

CITY OF LAGO VISTA, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

CITY OF LAGO VISTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Lago Vista, Texas
Lago Vista, TX 78645

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lago Vista, Texas, as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the City'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lago Vista, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison information, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions on pages 3-8, 47, 48, 49 and 50 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.

Neffendorf+Knopp, P.C.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

April 11, 2017

CITY OF LAGO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lago Vista, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2016. Please read it in conjunction with the independent auditors' report (an unqualified opinion) on page 1, and City's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,035,872(net position). Of this amount, the unrestricted net position was \$(25,155,604). The large negative balance in the unrestricted net position of the governmental activities is due to recording of the long-term debt as required by GASB #34. The assets are reflected in the business type activities while the long-term debt is shown in the governmental activities (financed by property taxes).
- The City's net position increased by \$1,143,997 as a result of this year's operations.
- At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$3,794,412, an increase of \$1,028,173 in comparison with the prior year.
- At September 30, 2016, the City's Enterprise Funds reported unrestricted net position of \$1,908,709, a decrease of \$2,671,080 in comparison with the prior year.
- The City issued Limited Tax Note, Series 2015 dated October 1, 2015 in the amount of \$3,738,000 to purchase property for capital improvements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 13) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 27) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions and the Notes to the Schedule of Contributions are presented as required supplementary information on page 47 through 50.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activity:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, public works, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- Business-type activity - The City's water and sewer system and golf courses are reported as business-type activities since the fees charged to customers cover the cost of services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise fund (Water and Sewer and Golf Courses) is a business-type activity and provides both long and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the City's governmental activities decreased from \$(4,186,929) to \$(5,520,995). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$(27,064,313), at September 30, 2016. This decrease in governmental net position was the result of five factors. First, the City's revenues exceeded the expenditures by \$1,028,173. Second, the City acquired capital assets in the amount of \$952,876 and paid principal on long-term debt of \$1,338,843. Third, the City recorded depreciation in the amounts of \$835,653. Fourth the City issued \$3,738,000 Limited Tax Note, Series 2015 and fifth, due to implementation of GASB Statement No. 68 a decrease in expenditures was necessary in the amount of \$109,060.

Net position of the City's business-type activities increased from \$56,078,804 to \$58,556,867. Unrestricted net position was \$1,908,709. This increase in business-type net position was the result of net income of \$2,478,063.

Table I
City of Lago Vista

NET POSITION
in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
	2016	2015	2016	2015	2016	2015
Current Assets	\$ 3,612	\$ 578	\$ 4,840	\$ 4,949	\$ 8,452	\$ 5,527
Capital Assets	21,136	21,019	56,216	50,887	77,352	71,906
Restricted Assets	1,541	3,976	771	725	2,312	4,701
Intangible Asset	276	292			276	292
Total Assets	\$ 26,565	\$ 25,865	\$ 61,827	\$ 56,561	\$ 88,392	\$ 82,426
Deferred Outflows of Resources						
Deferred Charge for Refunding	\$ 297	\$ 330	\$	\$	\$ 297	\$ 330
Deferred Outflow Related to Pension	489	143	354	103	843	
Total Deferred Outflows of Resources	\$ 786	\$ 473	\$ 354	\$ 103	\$ 1,140	\$ 330
Current and Long-Term Debt	\$ 32,040	\$ 29,340	\$ 598	\$ 113	\$ 32,638	\$ 29,453
Other Liabilities	783	1,125	3,010	448	3,793	1,573
Total Liabilities	\$ 32,823	\$ 30,465	\$ 3,608	\$ 561	\$ 36,431	\$ 31,026
Deferred Inflow of Resources						
Unavailable Revenue - Property Taxes	\$ 26	\$ 27	\$	\$	\$ 26	\$ 27
Deferred Resource Inflow Related to Pension	24	33	17	24	41	
Total Deferred Inflows of Resources	\$ 50	\$ 60	\$ 17	\$ 24	\$ 67	\$ 27
Net Position:						
Net Investment in						
Capital Assets	\$ 21,136	\$ 21,019	\$ 55,877	\$ 50,774	\$ 77,013	\$ 71,793
Restricted	407	347	771	725	1,178	1,072
Unrestricted	(27,064)	(25,553)	1,909	4,580	(25,155)	(20,973)
Total Net Position	\$ (5,521)	\$ (4,187)	\$ 58,557	\$ 56,079	\$ 53,036	\$ 51,892

Table II
City of Lago Vista

CHANGES IN NET POSITION
in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
	2016		2015		Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues:						
Charges for Services	\$ 1,006	\$ 900	\$ 6,301	\$ 5,153	\$ 7,307	\$ 6,053
Grants & Contributions	262	831			262	831
Property Tax	4,468	4,204			4,468	4,204
Sales Tax	414	371			414	371
Franchise Tax	286	296			286	296
Hotel/Motel Tax	101	89			101	89
Interest Income	27	8	4	1	31	9
Miscellaneous	32	62	449	794	481	856
Total Revenue	\$ 6,596	\$ 6,761	\$ 6,754	\$ 5,948	\$ 13,350	\$ 12,709
Expenses:						
General Government	\$ 1,432	\$ 1,520	\$	\$	\$ 1,432	\$ 1,520
Public Safety	2,301	2,009			2,301	2,009
Community Development	2,154	1,875			2,154	1,875
Debt Service & Interest	1,067	995	8	5	1,075	1,000
Water			1,633	1,873	1,633	1,873
Wastewater			1,172	968	1,172	968
Recreation			1,650	1,514	1,650	1,514
Information Technology			197	209	197	
Tourism					-	-
Capital Outlay	6,190	7,314			6,190	7,314
Depreciation			1,250	1,334	1,250	1,334
Total Expenses	\$ 13,144	\$ 13,713	\$ 5,910	\$ 5,903	\$ 19,054	\$ 19,407
Increase in Net Assets Before Transfers & Capital Contributions						
	\$ (6,548)	\$ (6,952)	\$ 844	\$ 45	\$ (5,704)	\$ (6,907)
Capital Contributions	\$ 658	\$ 63	\$ 6,190	\$ 7,096	\$ 6,848	\$ 7,159
Transfers	4,556	589	(4,556)	(589)	-	-
Total	\$ 5,214	\$ 652	\$ 1,634	\$ 6,507	\$ 6,848	\$ 7,159
Net Change	\$ (1,334)	\$ (6,300)	\$ 2,478	\$ 6,552	\$ 1,144	\$ 252
Net Position, Beginning	(4,187)	1,973	56,079	49,426	51,892	51,399
Prior Period Adjustment		140		101	-	241
Net Position, Ending	\$ (5,521)	\$ (4,187)	\$ 58,557	\$ 56,079	\$ 53,036	\$ 51,892

The cost of all governmental activities this year was \$13,145,670. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$4,402,718 because the other costs were paid by sales tax (\$413,984), franchise tax (\$286,169), motel and other taxes (\$100,790), user charges (\$1,006,521), grants and contributions (\$921,456), interest on investments (\$26,862) and other miscellaneous (\$32,346).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$3,794,412, which is more than last year's total of \$2,766,239. Included in this year's total change in fund balance is an increase of \$574,266 in the City's General Fund. The increase in the General Fund was due to the excess of revenues over expenditures.

