

**TOWN OF LAKEWOOD VILLAGE, TEXAS**

Financial Statements  
(With Auditor's Report Thereon)

September 30, 2024



**TOWN OF LAKEWOOD VILLAGE**  
Annual Financial Report  
For the Year Ended September 30, 2024

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Lakewood Village's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the respective changes in financial position the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Lakewood Village as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

### **Required Supplementary Information**

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

*Nabors CPA Services, P.C.*

January 10, 2025

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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, 2024.

### Financial Highlights

- The assets of the Town of Lakewood Village exceeded its liabilities at the close of the most recent fiscal year by \$8,368,255 (net position). Of this amount \$3,766,392 (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 \$3,518,621, an increase of \$1,305,522 in comparison with the prior year. Of this balance, \$3,391,708 is available for spending at the government's discretion (unassigned). Unassigned fund balance represents 373 percent of general fund expenditures, and 357 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 61:1 based on the current assets of \$3,576,987 and current liabilities of \$58,366.

### Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 12-14 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-37 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Lakewood Village, assets exceed liabilities by \$8,368,255 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	
	2024	2023	2024	2023	2024	2023
	Current and other assets	3,576,987	2,294,661	3,144,003	3,923,135	6,720,990
Capital Assets	<u>6,019,929</u>	<u>6,246,791</u>	<u>5,842,298</u>	<u>3,677,289</u>	<u>11,862,227</u>	<u>9,924,080</u>
Total assets	<u>9,596,916</u>	<u>8,541,452</u>	<u>8,986,301</u>	<u>7,600,424</u>	<u>18,583,217</u>	<u>16,141,876</u>
Long-term liabilities	4,050,000	4,250,000	4,800,000	4,940,000	8,850,000	9,190,000
Other liabilities	<u>282,739</u>	<u>180,780</u>	<u>1,082,223</u>	<u>141,609</u>	<u>1,364,962</u>	<u>322,389</u>
Total liabilities	<u>4,332,739</u>	<u>4,430,780</u>	<u>5,882,223</u>	<u>5,081,609</u>	<u>10,214,962</u>	<u>9,512,389</u>
Net position:						
Invested in capital assets						
net of related debt	1,769,929	1,921,791	902,299	(1,287,711)	2,672,228	634,080
Restricted	126,913	270,388	1,802,722	3,295,030	1,929,635	3,565,418
Unrestricted	<u>3,367,335</u>	<u>1,918,493</u>	<u>399,057</u>	<u>511,496</u>	<u>3,766,392</u>	<u>2,429,989</u>
Total net position	<u>5,264,177</u>	<u>4,110,672</u>	<u>3,104,078</u>	<u>2,518,815</u>	<u>8,368,255</u>	<u>6,629,487</u>

Governmental Activities:

- During the year revenues increased by \$928,757 (67%), primarily due to property valuation increases and new development.
- Expenses for the year increased by \$257,766 (27%), primarily due to debt service, and increase repairs and maintenance expense.

Business-type Activities:

- Charges for services increased by \$556,636 (100%) during the year primarily due to water sales, while expenses increased by \$222,253 (52%).

