures.

C. Schedule 2 may be amended without revising land use assumptions and capital improvements plans at any time prior to the update provided for in subsection (A), provided that the impact fees to be collected under Schedule 2 do not exceed the impact fees assessed under Schedule 1. Public notice and hearing is required to amend Schedule 2 in accordance with the procedure for amending impact fees set forth in Texas Local Government Code, Ch. 395, or in any successor statute.

D. If, at the time an update is required pursuant to subsection (A), the Town Council determines that no change to the land use assumptions, capital improvements plans or impact fees are needed, it may dispense with such update by following the procedures in Texas Local Government Code, Section 395.0575 or successor statute.

Section 14. Refunds

A. Upon application, any impact fee or portion thereof collected pursuant to these regulations, which has not been expended within the service area or any other obligations expressly provided for in section 5 of this ordinance, within ten (10) years from the date of payment, shall be refunded to the record owner of the property for which the impact fee was paid or, if the impact fee was paid by another governmental entity, to such governmental entity, together with interest calculated from the date of collection to the date of refund at the statutory rate as set forth in Section 302.002 Texas Finance Code, or its successor statute. The application for refund pursuant to this section shall be submitted within sixty (60) days after the expiration of the ten-year period for expenditure of the fee. An impact fee shall be considered expended on a first-in, first out basis.

B. An impact fee collected pursuant to these regulations shall also be considered expended if the total expenditures for capital improvements or facility expansions authorized within the service area within ten (10) years following the date of payment exceeds the total fees collected within the service area for such improvements or expansions during such period.

C. If a refund is due pursuant to subsections (A) or (B), the Town shall divide the difference between the amount of expenditures and the amount of the fees collected by the total

number of service units assumed within the service area for the period to determine the refund due per service unit. The refund to the record owner shall be calculated by multiplying the refund due per service unit by the number of service units for the development for which the fee was paid, and interest due shall be calculated upon that amount.

D. If the building permit for a new development for which an impact fee has been paid has expired, and a modified or new application has not been filed within six (6) months of such expiration, the Town shall, upon written application, rebate the amount of the impact fee to the record owner of the property for which the impact fee was paid. If no application for rebate pursuant to this subsection has been filed within this period, no rebate shall become due.

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Section 15. Appeals

A. The property owner or applicant for new development may appeal the following administrative decisions to the Town Council.

- (1) the applicability of an impact fee to the development;
- (2) the amount of the impact fee due;
- (3) the availability of, the amount of, or the expiration of a credit;
- (4) the amount of the impact fee in proportion to the benefit received by the new development; or
- (5) the amount of a refund due, if any.

B. The burden of proof shall be on the appellant to demonstrate that relief should be granted by the Town.

C. The appellant must file a written notice of appeal with the Town Council within thirty (30) days following the decision appealed from. The Town Council may resolve the appeal, if the appellant agrees with the Council's decision, or refer the matter to the Town Council for decision with his recommendation, if the appellant requests Council review. If Council review is requested, the Town Secretary shall schedule a public hearing at which the appellant may present testimony and evidence before the Town Council, The Council shall act on the appeal within 90 days of receipt of the notice of appeal by the Town.

D. If the notice of appeal is accompanied by a payment in an amount equal to the original determination of the impact fee due, the Town shall process and may issue a building permit if other requirements are met while the appeal is pending,

E. Any person who has paid an impact fee or an owner of land upon which an impact fee has been paid may petition the Town Council to determine whether any duty required by this ordinance has not been performed within the time so prescribed. The petition shall be in writing and shall state the nature of the unperformed duty and request that the duty be performed within sixty days of the request. If the Town Council determines that the duty is required pursuant to the ordinance and is late in being performed, it shall cause the duty to commence within sixty (60) days of the date of the request and to continue until completion. This subsection is not applicable to matters which may be appealed pursuant to subsection (A).

Section 16. Waivers and Exemptions

Pursuant to Texas Local Government Code, Section 395.022, as amended, a school district is not required to pay impact fees imposed under this ordinance unless the board of trustees of the district

consents to the payment of the fees by entering a contract with the Town imposing the fees, unless the statute is amended to allow such imposition.

Section 17. Water Facilities Land Use Assumptions and Service Area

A. The land use assumptions and service area for water facilities as recommended by the Impact Fee Advisory Committee are hereby adopted and are incorporated by reference herein.