The City adopted the General Fund Budget. Actual revenues were more than the budgeted amounts and actual expenditures were less than the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2016, the City had the following amounts invested in capital assets, net of depreciation:

CAPITAL ASSETS in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
					Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,052	\$ 1,052	\$ 3,272	\$ 3,272	\$ 4,324	\$ 4,324
Construction in Progress	324	1,640	17,838	11,781	18,162	13,421
Buildings & Streets	12,963	12,605	957	919	13,920	13,524
Improvements	8,499	6,638	48,412	48,247	56,911	54,885
Machinery & Equipment	2,277	2,228	3,910	3,608	6,187	5,836
Total Capital Assets	\$ 25,115	\$ 24,163	\$ 74,388	\$ 67,827	\$ 99,503	\$ 91,990
Less: Accumulated Depreciation	(3,979)	(3,143)	(18,172)	(16,940)	(22,151)	(20,083)
Capital Assets, Net	<u>\$ 21,136</u>	<u>\$ 21,019</u>	<u>\$ 56,216</u>	<u>\$ 50,887</u>	<u>\$ 77,352</u>	<u>\$ 71,906</u>

More detailed information about the City's capital assets is presented in Note E and F to the financial statements.

DEBT

At September 30, 2016, the City had the following outstanding debt:

OUTSTANDING DEBT

in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
	2016	2015	2016	2015	2016	2015
Bonds Payable	\$ 31,118	\$ 28,673	\$ 31,118	\$ 28,673		
Loans Payable	275	356	340	114	614	470
Deferred Loss on Refunding Bonds	(363)	(330)			(363)	(330)
Accrued Compensation	291	311			291	311
Total Outstanding Debt	\$ 31,320	\$ 29,010	\$ 340	\$ 114	\$ 31,660	\$ 29,123

For governmental activities, the City had \$30,233,593 in certificates of obligation and other debt outstanding, an increase of 8.0 percent. The City paid \$1,338,843 in principal on the outstanding long-term debt, issued loans for \$39,227 and issued \$3,738,000 in Limited Tax Note, Series 2015.

For business-type activities, the City had \$339,556 in loans outstanding. The City paid \$75,326 in principal on the outstanding long-term debt and issued loans for \$301,378.

More detailed information about the City's long-term liabilities is presented in Notes H, I and J to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund budget for 2017. Amounts available for appropriation in the General Fund budget are \$6,153,473 (including a transfer from the Utility Fund in the amount of \$1,250,000) and expenditures are estimated to be \$6,086,621.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by the close of 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Lago Vista, Lago Vista, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

EXHIBIT A-1

	Primary Government			
	Business		Type Activities	Total
	Governmental Activities	Activities		
ASSETS				
Cash and Cash Equivalents	\$ 124,283	\$ 1,389,653	\$ 1,513,936	
Investments - Current	1,976,029	178,198	2,154,227	
Receivables (net of allowance for uncollectibles)	905,516	1,045,014	1,950,530	
Internal Balances	586,354	(586,354)	-	
Inventories	3,398	229,635	233,033	
Prepaid Items	15,641	13,327	28,968	
Restricted Assets:				
Restricted Asset - Impact Fees	-	771,511	771,511	
Restricted Asset - Capital Improvements	1,519,913	-	1,519,913	
Restricted Asset - Parkland Fees	21,584	-	21,584	
Capital Assets:				
Land	1,052,034	3,271,843	4,323,877	
Infrastructure, net	9,760,532	-	9,760,532	
Buildings, net	1,693,350	619,736	2,313,086	
Improvements other than Buildings, net	7,781,697	33,983,528	41,765,225	
Machinery and Equipment, net	525,060	714,888	1,239,948	
Construction in Progress	323,591	17,626,195	17,949,786	
Other Assets	276,181	-	276,181	
Total Assets	26,565,163	59,257,174	85,822,337	
DEFERRED OUTFLOW OF RESOURCES				
Deferred Charge for Refunding	297,045	-	297,045	
Deferred Outflow Related to Pension Plan	489,331	354,345	843,676	
Total Deferred Outflows of Resources	786,376	354,345	1,140,721	
LIABILITIES				
Accounts Payable	315,842	251,275	567,117	
Intergovernmental Payable	4,734	2,037	6,771	
Accrued Interest Payable	134,705	-	134,705	
Unearned Revenues	177,394	9,422	186,816	
Notes Payable - Current	-	82,916	82,916	
Other Current Liabilities	149,972	176,750	326,722	
Noncurrent Liabilities				
Due Within One Year	1,374,371	-	1,374,371	
Due in More Than One Year	30,309,460	256,627	30,566,087	
Net Pension Liability	356,103	258,124	614,227	
Total Liabilities	32,822,581	1,037,151	33,859,732	
DEFERRED INFLOW OF RESOURCES				
Unavailable Revenue - Property Taxes	25,785	-	25,785	
Deferred Resource Inflow Related to Pension Plan	24,168	17,501	41,669	
Total Deferred Inflows of Resources	49,953	17,501	67,454	
NET POSITION				
Net Investment in Capital Assets	21,136,263	55,876,647	77,012,910	
Restricted for:				
Restricted for Retirement of Long-Term Debt	35,903	-	35,903	

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

CITY OF LAGO VISTA, TEXA
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016

EXHIBIT A-1

	Primary Government		
	Business		Total
	Governmental Activities	Type Activities	
Restricted for Special Revenue	349,568	-	349,568
Restricted for Parkland Fees	21,584	-	21,584
Restricted for Capital Improvements	-	771,511	771,511
Unrestricted Net Position	(27,064,313)	1,908,709	(25,155,604)
Total Net Position	<u>\$ (5,520,995)</u>	<u>\$ 58,556,867</u>	<u>\$ 53,035,872</u>