**TOWN OF LAKEWOOD VILLAGE - Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues:						
Program revenues:						
Charges for services	715,080	304,483	1,113,471	556,835	1,828,551	861,318
General revenues:						
Property taxes	927,302	719,273			927,302	719,273
Other taxes	369,863	245,893			369,863	245,893
Other	<u>301,082</u>	<u>114,921</u>	<u>315,489</u>	<u>242,467</u>	<u>616,571</u>	<u>357,388</u>
Total revenues	2,313,327	1,384,570	1,428,960	799,302	3,742,287	2,183,872
Expenses:						
General government	706,617	502,784			706,617	502,784
Public safety	46,000	46,000			46,000	46,000
Public works	281,371	223,687			281,371	223,687
Interest	149,935	153,686	172,950	185,834	322,885	339,520
Water & sewer			<u>646,747</u>	<u>424,494</u>	<u>646,747</u>	<u>424,494</u>
Total expenses	1,183,923	926,157	819,697	610,328	2,003,620	1,536,485
Increase in net position before other transfers	1,129,404	458,413	609,263	188,974	1,738,667	647,387
Transfers	24,000	75,217	(24,000)	(75,217)		
Increase/(decrease) in net position	1,153,404	533,630	585,263	113,757	1,738,667	647,387
Net position - beginning	<u>4,110,773</u>	<u>3,577,042</u>	<u>2,518,815</u>	<u>2,405,058</u>	<u>6,629,588</u>	<u>5,982,100</u>
Net position - ending	<u>5,264,177</u>	<u>4,110,672</u>	<u>3,104,078</u>	<u>2,518,815</u>	<u>8,368,255</u>	<u>6,629,487</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 \$3,518,621, an increase of \$1,305,522 from the prior year. Of the current combined ending fund balance, \$3,391,708 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 \$399,057. The total decrease in unrestricted net position of the Enterprise Funds was \$112,439. 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 \$611,261, and expenditures were more than budgetary estimates by \$232,073. The budget had called for a \$674,450 increase in fund balance, however, as a result of transfers in from the Utility funds and fees received related to new development, \$1,076,831 was added to fund balance.

## **Capital Assets and Debt Administration**

**Capital Assets.** The Town of Lakewood Village's investment in capital assets for its governmental and business-type activities as of September 30 2024, amounts to \$2,672,228 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

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

- System and improvements and equipment totaling \$146,040 and construction in progress totaling 2,079,468 were added to the LWV Utility Funds.

Additional information on the Town of Lakewood Village's capital assets can be found in Note 3.C. on pages 32-33 of this report.

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

Additional information on the Town of Lakewood Village long-term debt can be found in Note 3.D. on pages 34-35 of this report.

## **Economic Factors and Next Year's Budget and Rates**

### **Sales Taxes**

In 2022 the Town approved two voluntary annexations of commercial enterprises. These businesses contributed to a record amount of sales tax collections during 2024. Annual sales tax collections totaled \$270,085, an increase of 62 percent over fiscal 2023. Our 2024 sales tax collections represent the equivalent of \$0.127 in ad valorem property taxes. In comparison, the 2021 collections only represented \$0.07 relative to the 2021 ad valorem values. Until additional commercial enterprises are constructed we expect more moderate increases in future collections due to new housing.

These results support the Town's strategic shift away from wealth related taxes (property taxes) and toward a greater reliance on discretionary consumption-based taxes (i.e., sales taxes and franchise fees).

### **Property Taxes**

After record-breaking increases in property valuations in 2021 - 2022, and more restrained increases in 2023 valuation increases held firm in 2024. Market and taxable valuations increased by 17 and 14 percent respectively. Excluding new housing additions to the tax roll, market valuations of existing homes increased 13 percent over the prior year.

The amount of taxable value deferred under the homestead cap continued to increase. The Town is well positioned financially as the 10 percent taxable value increase built into the homestead cap will mitigate any realized declines in taxable values. The Town expects to begin issuing building permits for the Northshore Development in February 2025. New home construction in The Arbors and Enclave is expected to begin in Summer 2025. These values will be reflected in the 2026 tax roll.

### **Property Tax Reduction and Future Rates**

The Town's Maintenance and Operations (M&O) rate is currently \$0.25 per \$100 and will continue to remain unchanged since the Town's incorporation in 1977. In 2023, the town reduced the tax rate by **20** percent, from \$0.45 to \$0.36. In 2024, the town again reduced the tax rate from \$0.36 to \$0.34. An M&O rate of \$0.25 and I&S (debt servicing) rate of \$0.09.

The Town elected to reduce the I/S to \$0.09, although the debt servicing payments equate to \$0.16. The Town will continue to use general fund reserves and sales tax revenues to pay a portion of the debt servicing to continue to reduce our tax rate. Our tax rate of \$0.34 remains substantially lower than surrounding cities, and provides us with additional financial flexibility.