B. The land use assumptions for water facilities and the boundaries of the water facilities service area may be amended from time to time or new land use assumptions for water facilities or water facilities service areas may be designated, pursuant to the procedures in Section 13,

Section 18. Water Capital Improvements Plan

A. The Water Capital Improvements Plan as recommended by the Impact Fee Advisory Committee is hereby adopted and is incorporated by reference herein.

B. The Water Capital Improvements Plan may be amended from time to time, pursuant to the procedures in Section 13.

Section 19. Wastewater Facilities Land Use Assumptions and Service Area

A. The land use assumptions and service area for wastewater facilities as recommended by the Impact Fee Advisory Committee are hereby adopted and are incorporated by reference herein.

B. The land use assumptions for wastewater facilities and the boundaries of the wastewater facilities service area may be amended from time to time, or new land use assumptions for wastewater facilities or wastewater facilities service areas may be designated, pursuant to the procedures in Section 13.

Section 20. Wastewater Capital Improvements Plan

A. The Wastewater Capital Improvements Plan as recommended by the Impact Fee Advisory Committee is hereby adopted and is incorporated by reference herein.

B. The Wastewater Improvements Plan may be amended from time to time, pursuant to the procedures in Section 13.

Section 21. Water and Wastewater Impact Fees

A. The maximum impact fees per service unit for water and wastewater facilities are hereby adopted and incorporated in Schedule I as hereinafter set forth as an Appendix to this ordinance.

B. The impact fees per service unit for water and wastewater facilities, which are to be collected for each new development, are hereby adopted and incorporated in Schedule 2 as hereinafter set forth as an Appendix to this ordinance.

C. The impact fees per service unit for water and/or wastewater facilities may be amended from time to time, pursuant to the procedures in Section 13.

Section 22. Fees For Existing Development

A. If any existing development within the benefit area presently utilizes a water well, a septic tank or an individual waste disposal system and the property owner requests to be connected to the Town's water or wastewater system, the customer shall pay the fee prescribed by Section 11 to connection to such system.

B. If the property owner or any existing development with the benefit area requests enlargement of a water meter presently serving the development and no new development is to occur on the property, the owner shall pay the fee prescribed by Section 21 for the increase in size of the capacity of the meter prior to installation of the enlarged meter.

Section 23. Severability Clause

If any section, paragraph, or provision of this ordinance or the application of that section, paragraph, or provision to any person, firm, corporation or situation is for any reason judged invalid, the adjudication shall not affect any other section, paragraph, or provision of this ordinance or the application of any other section, paragraph or provision to any other person, firm, corporation or situation, nor shall adjudication affect any other section, paragraph, or provision of the Subdivision Regulations of the Town of Lakewood Village, Texas, and the Town Council declares that it would have adopted the valid portions and applications of the ordinance without the invalid parts and to this end the provisions for this ordinance are declared to be severable.

Section 24. Effective Date

This ordinance shall take effect immediately from and after its passage.

PASSED AND APPROVED BY THE TOWN COUNCIL OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS, this 14th day of December 2017.

Dr. Mark E. Vargus
Mayor

ATTEST:

Linda Asbell, TRMC, CMC
Town Secretary

APPROVED AS TO FORM:

Andy Messer
Town Attorney

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APPENDIX 1

<u>SCHEDULE 1</u> ASSESSMENT OF IMPACT FEES <u>MAXIMUM IMPACT FEES FOR SERVICE UNIT FOR WATER AND WASTEWATER FACILITIES</u>	
IMPACT FEES	LAND PLATTED AFTER 12/14/2017 [adoption date of new ord]
WATER FACILITIES PER SERVICE UNIT	\$6,724
WASTEWATER FACILITIES PER SERVICE UNIT	\$2,788
<u>SCHEDULE 2</u> COLLECTION RATE <u>IMPACT FEES FOR SERVICE UNIT FOR WATER AND WASTEWATER FACILITIES</u>	
IMPACT FEES	LAND PLATTED AFTER 12/14/2017 [adoption date of new ord]
WATER FACILITIES PER SERVICE UNIT	\$6,724
WASTEWATER FACILITIES PER SERVICE UNIT	\$2,788

ORDINANCE NO. -XX

AN ORDINANCE OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS, ESTABLISHING A CITIZEN FINANCE AND AUDIT COMMITTEE, ESTABLISHING ITS MEMBERSHIP, PROCEDURES AND TERMS OF OFFICE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Chapter 101.002 of the Local Government Code authorizes the governing body of the municipality to manage and control the finances of the municipality;

WHEREAS, Chapter 51.012. Ordinance and Regulations of the Local Government Code. The municipality may adopt an ordinance, act, law, or regulation, not inconsistent with state law, that is necessary for the government, interest, welfare, or good order of the municipality as a body politic; and

WHEREAS, the Town Council has determined it is in the best interest of the citizens of the Town of Lakewood Village to include members of its community in furtherance of its goal of providing transparency;

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

Sec. 01 – Creation

That a new ordinance be added entitled “Finance Audit Committee”, to the existing Town ordinances. There is hereby created the Finance Audit Committee as an advisory committee of the Town.