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

**CITY OF LAGO VISTA, TEXA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 434,580	\$ 102,226	\$ 25,000	\$ -
Non Departmental	86,335	-	-	-
Development Services	514,811	80,464	-	-
Finance	191,278	-	-	-
Human Resources	86,718	-	-	-
Municipal Court	103,866	95,087	-	-
City Secretary	118,185	-	-	-
Police Department	1,883,622	-	717	-
Dispatching	313,865	-	-	-
Public Works Streets	861,558	-	-	42,244
Solid Waste	714,656	710,766	-	-
Building Maintenance	50,643	-	-	-
Recreation	102,358	17,978	-	-
Aviation	32,151	-	-	615,910
Library	205,919	-	239	-
Parks	117,196	-	-	-
Tourism	70,378	-	-	-
Bond Interest	1,026,298	-	-	-
Other Debt Interest	829	-	-	-
Fiscal Agent's Fees	1,900	-	-	-
Issuance Costs	38,000	-	-	-
Capital Outlay	6,190,524	-	-	-
Total Governmental Activities:	<u>13,145,670</u>	<u>1,006,521</u>	<u>25,956</u>	<u>658,154</u>
BUSINESS-TYPE ACTIVITIES:				
Golf Course Fund	1,782,111	645,180	-	28,973
Utility Fund	4,128,915	5,656,217	-	6,161,550
Total Business-Type Activities:	<u>5,911,026</u>	<u>6,301,397</u>	<u>-</u>	<u>6,190,523</u>
TOTAL PRIMARY GOVERNMENT:	<u>\$ 19,056,696</u>	<u>\$ 7,307,918</u>	<u>\$ 25,956</u>	<u>\$ 6,848,677</u>

General Revenues:

Taxes:

Property Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position--Ending

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			
	Governmental Activities	Business-type Activities	Total
\$	(307,354)	\$	(307,354)
	(86,335)		(86,335)
	(434,347)		(434,347)
	(191,278)		(191,278)
	(86,718)		(86,718)
	(8,779)		(8,779)
	(118,185)		(118,185)
	(1,882,905)		(1,882,905)
	(313,865)		(313,865)
	(819,314)		(819,314)
	(3,890)		(3,890)
	(50,643)		(50,643)
	(84,380)		(84,380)
	583,759		583,759
	(205,680)		(205,680)
	(117,196)		(117,196)
	(70,378)		(70,378)
	(1,026,298)		(1,026,298)
	(829)		(829)
	(1,900)		(1,900)
	(38,000)		(38,000)
	(6,190,524)		(6,190,524)
	(11,455,039)		(11,455,039)
	-	(1,107,958)	(1,107,958)
	-	7,688,852	7,688,852
	-	6,580,894	6,580,894
	(11,455,039)	6,580,894	(4,874,145)

2,641,631	-	2,641,631
1,761,087	-	1,761,087
413,984	-	413,984
286,169	-	286,169
100,790	-	100,790
64,960	-	64,960
237,346	-	237,346
32,346	449,237	481,583
26,862	3,730	30,592
4,555,798	(4,555,798)	-
10,120,973	(4,102,831)	6,018,142
(1,334,066)	2,478,063	1,143,997
(4,186,929)	56,078,804	51,891,875
\$ (5,520,995)	\$ 58,556,867	\$ 53,035,872

CITY OF LAGO VISTA, TEXA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Capital Projects	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 123,962	\$ 321	\$ -
Investments - Current	1,417,642	112,638	93,895
Taxes Receivable	309,420	-	206,280
Receivables (Net)	216,629	-	-
Intergovernmental Receivables	71,147	-	-
Due from Other Funds	1,921,467	-	76,713
Inventories	3,398	-	-
Prepaid Items	15,641	-	-
Restricted Asset - Capital Improvements	-	1,519,913	-
Restricted Asset - Parkland Fees	21,584	-	-
Total Assets	\$ 4,100,890	\$ 1,632,872	\$ 376,888
LIABILITIES			
Accounts Payable	\$ 169,556	\$ 110,716	\$ -
Wages and Salaries Payable	28,570	-	-
Intergovernmental Payable	4,734	-	-
Due to Other Funds	29,697	1,344,762	-
Accrued Interest Payable	-	-	134,705
Unearned Revenues	-	177,394	-
Other Current Liabilities	149,972	-	-
Total Liabilities	382,529	1,632,872	134,705
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	309,420	-	206,280
Total Deferred Inflows of Resources	309,420	-	206,280
FUND BALANCES			
Restricted Fund Balance:			
Restricted for Tourism-	-	-	-
Retirement of Long-Term Debt	-	-	35,903
Parkland Fees	21,584	-	-
Unassigned Fund Balance	3,387,357	-	-
Total Fund Balances	3,408,941	-	35,903
Total Liabilities, Deferred Inflows & Fund Balances	\$ 4,100,890	\$ 1,632,872	\$ 376,888

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

Hotel Funds	Total Governmental Funds
\$ -	\$ 124,283
351,854	1,976,029
-	515,700
42,081	258,710
-	71,147
-	1,998,180
-	3,398
-	15,641
-	1,519,913
-	21,584
<u>\$ 393,935</u>	<u>\$ 6,504,585</u>
\$ 7,000	\$ 287,272
-	28,570
-	4,734
37,367	1,411,826
-	134,705
-	177,394
-	149,972
<u>44,367</u>	<u>2,194,473</u>
-	<u>515,700</u>
-	<u>515,700</u>
349,568	349,568
-	35,903
-	21,584
-	3,387,357
<u>349,568</u>	<u>3,794,412</u>
<u>\$ 393,935</u>	<u>\$ 6,504,585</u>

CITY OF LAGO VISTA, TEXA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2016

Total Fund Balances - Governmental Funds	\$ 3,794,412
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, 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 decrease net position.	(7,685,290)
Current year capital outlays and long-term debt principal payments 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 2016 capital outlays and debt principal payments is to decrease net position.	(1,254,871)
This is the second year of the implementation of GASB 68 for the TMRS Pension plan. This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$356,103, Deferred Resource Outflow of \$489,331 and Deferred Resource Inflow of \$24,168. The net effect of these was to increase the ending net position by \$109,060.	109,060
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(851,899)
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, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	367,593
Net Position of Governmental Activities	<u><u>\$ (5,520,995)</u></u>