### **Request for information**

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

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## **BASIC FINANCIAL STATEMENTS**

**TOWN OF LAKEWOOD VILLAGE**

Statement of Net Position

September 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 3,430,189	1,217,136	4,647,325
Cash and equivalents - restricted	119,388	1,802,722	1,922,110
Receivables (Net of allowance for uncollectibles):			
Sales taxes	27,410		27,410
Property taxes			
Accounts receivable		47,674	47,674
Other receivables		76,471	76,471
Due from other funds			
Noncurrent assets:			
Capital assets (net of accumulated depreciation):			
Land and improvements	140,325	50,814	191,139
Buildings, systems and improvements	33,964	1,642,612	1,676,576
Furniture and equipment	9,590	321,908	331,498
Vehicles		81,575	81,575
Streets	5,779,045		5,779,045
Construction in progress	<u>57,005</u>	<u>3,745,389</u>	<u>3,802,394</u>
Total assets	<u>9,596,916</u>	<u>8,986,301</u>	<u>18,583,217</u>
<b>LIABILITIES</b>			
Accrued interest payable	24,373		24,373
Deposits payable		100,150	100,150
Other payables	58,366	833,073	891,439
Noncurrent liabilities:			
Bonds payable:			
Due within one year	200,000	140,000	340,000
Due in more than one year	4,050,000	4,800,000	8,850,000
Bond premium		<u>9,000</u>	<u>9,000</u>
Total liabilities	<u>4,332,739</u>	<u>8,882,233</u>	<u>10,214,962</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,769,929	902,299	2,672,228
Restricted			
Municipal development	65,385		65,385
PSA Funds	58,954		58,954
Debt service	2,574		2,574
Capital improvements		1,802,722	1,802,722
Unrestricted	<u>3,367,335</u>	<u>399,057</u>	<u>3,766,392</u>
Total net position	<u>\$ 5,264,177</u>	<u>3,104,078</u>	<u>8,368,255</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, 2024

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 706,617	715,080		
Public safety	46,000			
Public works	281,371			
Interest	<u>149,935</u>			
Total governmental activities	<u>1,183,923</u>	<u>715,080</u>		
Business-type activities				
Water and sewer	<u>819,697</u>	<u>1,253,612</u>		
Total business-type activities	<u>819,697</u>	<u>1,253,612</u>		
Total primary government	<u>\$ 2,003,620</u>	<u>1,968,692</u>		

General revenues:

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

Change in net position

Net position - beginning (as restated)

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

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<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
8,463		8,463
(46,000)		(46,000)
(281,371)		(281,371)
<u>(149,935)</u>		<u>(149,935)</u>
<u>(468,843)</u>		<u>(468,843)</u>
	<u>433,915</u>	<u>433,915</u>
	<u>433,915</u>	<u>433,915</u>
		<u>(34,928)</u>
927,302		927,302
47,551		47,551
52,227		52,227
270,085		270,085
700		700
167,403	175,348	342,751
132,979		132,979
<u>24,000</u>	<u>(24,000)</u>	
<u>1,622,247</u>	<u>151,348</u>	<u>1,773,595</u>
1,153,404	585,263	1,738,667
<u>4,110,773</u>	<u>2,518,815</u>	<u>6,629,588</u>
<u>\$ 5,264,177</u>	<u>3,104,078</u>	<u>8,368,255</u>

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

**TOWN OF LAKEWOOD VILLAGE**

Balance Sheet  
Government Funds  
September 30, 2024

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>PID - O&amp;M Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 3,205,564		224,625	3,430,189
Cash and cash equivalents - restricted	61,528	57,860		119,388
Receivables (net of allowance for uncollectibles):				
Sales taxes	19,885	7,525		27,410
Total assets	<u>\$ 3,286,977</u>	<u>65,385</u>	<u>224,625</u>	<u>3,576,987</u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Other payables	\$ 58,366			58,366
Total liabilities	<u>58,366</u>			<u>58,366</u>
Fund balances:				
Restricted	61,528	65,385		126,913
Unassigned	3,167,083		224,625	3,391,708
Total fund balance	<u>3,228,611</u>	<u>65,385</u>	<u>224,625</u>	<u>3,518,621</u>
Total liabilities & fund balances	<u>\$ 3,286,977</u>	<u>65,385</u>	<u>224,625</u>	<u>3,576,987</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, 2024

**Total Fund Balances - Governmental Funds** \$ 3,518,621

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,280,542, and the accumulated depreciation was \$(1,033,751). In addition, long-term liabilities, including bonds payable and legal liabilities of \$(4,325,000), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. 1,921,791