“FINANCE AUDIT COMMITTEE”

Sec. 02. - Purpose and Duties

The purpose of the committee is to assist the Town Council in fulfilling its oversight responsibilities for the annual audit process, the development of financial policies and procedures and system of internal controls. The Committee shall have the following responsibilities:

- 1) Advise the Town Council on the selection of the independent auditor.
- 2) Serve as an independent and objective party to monitor the Town’s financial and compliance reporting process and internal control system.
- 3) Review and appraise the audit efforts of the Town’s independent auditor.

- 4) Provide an avenue of communication among the independent auditor and the Town Council.
- 5) Review and provide recommendations on the Town's financial, investment, and budgetary policies, reports and procedures.
- 6) The committee will review and/or recommend financial planning for current and future town projects.
- 7) The committee will have access to all financial records, reports and contracts to include; but not limited to; Town Invoices, Payables, Annual Budget, Funding Strategies, Bank Accounts, Multi-Year Budget Planning, Revenue, Contracts, Short and Long-Term Town Planning.
- 8) The committee shall provide monthly updates at all Town Council meetings.

Sec. 03. – MEMBERSHIP; TERM OF OFFICE

- (A) The Committee shall be comprised of seven members. Two members shall be members of the Town Council. The other five members shall be nominated and approved by the Town Council. The committee members from the community must live and own their primary residence in the Town. They must be registered voters of the town, who, to the extent possible, shall be finance professionals such as accountants, Certified Public Accountants, auditors or shall have equivalent experience.
- (B) All appointed committee members shall serve a term of 2 years and no more than 2 successive terms, provided, however, that a Committee member appointed to complete the term of another Committee member shall, at the completion of such term, be eligible for appointment for another full term.

Sec. 04. – MEETINGS; OFFICERS

- (A) The Committee shall hold an organizational meeting in October of each year and shall elect a Chairman and Vice-Chairman from among its members before proceeding to any other matters of business. The Officers shall serve for one year. Year one term for initial committee members will begin 30 days upon Ordinance approval. Committee Officers will be elected within 30 days of Committee establishment.
- (B) Council Members who serve on the Committee shall be excluded from eligibility to serve as Committee Officers.
- (C) The Committee shall meet not less than once per calendar quarter and shall designate the time and place of its meetings. The members of the Committee shall regularly attend meetings and shall serve without compensation.

Sec. 05. – RULES;

- (A) Newly appointed members shall be installed at the first meeting after their appointments. Minutes shall be kept of the Committee meetings.
- (B) Committee Members are not Council Members, except those Committee members also holding Council Member status, and shall have no additional voting rights in town matters outside of the committee meetings.
- (C) The committee will remain independent from the town elected officials.
- (D) Committee members will not have any interest with any contractors, developers or any individual or company that the town conducts business with. If any such relationship exists, it must be disclosed to the committee. The member must also refrain from giving their endorsement, vote, cast opinion or support to such contractor, developer or company.

Sec. 06. – SUPERCEDING REGULATIONS OR STATUTE

This ordinance shall be cumulative of all provisions of all existing ordinances and resolutions and of the Code of Ordinances of the Town of Lakewood Village, Texas, as amended, except where the provisions of this ordinance are in direct conflict with the provisions of such existing ordinances, resolutions, and code, in which event the conflicting provisions of such ordinances and Code are hereby repealed.

Sec. 07. – EFFECTIVE DATE

This Ordinance shall become effective upon its adoption by the Town Council, in accordance with law.

DULY PASSED AND APPROVED BY THE TOWN COUNCIL OF THE TOWN OF LAKEWOOD VILLAGE, TEXAS, on this 14th day of December 2017.

Dr. Mark E. Vargus
MAYOR

ATTESTED:

Linda Asbell, TRMC, CMC
Town Secretary