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Capital Projects	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 2,706,564	\$ -	\$ 1,778,215
General Sales and Use Taxes	413,984	-	-
Franchise Tax	286,169	-	-
Other Taxes	7,936	-	-
Licenses and Permits	169,004	-	-
Intergovernmental Revenue and Grants	88,201	686,118	-
Charges for Services	750,506	-	-
Fines	95,087	-	-
Investment Earnings	6,667	16,438	2,140
Contributions & Donations from Private Sources	77,474	69,663	-
Other Revenue	16,162	3,737	-
Total Revenues	4,617,754	775,956	1,780,355
EXPENDITURES:			
Current:			
Administration	439,762	-	-
Non Departmental	86,335	-	-
Development Services	511,298	-	-
Finance	198,696	-	-
Human Resources	85,782	-	-
Municipal Court	100,763	-	-
City Secretary	111,326	-	-
Police Department	1,492,774	-	-
Dispatching	310,794	-	-
Public Works Streets	760,689	-	-
Solid Waste	563,721	-	-
Building Maintenance	50,643	-	-
Recreation	80,740	-	-
Aviation	25,361	-	-
Library	159,493	-	-
Culture and Recreation:			
Parks	98,935	-	-
Tourism	-	-	-
Debt Service:			
Bond Principal	-	-	1,218,000
Other Debt Principal	4,774	-	-
Bond Interest	-	-	1,068,295
Other Debt Interest	829	-	-
Fiscal Agent's Fees	-	-	1,900
Issuance Costs	-	38,000	-
Capital Outlay:			
Capital Outlay	-	7,094,100	-
Total Expenditures	5,082,715	7,132,100	2,288,195
Excess (Deficiency) of Revenues Over (Under) Expenditures	(464,961)	(6,356,144)	(507,840)
OTHER FINANCING SOURCES (USES):			
Capital-related Debt Issued (Regular Bonds)	-	3,738,000	-
Non-Current Loans	39,227	-	-
Transfers In	1,000,000	3,002,444	557,092
Transfers Out (Use)	-	(3,738)	-
Total Other Financing Sources (Uses)	1,039,227	6,736,706	557,092
Net Change in Fund Balances	574,266	380,562	49,252
Fund Balance - October 1 (Beginning)	2,834,675	(380,562)	(13,349)
Fund Balance - September 30 (Ending)	\$ 3,408,941	\$ -	\$ 35,903

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

		Total
	Hotel Funds	Governmental Funds
\$		
-	\$ 4,484,779	
-	413,984	
-	286,169	
92,854	100,790	
-	169,004	
-	774,319	
-	750,506	
-	95,087	
1,617	26,862	
-	147,137	
-	19,899	
<u>94,471</u>	<u>7,268,536</u>	
-	439,762	
-	86,335	
-	511,298	
-	198,696	
-	85,782	
-	100,763	
-	111,326	
-	1,492,774	
-	310,794	
-	760,689	
-	563,721	
-	50,643	
-	80,740	
-	25,361	
-	159,493	
-	98,935	
<u>70,378</u>	<u>70,378</u>	
-	1,218,000	
-	4,774	
-	1,068,295	
-	829	
-	1,900	
-	38,000	
-	<u>7,094,100</u>	
<u>70,378</u>	<u>14,573,388</u>	
<u>24,093</u>	<u>(7,304,852)</u>	
-	3,738,000	
-	39,227	
-	4,559,536	
	<u>(3,738)</u>	
	<u>8,333,025</u>	
<u>24,093</u>	<u>1,028,173</u>	
<u>325,475</u>	<u>2,766,239</u>	
\$	<u>349,568</u>	<u>\$ 3,794,412</u>

CITY OF LAGO VISTA, TEXA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 1,028,173
Current year capital outlays and long-term debt principal payments 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 removing the 2016 capital outlays and debt principal payments is to decrease the change in net position.	(1,254,871)
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$148,173 and total debits to expenses were \$221,393. The net effect on the change in net position on Exhibit B-1 is a decrease of \$73,220.	(73,220)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(851,899)
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, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(182,249)
Change in Net Position of Governmental Activities	<hr/> <hr/> <hr/> \$ (1,334,066)

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

Business-Type Activities - Enterprise Funds			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,000	\$ 1,388,653	\$ 1,389,653
Investments - Current	-	178,198	178,198
Restricted Assets - Current:			
Restricted Asset - Impact Fees	-	771,511	771,511
Accounts Receivable-Net of Uncollectible Allowance	33,276	1,011,738	1,045,014
Due from Other Funds	-	1,984,451	1,984,451
Inventories	32,832	196,803	229,635
Prepaid Items	5,141	8,186	13,327
Total Current Assets	<u>72,249</u>	<u>5,539,540</u>	<u>5,611,789</u>
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	935,399	2,336,444	3,271,843
Buildings	551,251	405,538	956,789
Accumulated Depreciation - Buildings	(98,037)	(239,016)	(337,053)
Improvements other than Buildings	1,547,151	47,094,785	48,641,936
Accumulated Depreciation - Other Improvements	(380,190)	(14,278,218)	(14,658,408)
Machinery and Equipment	1,506,223	2,403,638	3,909,861
Accumulated Depreciation - Machinery & Equipment	(1,411,147)	(1,783,826)	(3,194,973)
Construction in Progress	29,011	17,597,184	17,626,195
Total Noncurrent Assets	<u>2,679,661</u>	<u>53,536,529</u>	<u>56,216,190</u>
Total Assets	<u>2,751,910</u>	<u>59,076,069</u>	<u>61,827,979</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	<u>118,116</u>	<u>236,229</u>	<u>354,345</u>
Total Deferred Outflows of Resources	<u>118,116</u>	<u>236,229</u>	<u>354,345</u>

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

Business-Type Activities - Enterprise Funds			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	80	55,472	55,552
Wages and Salaries Payable	24,864	20,025	44,889
Compensated Absences Payable	49,729	101,106	150,835
Intergovernmental Payable	2,037	-	2,037
Due to Other Funds	2,570,804	-	2,570,804
Unearned Revenue	-	9,422	9,422
Notes Payable - Current	-	82,916	82,916
Other Current Liabilities	-	176,750	176,750
Total Current Liabilities	<u>2,647,514</u>	<u>445,691</u>	<u>3,093,205</u>
NonCurrent Liabilities:			
Notes Payable - Noncurrent	-	256,627	256,627
Net Pension Liability	86,041	172,083	258,124
Total Noncurrent Liabilities	<u>86,041</u>	<u>428,710</u>	<u>514,751</u>
Total Liabilities	<u>2,733,555</u>	<u>874,401</u>	<u>3,607,956</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Resource Inflow - Related to Pension Plan	5,834	11,667	17,501
Total Deferred Inflows of Resources	<u>5,834</u>	<u>11,667</u>	<u>17,501</u>
NET POSITION			
Net Investment in Capital Assets	2,679,661	53,196,986	55,876,647
Restricted for Capital Improvements	-	771,511	771,511
Unrestricted Net Position	(2,549,024)	4,457,733	1,908,709
Total Net Position	<u>\$ 130,637</u>	<u>\$ 58,426,230</u>	<u>\$ 58,556,867</u>