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but does not become a liability on the fund statements until the due date. Accrued interest in the current year is \$(24,373). (24,373)

Current year capital outlays of \$9,276, and long-term debt principal payments of \$75,000, are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 84,276

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (236,138)

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

**Net Position of Governmental Activities** \$ 5,264,177

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, 2024

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>PID - O&amp;M Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes				
Property	\$ 672,340		255,833	928,173
Franchise	52,227			52,227
Sales	193,742	76,343		270,085
Hotel occupancy	47,551			47,551
Fines and forfeitures	700			700
Licenses and permits	359,176			359,176
Fees and service charges	355,904			355,904
Interest	156,142	2,517	8,744	167,403
Miscellaneous	132,979			132,979
Total revenues	<u>1,970,761</u>	<u>78,860</u>	<u>264,577</u>	<u>2,314,198</u>
<b>EXPENDITURES</b>				
General government	430,426		40,053	470,479
Public safety	46,000			46,000
Public works	281,371			281,371
Capital outlay	9,276			9,276
Debt service:				
Principal	75,000			75,000
Interest and fiscal charges	150,550			150,550
Total expenditures	<u>992,623</u>	<u>      </u>	<u>40,053</u>	<u>1,032,676</u>
Excess/(deficiency) of revenues over expenditures	<u>978,138</u>	<u>78,860</u>	<u>224,524</u>	<u>1,281,522</u>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers (to)/from other funds	98,693	(74,693)		24,000
Total other financing sources	<u>98,693</u>	<u>(74,693)</u>		<u>24,000</u>
Net change in fund balances	1,076,831	4,167	224,524	1,305,522
Fund balance, beginning (as restated)	2,151,780	61,218	101	2,213,099
Fund balance, ending	<u>\$ 3,228,611</u>	<u>65,385</u>	<u>224,625</u>	<u>3,518,621</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, 2024

**Total Net Change in Fund Balances - Governmental Funds** \$ 1,305,522

Current year capital outlays of \$9,276, and long-term debt principal payments of \$75,000, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. 84,276

Interest due on long-term debt is recorded as accrued interest payable in the statement of net position but is not reported as an expense for the current period in the governmental funds. Accrued interest at the beginning of the year was \$24,988 and current year is \$24,373. 615

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. Depreciation of \$(236,138) is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's activity is to decrease net position. (236,138)

Deferred revenue is not recognized as revenue in the governmental activities. The net effect is to decrease net position. (871)

**Changes in Net Position of Governmental Activities** \$ 1,153,404

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, 2024

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$ 475,000	475,000	672,340	197,340
Franchise	80,000	80,000	52,227	(27,773)
Sales	100,000	100,000	193,742	93,742
Hot			47,551	47,551
Fines and forfeitures	3,000	3,000	700	(2,300)
Licenses and permits	464,200	464,200	359,176	(105,024)
Fees and service charges	2,300	2,300	355,904	353,604
Interest	160,000	160,000	156,142	(3,858)
Miscellaneous	<u>75,000</u>	<u>75,000</u>	<u>132,979</u>	<u>57,979</u>
Total revenues	<u>1,359,500</u>	<u>1,359,500</u>	<u>1,970,761</u>	<u>611,261</u>
<b>EXPENDITURES</b>				
General government	207,000	207,000	430,426	(223,426)
Public safety	60,000	60,000	46,000	14,000
Public works	268,000	268,000	281,371	(13,371)
Capital outlay			9,276	(9,276)
Debt service:				
Principal	75,000	75,000	75,000	
Interest	<u>150,550</u>	<u>150,550</u>	<u>150,550</u>	
Total expenditures	<u>760,550</u>	<u>760,550</u>	<u>992,623</u>	<u>(232,073)</u>
Excess (deficiency) of revenues over expenditures	<u>598,950</u>	<u>598,950</u>	<u>978,138</u>	<u>379,188</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers (to)/from other funds	<u>75,500</u>	<u>75,500</u>	<u>98,693</u>	<u>23,193</u>
Total other financing sources	<u>75,500</u>	<u>75,500</u>	<u>98,693</u>	<u>23,193</u>
Net change in fund balances	674,450	674,450	1,076,831	402,381
Fund balance, beginning	<u>2,151,780</u>	<u>2,151,780</u>	<u>2,151,780</u>	
Fund balance, ending	\$ <u>2,826,230</u>	<u>2,826,230</u>	<u>3,228,611</u>	<u>402,381</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, 2024