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Business-Type Activities - Enterprise Funds			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Water Services	\$ -	\$ 3,381,515	\$ 3,381,515
Charges for Sewerage Service	- -	2,274,702	2,274,702
Charges for Services Golf Course	645,180	-	645,180
Rents and Royalties	156,505	-	156,505
Other Revenue	253,535	39,197	292,732
Total Operating Revenues	1,055,220	5,695,414	6,750,634
OPERATING EXPENSES:			
Utilities Administration			
Personnel Services - Salaries and Wages	- -	93,416	93,416
Personnel Services - Employee Benefits	- -	40,785	40,785
Purchased Professional & Technical Services	- -	25,193	25,193
Purchased Property Services	- -	250	250
Other Operating Expenses	- -	36,503	36,503
Supplies	- -	19,323	19,323
Total Utilities Administration	- -	215,470	215,470
Water Services			
Personnel Services - Salaries and Wages	- -	322,450	322,450
Personnel Services - Employee Benefits	- -	138,841	138,841
Purchased Professional & Technical Services	- -	16,201	16,201
Purchased Property Services	- -	126,188	126,188
Other Operating Expenses	- -	14,633	14,633
Supplies	- -	33,204	33,204
Total Water Services	- -	651,517	651,517
Water Plant			
Personnel Services - Salaries and Wages	- -	99,735	99,735
Personnel Services - Employee Benefits	- -	47,375	47,375
Purchased Professional & Technical Services	- -	46,803	46,803
Purchased Property Services	- -	196,059	196,059
Other Operating Expenses	- -	17,267	17,267
Supplies	- -	309,497	309,497
Total Water Plant	- -	716,736	716,736
Wastewater Services			
Personnel Services - Salaries and Wages	- -	109,471	109,471
Personnel Services - Employee Benefits	- -	47,504	47,504
Purchased Professional & Technical Services	- -	17,393	17,393
Purchased Property Services	- -	175,218	175,218
Other Operating Expenses	- -	3,234	3,234
Supplies	- -	40,369	40,369
Total Wastewater Services	- -	393,189	393,189
Wastewater Plant			
Personnel Services - Salaries and Wages	- -	101,559	101,559
Personnel Services - Employee Benefits	- -	43,682	43,682
Purchased Professional & Technical Services	- -	39,185	39,185
Purchased Property Services	- -	88,933	88,933

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Business-Type Activities - Enterprise Funds			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
Other Operating Expenses	-	2,207	2,207
Supplies	-	20,838	20,838
Total Wastewater Plant	-	296,404	296,404
Golf Course			
Personnel Services - Salaries and Wages	612,599	-	612,599
Personnel Services - Employee Benefits	265,674	-	265,674
Purchased Professional & Technical Services	79,082	-	79,082
Purchased Property Services	336,033	-	336,033
Other Operating Expenses	147,346	-	147,346
Supplies	208,534	-	208,534
Total Golf Course	1,649,268	-	1,649,268
Effluent Disposal			
Personnel Services - Salaries and Wages	-	105,760	105,760
Personnel Services - Employee Benefits	-	40,346	40,346
Purchased Professional & Technical Services	-	13,670	13,670
Purchased Property Services	-	52,950	52,950
Other Operating Expenses	-	223	223
Supplies	-	5,028	5,028
Total Effluent Disposal	-	217,977	217,977
Information Technology			
Personnel Services - Salaries and Wages	-	62,659	62,659
Personnel Services - Employee Benefits	-	18,691	18,691
Purchased Professional & Technical Services	-	5,342	5,342
Purchased Property Services	-	52,088	52,088
Other Operating Expenses	-	58,606	58,606
Total Information Technology	-	197,386	197,386
Public Works Admin			
Personnel Services - Salaries and Wages	-	113,004	113,004
Personnel Services - Employee Benefits	-	42,096	42,096
Purchased Professional & Technical Services	-	140,100	140,100
Purchased Property Services	-	2,014	2,014
Other Operating Expenses	-	15,298	15,298
Supplies	-	1,513	1,513
Total Public Works Admin	-	314,025	314,025
Depreciation	132,843	1,117,671	1,250,514
Total Operating Expenses	1,782,111	4,120,375	5,902,486
Operating Income (Loss)	(726,891)	1,575,039	848,148
NON-OPERATING REVENUES (EXPENSES):			
Investment Earnings	-	3,730	3,730
Interest Expense - Non-Operating	-	(8,540)	(8,540)
Total Non-operating Revenue (Expenses)	-	(4,810)	(4,810)
Income (Loss) Before Contributions & Transfers	(726,891)	1,570,229	843,338
Capital Contributions	28,973	6,161,550	6,190,523

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
Transfers Out	-	(4,555,798)	(4,555,798)
Change in Net Position	(697,918)	3,175,981	2,478,063
Total Net Position - October 1 (Beginning)	<u>828,555</u>	<u>55,250,249</u>	<u>56,078,804</u>
Total Net Position - September 30 (Ending)	<u><u>\$ 130,637</u></u>	<u><u>\$ 58,426,230</u></u>	<u><u>\$ 58,556,867</u></u>

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT D-3 (Cont'd)

Business-Type Activities			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 630,750	\$ 5,482,166	\$ 6,112,916
Cash Received from Assessments - Other Funds	410,040	39,197	449,237
Cash Payments to Employees for Services	(869,732)	(1,410,790)	(2,280,522)
Cash Payments for Suppliers	(219,918)	2,447,249	2,227,331
Cash Payments for Other Operating Expenses	48,860	(488,378)	(439,518)
Net Cash Provided by Operating Activities	-	6,069,444	6,069,444
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	-	(4,555,798)	(4,555,798)
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	(28,973)	(6,550,589)	(6,579,562)
Capital Contributed by Other Funds	28,973	6,161,550	6,190,523
Loan Proceeds	-	301,378	301,378
Loan Payments	-	(75,326)	(75,326)
Interest Paid	-	(8,540)	(8,540)
Restricted Assets	-	(46,148)	(46,148)
Net Cash Provided by (Used for) Capital & Related Financing Activities	-	(217,675)	(217,675)
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	-	3,730	3,730
Net Increase in Cash and Cash Equivalents	-	1,299,701	1,299,701
Cash and Cash Equivalents at Beginning of the Year:	1,000	267,150	268,150
Cash and Cash Equivalents at the End of the Year:	<u>\$ 1,000</u>	<u>\$ 1,566,851</u>	<u>\$ 1,567,851</u>