	Business-Type Activities		
	LWV Utility Fund	Rocky Point Utility Fund	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 1,210,845	6,291	1,217,136
Cash and cash equivalents - restricted	1,802,722		1,802,722
Accounts receivable (net of allowance for uncollectibles)	42,507	5,167	47,674
Other receivables	<u>76,471</u>		<u>76,471</u>
Total current assets	<u>3,132,545</u>	<u>11,458</u>	<u>3,144,003</u>
Noncurrent assets:			
Capital assets:			
Land	34,892	15,922	50,814
Equipment	301,243	68,666	369,909
Water systems and improvements	1,723,168	208,246	1,931,414
Sanitation systems and improvements	1,685,895		1,685,895
Buildings and improvements	29,737	3,533	33,270
Vehicles	96,870		96,870
Construction in progress	3,745,389		3,745,389
Less: Accumulated depreciation	<u>(2,025,503)</u>	<u>(45,759)</u>	<u>(2,071,262)</u>
Total noncurrent assets	<u>5,591,691</u>	<u>250,608</u>	<u>5,842,299</u>
Total assets	<u>\$ 8,724,236</u>	<u>262,066</u>	<u>8,986,302</u>
<b>LIABILITIES</b>			
Current liabilities:			
Customer deposits	\$ 95,300	4,850	100,750
Other payables	<u>832,845</u>	<u>229</u>	<u>833,074</u>
Total current liabilities	<u>928,145</u>	<u>5,079</u>	<u>933,224</u>
Long-term liabilities:			
Bonds payable			
Due within one year	140,000		140,000
Due in more than one year	4,800,000		4,800,000
Bond premium	<u>9,000</u>		<u>9,000</u>
Total long-term liabilities	<u>4,949,000</u>		<u>4,949,000</u>
Total liabilities	<u>5,877,145</u>	<u>5,079</u>	<u>5,882,224</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	651,691	250,608	902,299
Restricted:			
Capital improvements	1,802,722		1,802,722
Unrestricted	<u>392,678</u>	<u>6,379</u>	<u>399,057</u>
Total net position	<u>\$ 2,847,091</u>	<u>256,987</u>	<u>3,104,078</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, 2024

	Business-Type Activities		
	LWV	Rocky Point	Totals
	Utility Fund	Utility Fund	
<b>OPERATING REVENUES</b>			
Water	\$ 308,258	43,945	352,203
Sewer	177,240		177,240
Sanitation	95,514		95,514
Fees and services	488,514		488,514
Other income	<u>140,141</u>		<u>140,141</u>
Total operating revenues	<u>1,209,667</u>	<u>43,945</u>	<u>1,253,612</u>
 <b>OPERATING EXPENSES</b>			
Contract services	96,500		96,500
Administrative	121,549	5,914	127,463
Repairs and maintenance	202,747	3,109	205,856
Miscellaneous	3,178	2,459	5,637
Garbage collections	67,749		67,749
Depreciation	<u>136,157</u>	<u>7,385</u>	<u>143,542</u>
Total operating expenses	<u>627,880</u>	<u>18,867</u>	<u>646,747</u>
Operating income (loss)	<u>581,787</u>	<u>25,078</u>	<u>606,865</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	174,578	770	175,348
Interest expense	<u>(172,950)</u>		<u>(172,950)</u>
Total nonoperating revenues (expenses)	<u>1,628</u>	<u>770</u>	<u>2,398</u>
Income (loss) before transfers	583,415	25,848	609,263
Transfers (to)/from other funds	<u>(61,361)</u>	<u>37,361</u>	<u>(24,000)</u>
Change in net position	522,054	63,209	585,263
Net position - beginning	<u>2,325,037</u>	<u>193,778</u>	<u>2,518,815</u>
Net position - ending	<u>\$ 2,847,091</u>	<u>256,987</u>	<u>3,104,078</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, 2024

	Business-Type Activities		Totals
	LWV Utility Fund	Rocky Point Utility Fund	
Cash flows from operating activities:			
Cash received from customers and users	\$ 1,180,772	41,039	1,221,811
Cash payments to suppliers	<u>306,416</u>	<u>(11,482)</u>	<u>294,934</u>
Net cash provided by operating activities	<u>1,487,188</u>	<u>29,557</u>	<u>1,516,745</u>
Cash flows from capital and related financing activities:			
Debt principal, repayment	(25,000)		(25,000)
Acquisition/disposition of capital assets	<u>(2,225,508)</u>	<u>(83,042)</u>	<u>(2,308,550)</u>
Net cash used by capital and related financing activities	<u>(2,250,508)</u>	<u>(83,042)</u>	<u>(2,333,550)</u>
Cash flows from noncapital financing activities:			
Transfer in/(out)	<u>(61,361)</u>	<u>37,361</u>	<u>(24,000)</u>
Net cash used by noncapital financing activities	<u>(61,361)</u>	<u>37,361</u>	<u>(24,000)</u>
Cash flows from investing activities:			
Interest on deposits and investments	<u>174,578</u>	<u>770</u>	<u>175,348</u>
Net cash provided by investing activities	<u>174,578</u>	<u>770</u>	<u>175,348</u>
Cash flows from non-operating activities			
Interest expense	<u>(172,950)</u>		<u>(172,950)</u>
Net cash provided by non-operating activities	<u>(172,950)</u>		<u>(172,950)</u>
Net increase in cash and cash equivalents	(823,053)	(15,354)	(838,407)
Cash and cash equivalents - beginning	<u>3,836,620</u>	<u>21,645</u>	<u>3,858,265</u>
Cash and cash equivalents - ending	<u>\$ 3,013,567</u>	<u>6,291</u>	<u>3,019,858</u>

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

Operating income	\$ 581,787	25,078	606,865
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	136,157	7,385	143,542
(Increase)/decrease in accounts receivable	19,275	(2,081)	17,194
(Increase)/decrease in other receivables	(76,471)		(76,471)
Increase/(decrease) in customer deposits	28,300	(825)	27,475
Increase/(decrease) in other payables	<u>798,140</u>		<u>798,140</u>
Total adjustments	<u>905,401</u>	<u>4,479</u>	<u>909,880</u>
Net cash provided by operating activities	<u>\$ 1,487,188</u>	<u>29,557</u>	<u>1,516,745</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, 2024

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. **Reporting Entity**

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

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

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

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

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following proprietary funds:

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

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

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**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

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

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

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

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

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

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

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

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

**1. Deposits**

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

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

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

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

**2. Short-term Inter-fund Receivables/Payables**

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

**3. Restricted Assets**

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

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

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

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

**5. Long-Term Obligations**

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

**6. Fund Equity**

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town did not have any committed resources as of September 30, 2024.
- 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, 2024

-continued-

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

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

**6. Fund Equity** (continued)

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

As of September 30, 2024, fund balances are composed of the following:

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>PID - O&amp;M Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:	\$			
Restricted:				
Municipal Development		65,385		65,385
Debt service	2,574			2,574
PSA funds	58,954			58,954
Capital improvements				
Committed:				
Assigned:				
Road maintenance				
Unassigned:	<u>3,167,083</u>	_____	<u>224,625</u>	<u>3,391,708</u>
Total fund balances	\$ <u>3,228,611</u>	<u>65,385</u>	<u>224,625</u>	<u>3,518,621</u>

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

**A. Budgetary Information**

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

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

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

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

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

**A. Budgetary Information (continued)**

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

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

**(3) DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

At September 30, 2023, the Town's carrying amount of deposits was \$6,569,436 and the bank balance was \$6,645,175. Of the bank balance, \$250,000 was covered by federal depository insurance, \$1,346,304 was covered by pledged bank securities and \$5,048,871 was deposited with Texpool Local Government Investment Pool. Texpool funds are invested in conservative highly liquid investments with average maturity of 60 days or less. Although the pool is conservative, there are no federal guarantees and all assets are at risk.