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT D-3

Business-Type Activities			
	Golf Course Fund	Utility Fund	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash			
Provided By Operating Activities:			
Operating Income (Loss):	\$ (726,891)	\$ 1,575,039	\$ 848,148
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	132,843	1,117,671	1,250,514
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	(14,430)	(174,051)	(188,481)
Decrease (increase) in Inventories	(10,951)	-	(10,951)
Decrease (increase) in Due From Other Funds	-	3,513,904	3,513,904
Increase (decrease) in Accounts Payable	80	167	247
Increase (decrease) in Compensated Absences	904	(2,156)	(1,252)
Increase (decrease) in Intergovernmental	(513)	-	(513)
Increase (decrease) in Wages Payable	(10,122)	(16,779)	(26,901)
Increase (decrease) in Pension Liability	17,759	35,519	53,278
Increase (decrease) in Due to Other Funds	611,321	-	611,321
Increase(decrease) in Other Current Liabilities	-	20,130	20,130
Net Cash Provided by Operating Activities	<hr/> \$ -	<hr/> \$ 6,069,444	<hr/> \$ 6,069,444

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

CITY OF LAGO VISTA, TEXA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Total	Pension	Trust Fund
ASSETS			
Restricted Asset - Deferred Compensation Plan	\$ 763,370		
Total Assets	<u>763,370</u>		
LIABILITIES			
Due to Others		763,370	
Total Liabilities	<u>763,370</u>		

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lago Vista, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial 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 GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Lago Vista nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes, franchise taxes and user charges. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the 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 City has elected not to follow Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989 for its business-type and enterprise fund activities.

D. Fund Accounting

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

3. **Capital Projects Fund** - The Capital Projects Fund is used to account for the financial resources used for acquisition of major capital improvements.

Additionally, the City reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Fund:

1. **Enterprise Funds** – The Utility Fund and Golf Course Fund are operated as Enterprise Funds.

E. Other Accounting Policies

1. In the government-wide financial statements 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
3. All inventories are valued at cost using the weighted average cost method. The consumption method is used to account for governmental fund type inventories. Under the consumption method, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
4. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with 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 costs 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.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30-50
Improvements	10-30
Equipment	3-10

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

5. Beginning with fiscal year end September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

6. Implementation of new GASB Accounting Standard:

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

9. Pensions. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
10. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2016, the carrying amount of the City's deposits was \$1,511,465 and the bank balance was \$1,771,245. The City's cash deposits held at Security State Bank at September 30, 2016 and during the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1)

obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Temporary investments:

	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
LOGIC	\$ 4,467,557	\$ 4,467,557	\$ - 0 -	\$ - 0 -

Local government investment pools operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2016 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Logic Investment Pool invests only in investments authorized under the Public Funds Investment Act. Logic's portfolio has low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net position value and must take immediate action if the net position value of the portfolio falls below \$.995 or rises above \$1.005.

B. Property Taxes

The city levies taxes on real property within the city on October 1 each year which is the lien date. Such taxes become delinquent the following February 1. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The Travis County Appraisal District appraises and collects taxes for the city. For the 2015 tax roll, the tax rate was \$.3923 for maintenance and operations and \$.2577 for interest and sinking. The total tax rate was \$.65 per \$100 valuation and the total property valuation was \$679,519,503.

C. Court Fines and Fees Receivable

In accordance with GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$199,863. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$139,904, resulting in a net receivable of \$59,959.

D. Restricted Assets

Restricted assets represent cash that has been set aside for future payment of revenue bonds and capital improvements. A summary of restricted assets at September 30, 2016 appears below:

<i>General Fund-</i>	
Park Land Fees	21,584
<i>Capital Projects Fund -</i>	
Airport Taxiway	36
Austin Boulevard Paving	26,618
2015 Tax Note	1,069,085
Jonestown FM/Effluent	230,929
LCRA Hollows Water Quality Impr	193,245
<i>Utility Fund-</i>	
Impact Fees	771,511
<i>Pension Trust Fund-</i>	
Deferred Compensation Plan	763,370
Total Restricted Assets	<u><u>\$ 3,076,378</u></u>

E. Capital Asset Activity

Changes in Governmental fixed assets during the year ended September 30, 2016 were as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 1,052,035	\$	\$	\$ 1,052,035
Buildings & Streets	12,630,339	332,437		12,962,776
Machinery & Equipment	1,115,858	17,873		1,133,731
Autos & Trucks	1,013,182	31,427		1,044,609
Furniture & Fixtures	98,623			98,623
Improvements	7,792,188	707,240		8,499,428
Construction in Progress	459,692	323,591	459,692	323,591
Totals at Historic Cost	\$ 24,161,917	\$ 1,412,568	\$ 459,692	\$ 25,114,793
Less Accumulated Depreciation	<u><u>(3,142,876)</u></u>	<u><u>(835,653)</u></u>		<u><u>(3,978,529)</u></u>
Governmental Activities				
Capital Assets, Net	<u><u>\$ 21,019,041</u></u>	<u><u>\$ 576,915</u></u>	<u><u>\$ 459,692</u></u>	<u><u>\$ 21,136,264</u></u>

F. Property, Plant and Equipment

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

	Balance			Balance
	10/01/15	Additions	Deletions	09/30/16
Land	\$ 3,271,843	\$	\$	\$ 3,271,843
Buildings	918,757	38,032		956,789
Improvements	12,098,733			12,098,733
Water Treatment Plant	7,715,030			7,715,030
Construction in Progress	11,781,195	6,155,701	(98,764)	17,838,132
Water and Sewer System	28,433,024	183,215	(18,200)	28,598,039
Machinery & Equipment	3,608,483	301,378		3,909,861
Totals	\$ 67,827,065	\$ 6,678,326	\$ (116,964)	\$ 74,388,427
Accumulated Depreciation	(16,939,922)	(1,250,514)	18,200	(18,172,236)
Fixed Assets, Net	\$ 50,887,143	\$ 5,427,812	\$ (98,764)	\$ 56,216,191

G. Intangible Asset

On December 3, 2012 the City purchased a 20 year public access to the school facilities from the Lago Vista Independent School District. The easement is being amortized over the contract period (20 years). The unamortized balance as of September 30, 2016 was \$276,181.

H. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Beginning Balance		Additions		Retirements		Ending Balance		Due Within One Year
<u>Governmental Activities:</u>									
Bonds Payable	\$ 27,439,000	\$ 3,738,000		1,218,000	\$ 29,959,000	\$ 1,284,000			
Premium on Bonds	1,233,976			75,167	1,158,809				
Compensated Absences	310,549			19,084	291,465				
Loans Payable	356,209	39,227		120,843	274,593	90,371			
Less: Deferred Loss on Refunding Bonds	(330,216)			33,170	(297,046)				
Governmental Activity Long-Term Debt	<u>\$ 29,009,518</u>	<u>\$ 3,777,227</u>		<u>\$ 1,466,264</u>	<u>\$ 31,386,821</u>	<u>\$ 1,374,371</u>			
<u>Business-Type Activities</u>									
Loans Payable - Water & Sewer Fund	\$ 113,504	\$ 301,378	\$ 75,326	\$ 339,556	82,916				
Business Type Activity Long-Term Debt	<u>\$ 113,504</u>	<u>\$ 301,378</u>	<u>\$ 75,326</u>	<u>\$ 339,556</u>	<u>\$ 82,916</u>				
TOTAL ACTIVITIES	\$ 29,123,022	\$ 4,078,605	\$ 1,541,590	\$ 31,726,377	\$ 1,457,287				

I. Bonds Payable

A detail of General Long-Term Debt is as follows:

	Balance at 9/30/16	Due within one Year
\$6,515,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006 Date of Issue: October 5, 2006 Interest Rate 4.13% Balance, September 30, 2016	\$ 4,235,000	\$ 310,000
\$2,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008 Date of Issue: July 3, 2008 Interest Rate 3.87% Balance, September 30, 2016	1,363,000	91,000
\$2,340,000 General Obligation Refunding Bonds, Series 2009 Date of Issue: August 20, 2009 Interest Rate 3.30% Balance, September 30, 2016	488,000	153,000
\$4,535,000 General Obligation Refunding Bonds, Series 2011 Date of Issue: December 1, 2011 Interest Rate: 2.0% Balance, September 30, 2016	3,420,000	485,000
\$7,655,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 Date of Issue: August 19, 2014 Interest Rate: 2.0-4.50% Balance, September 30, 2016	7,630,000	25,000
\$2,200,000 Limited Tax Note, Series 2015 Date of Issue: May 21, 2015 Interest Rate: 2.160% Balance, September 30, 2016	2,130,000	185,000
\$6,955,000 General Obligation Refunding Bonds, Series 2015 Date of Issue: January 8, 2015 Interest Rate: 2.0-4.0% Balance, September 30, 2016	6,955,000	35,000
\$3,738,000 Limited Tax Note, Series 2015 Date of Issue: October 01, 2015 Interest Rate: 3.17% Balance, September 30, 2016	3,738,000	-
TOTAL BONDS PAYABLE	<u>\$ 29,959,000</u>	<u>\$ 1,284,000</u>

The annual requirements to amortize the obligation outstanding at September 30, 2016 follow:

<u>General Long-Term Debt</u>					
September 30,		Principal	Interest	Total	
2017	\$ 1,284,000	1,011,626	\$ 2,295,626		
2018	2,095,000	1,018,274	3,113,274		
2019	2,183,000	951,407	3,134,407		
2020	2,253,000	881,594	3,134,594		
2021	2,321,000	808,862	3,129,862		
2022-2026	6,825,000	3,198,099	10,023,099		
2027-2031	6,638,000	1,981,996	8,619,996		
2032-2036	6,360,000	539,388	6,899,388		
Totals	\$ 29,959,000	\$ 10,391,246	\$ 40,350,246		

J. Notes Payable

The following is a summary of notes payable:

	Balance at 9/30/16	Due Within One Year
UTILITY FUND		
Security State Bank, secured by 2009 Doosan Lift Truck, original amount \$17,894, payable in quarterly installments of \$1,586 (including interest at 3.5%) through January, 2017	3,116	3,116
Security State Bank, secured by 2014 Equipment Trailer, original amount \$8,875, payable in quarterly installments of \$783 (including interest at 3.5%) through January, 2017	1,538	1,538
Security State Bank, secured by Magnum Light Tower, original amount \$8,500, payable in quarterly installments of \$750 (including interest at 3.5%) through January, 2017	1,473	1,473
Security State Bank, secured by 2014 Coats Spin Tire Balancer, original amount \$3,000, payable in quarterly installments of \$265 (including interest at 3.5%) through January, 2017	520	520
Security State Bank, secured by 2014 Chevrolet 3500 Truck, original amount \$32,542, payable in quarterly installments of \$2,871 (including interest at 3.5%) through March, 2017	5,650	5,650
Security State Bank, secured by 2012 Doosan Lift Truck, original amount \$19,544 payable in quarterly installments of \$1,071 (including interest at 3.5%) through January, 2020	14,024	3,835
Security State Bank, secured by Kubota Utility Vehicle, original amount \$17,695 payable in quarterly installments of \$969 (including interest at 3.5%) through January, 2020	12,968	3,731
Security State Bank, secured by Four Post Lift, original amount \$3,879 payable in quarterly installments of \$213 (including interest at 3.5%) through January, 2020	2,784	761
Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$28,304 payable in quarterly installments of \$1,551 (including interest at 3.5%) through April, 2020	21,665	5,506
Security State Bank, secured by 2016 Ford F250 Truck, original amount \$24,035 payable in quarterly installments of \$1,325 (including interest at 3.75%) through April, 2021	22,937	4,493
Security State Bank, secured by 2016 Ford F250 Truck, original amount \$24,435 payable in quarterly installments of \$1,347 (including interest at 3.75%) through April, 2021	23,319	4,567
Security State Bank, secured by Case 580 Backhoe, original amount \$92,500 payable in quarterly installments of \$5,101 (including interest at 3.75%) through January, 2021	83,949	17,454
Security State Bank, secured by Document Mgmt System, original amount \$28,478 payable in quarterly installments of \$1,570 (including interest at 3.75%) through January, 2021	25,845	5,373
Security State Bank, secured by Virtual Server, original amount \$55,830 payable in quarterly installments of \$3,079 (including interest at 3.75%) through March, 2021	50,683	10,537
Security State Bank, secured by Case SR 270 Skidsteer, original amount \$76,100 payable in quarterly installments of \$4,197 (including interest at 3.75%) through March, 2021	69,085	14,362
TOTAL ENTERPRISE FUNDS	\$ 339,556	\$ 82,916