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

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

-continued-

**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-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, 2024 consisted of the following:

	<u>General Fund</u>	<u>Municipal Development District</u>	<u>LWV Utility Fund</u>	<u>Rocky Point Utility Fund</u>	<u>Total</u>
Sales taxes	\$ 19,885	7,525			27,410
Property taxes					
Accounts receivable	_____	_____	<u>44,959</u>	<u>5,167</u>	<u>50,126</u>
Total receivables	<u>\$ 19,885</u>	<u>7,525</u>	<u>44,959</u>	<u>5,167</u>	<u>77,536</u>

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**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-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, 2023, upon which the 2023/2024 levy was based, was approximately 227,378,815. The tax rate for fiscal year 2023/2024 was \$ 0.36 per \$100 of assessed valuation, with \$ 0.25 allocated to maintenance and operation (M&O), and \$ 0.11 allocated to debt service (I&S).

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land and improvements	\$ 142,395			142,395
Buildings & Improvement	80,425			80,425
Furniture & Equipment	55,073	9,276		64,349
Streets	6,945,644			6,945,644
Construction in progress	<u>57,005</u>			<u>57,005</u>
Totals at historical cost	7,280,542	9,276		7,289,818
Less accumulated depreciation	<u>(1,033,751)</u>	<u>(236,138)</u>		<u>(1,269,889)</u>
Governmental activities capital assets, net	<u>\$ 6,246,791</u>	<u>(226,862)</u>		<u>6,019,929</u>
Business-type activities:				
LWV Utility:				
Land	\$ 34,892			34,892
Buildings and improvements	29,737			29,737
Equipment	301,243			301,243
Vehicles		96,870		96,870
Water systems & improvements	1,673,998	49,170		1,723,168
Sanitation systems & improvements	1,685,895			1,685,895
Construction in progress	<u>1,665,921</u>	<u>2,079,468</u>		<u>3,745,389</u>
Totals at historical cost	5,391,686	2,225,508		7,617,194
Less accumulated depreciation	<u>(1,889,346)</u>	<u>(136,157)</u>		<u>(2,025,503)</u>
Business-type activities capital assets, net	<u>\$ 3,502,340</u>	<u>2,089,351</u>		<u>5,591,691</u>

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**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

**(3) DETAILED NOTES ON ALL FUNDS** (continued)

**C. Capital Assets** (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities: (continued)				
Rocky Point Utility:				
Land	\$ 15,922			15,922
Building & improvements	3,533			3,533
Equipment		68,666		68,666
Water system	<u>193,870</u>	<u>14,376</u>		<u>208,246</u>
Totals at historical cost	213,325	83,042		296,367
Less accumulated depreciation	<u>(38,375)</u>	<u>(7,384)</u>		<u>(45,759)</u>
Component unit capital assets, net	<u>\$ 174,950</u>	<u>75,658</u>		<u>250,608</u>

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

Government Activities:

Administration	\$ 5,993
Public works	<u>228,754</u>

Total depreciation expense - government activities

\$ 234,747

Business-type activities:

LWV Utility	\$ 136,157
Rocky Point Utility	<u>7,384</u>

Total depreciation expense - business-type activities

\$ 143,541

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**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

**(3) DETAILED NOTES ON ALL FUNDS**

**D. Long-term Debt**

Bonds Payable

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

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

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

Certificate of obligation bonds issued by the Town are backed by the full faith and credit of the Town. The \$4,990,000 certificates of obligation issued by the Town will be repaid by levy of an ad valorem tax upon all taxable property within the Town and a limited pledge of the net revenues from the operation of the Town's waterworks and sewer system.

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

Interest expense for all bond issues was \$323,663 for the year ended September 30, 2024.

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

Governmental Activities	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>	<u>Due in One Year</u>
CO Series 2020	\$ 4,325,000		(75,000)	4,250,000	200,000
CO Series 2022	4,965,000		(25,000)	4,940,000	140,000
Total governmental activities	\$ <u>9,290,000</u>		<u>(100,000)</u>	<u>9,190,000</u>	<u>340,000</u>

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**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

**(3) DETAILED NOTES ON ALL FUNDS** (continued)

**D. Long-term Debt** (continued)

Debt Service Requirement to Maturity Series 2020

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

Year Ended	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	200,000	143,675	343,675
2026	205,000	134,575	339,575
2027	215,000	126,175	341,175
2028	225,000	117,375	342,375
2029	235,000	108,175	343,175
Thereafter	<u>3,170,000</u>	<u>572,782</u>	<u>3,742,782</u>
Total	<u>\$ 4,250,000</u>	<u>1,202,757</u>	<u>5,452,757</u>

Debt Service Requirement to Maturity Series 2022

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

Year Ended	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	140,000	169,813	309,813
2026	145,000	164,113	309,113
2027	150,000	158,213	308,213
2028	155,000	152,113	307,113
2029	160,000	145,813	305,813
Thereafter	<u>4,190,000</u>	<u>1,349,190</u>	<u>5,539,190</u>
Total	<u>\$ 4,940,000</u>	<u>2,139,255</u>	<u>7,079,255</u>

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**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

**(3) DETAILED NOTES ON ALL FUNDS** (continued)

**E. Interfund Receivables, Payables and Transfers**

The composition of the interfund balances as of September 30, 2024 is as follows:

Interfund transfers:

	General <u>Fund</u>	MDD <u>Fund</u>	LWV Utility <u>Fund</u>	Rocky Point Utility <u>Fund</u>	<u>Total</u>
Transfers In:	\$ 98,693		22,105	47,361	168,159
Transfers Out:		(74,693)	(83,466)	(10,000)	(168,159)
	<u>\$ 98,693</u>	<u>(74,693)</u>	<u>(61,361)</u>	<u>37,361</u>	<u>          </u>

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

**(4) PUBLIC IMPROVEMENT DISTRICT**

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

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

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

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**TOWN OF LAKEWOOD VILLAGE**

Notes to the Financial Statements

September 30, 2024

-continued-

**(5) OTHER INFORMATION**

Risk Management

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

**(6) EVALUATION OF SUBSEQUENT EVENTS**

The Town has evaluated subsequent events through January 10, 2025, the date which the financial statements were available to be issued.

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**INDIVIDUAL FUND SCHEDULES**

**TOWN OF LAKEWOOD VILLAGE**  
Statement of Revenues, Expenditures, and Changes in Fund Net Position  
Budget and Actual - LWV Utility Funds  
For the Fiscal Year Ended September 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive Negative <u>(Negative)</u>
<b>OPERATING REVENUES</b>				
Water sales, fees and service charges	\$ 1,040,000	1,040,000	1,113,471	73,471
Other income			<u>140,141</u>	<u>140,141</u>
Total operating revenues	<u>1,040,000</u>	<u>1,040,000</u>	<u>1,253,612</u>	<u>213,612</u>
<b>OPERATING EXPENSES</b>				
Contract services	48,000	48,000	96,500	(48,500)
Administrative	100,000	100,000	127,463	(27,463)
Repairs and maintenance	36,000	36,000	205,856	(169,856)
Miscellaneous	2,000	2,000	5,637	(3,637)
Trash collections	80,000	80,000	67,749	12,251
Depreciation			<u>143,542</u>	<u>(143,542)</u>
Total operating expenses	<u>266,000</u>	<u>266,000</u>	<u>646,747</u>	<u>(380,747)</u>
Operating income (loss)	<u>774,000</u>	<u>774,000</u>	<u>606,865</u>	<u>(167,135)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Interest income	36,000	36,000	175,348	139,348
Interest expense	(173,113)	(173,113)	(172,950)	163
Transfers in/(out)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(24,000)</u>	<u>56,000</u>
Total nonoperating revenue (expense)	<u>(217,113)</u>	<u>(217,113)</u>	<u>(21,602)</u>	<u>195,511</u>
Change in net position	556,887	556,887	585,263	28,376
Net position - beginning	<u>2,518,815</u>	<u>2,518,815</u>	<u>2,518,815</u>	_____
Net position - ending	\$ <u>3,075,702</u>	<u>3,075,702</u>	<u>3,104,078</u>	<u>28,376</u>