	Balance at 9/30/16	Due Within One Year
GOVERNMENTAL FUNDS		
Security State Bank, secured by 2014 Ford Explorer, original amount \$40,321, payable in quarterly installments of \$3,557 (including interest at 3.5%) through June, 2017	10,476	10,476
Security State Bank, secured by 2014 Case 580N Backhoe, original amount \$86,089, payable in quarterly installments of \$7,594 (including interest at 3.5%) through January, 2017	14,865	14,865
Security State Bank, secured by 2014 Chevrolet 2500 Truck, original amount \$25,286, payable in quarterly installments of \$2,231 (including interest at 3.5%) through January, 2017	4,366	4,366
Security State Bank, secured by 2015 Chevrolet Express Van, original amount \$25,565, payable in quarterly installments of \$1,401 (including interest at 3.5%) through August, 2020	20,791	4,930
Security State Bank, secured by Case F50B Tractor & Cutter, original amount \$38,450, payable in quarterly installments of \$2,107 (including interest at 3.5%) through January, 2020	27,591	7,545
Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$23,146, payable in quarterly installments of \$1,268 (including interest at 3.5%) through May, 2020	17,734	4,503
Security State Bank, secured by 2014 Top Hat BP Trailer, original amount \$1,764, payable in quarterly installments of \$97 (including interest at 3.5%) through January, 2020	1,266	346
Security State Bank, secured by John Deere ATRAK Mower, original amount \$7,363, payable in quarterly installments of \$404 (including interest at 3.5%) through June, 2020	5,639	1,433
Security State Bank, secured by Broyhill Stadium Sprayer, original amount \$6,801, payable in quarterly installments of \$373 (including interest at 3.5%) through May, 2020	5,208	1,323
Security State Bank, secured by 2015 Trim Mower, original amount \$27,083, payable in quarterly installments of \$1,484 (including interest at 3.5%) through May, 2020	20,740	5,269
Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$23,146, payable in quarterly installments of \$1,268 (including interest at 3.5%) through May, 2020	17,742	4,503
Security State Bank, secured by 2015 Ford Explorer Police, original amount \$39,997, payable in quarterly installments of \$2,192 (including interest at 3.5%) through June, 2020	30,629	7,782
Security State Bank, secured by 2015 Ford Explorer Police, original amount \$39,997, payable in quarterly installments of \$2,192 (including interest at 3.5%) through June, 2020	30,629	7,782
Security State Bank, secured by 2015 Ford Explorer Police, original amount \$40,397, payable in quarterly installments of \$2,214 (including interest at 3.5%) through June, 2020	30,935	7,860
Security State Bank, secured by 2016 Ford F150 truck, original amount \$31,427, payable in quarterly installments of \$1,733 (including interest at 3.75%) through February, 2021	28,530	5,930
Security State Bank, secured by Solar Powered School Zone Lights, original amount \$7,800, payable in quarterly installments of \$430 (including interest at 3.75%) through May, 2021	7,452	1,458
TOTAL GENERAL LONG-TERM DEBT	\$ 274,593	\$ 90,371
TOTAL NOTES PAYABLE	\$ 614,149	\$ 173,287

The annual requirements to amortize the notes outstanding at September 30, 2016 follow:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 173,287	\$ 26,518	\$ 199,805
2018	135,908	14,425	150,333
2019	140,966	9,366	150,332
2020	124,112	4,362	128,474
2021	39,876	1,221	41,097
Totals	\$ 614,149	\$ 55,892	\$ 670,041

K. Risk Management

The City of Lago Vista is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2016 were \$155,892.

L. Defined Benefit Pension Plan

Plan Description

The City of Lago Vista, Texas participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2014	Plan Year 2015
Employee Deposit Rate:	6%	6%
Matching Ratio (City to Employee)	2 - 1	2 - 1
Years required for Vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	51
Active employees	89
	168

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lago Vista, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista, Texas were 6.62% and 6.48% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$254,860, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.0% per year

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy

Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2015 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2014	\$ 7,465,025	\$ 7,590,865	\$ (125,840)
Changes for the year:			
Service cost	431,114		431,114
Interest	527,056		527,056
Changes of Benefit Terms			-
Difference between Expected and Actual	20,443		-
Experience			-
Changes in Assumptions	212,906		212,906
Contributions - Employer		234,864	(234,864)
Contributions - Employee		212,546	(212,546)
Net investment income		11,202	(11,202)
Benefit Payments, Including Refunds of			-
Employee Contributions	(302,417)	(302,417)	-
Administrative Expense		(6,822)	6,822
Other Changes		(337)	337
Net Changes	889,102	149,036	719,623
Balances as of December 31, 2015	<u>\$ 8,354,127</u>	<u>\$ 7,739,901</u>	<u>\$ 614,227</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,789,984	\$ 614,227	\$ (355,908)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$ 158,580.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 41,668	\$ 15,700
Changes of assumptions	-	163,508
Net difference between projected and actual earnings	-	475,173
Contributions made subsequent to measurement date	-	189,294
	<hr/> \$ 41,668	<hr/> \$ 843,675

\$189,294 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$ 160,290
2017	160,290
2018	166,214
2019	120,815
2020	-
Thereafter	-
Total	<hr/> \$ 607,609

M. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected by ordinance to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the year ended 2016, 2015 and 2014 were \$8,115, \$6,795 and \$6,477 respectively, which equaled the required contributions each year.

N. Deferred Compensation Plan

The City offers its employees deferred compensation programs through Nationwide Retirement Solutions, Inc. The plan, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

O. Employee Insurance Benefits

All regular full time employees of the city are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the city through TML Group Benefits Risk Pool. The city pays the premium for eligible employees and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

P. Interfund Transactions

Interfund balances at September 30, 2016 consisted of the following:

	Receivable	Payable
General Fund	\$ 1,921,467	\$ 29,698
Debt Service Fund	76,713	
Special Revenue Fund		37,367
Capital Projects Fund		1,344,762
Golf Course Fund		2,570,804
Utility Fund	1,984,451	
TOTALS	<u>\$ 3,982,631</u>	<u>\$ 3,982,631</u>

During the year ended September 30, 2016, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
General Fund	\$ 1,000,000	\$
Capital Projects Fund	3,002,444	3,738
Debt Service Fund	557,092	
Golf Course		
Utility Fund		4,555,798
TOTALS	\$ 4,559,536	\$ 4,559,536

Q. Long-Term Debt-Advance Refundings

General Obligation Refunding Bonds – Series 2015

During 2015, the City advance refunded general obligation refunding bonds – Series 2005 (\$9,960,000). The bonds were called and were redeemed on February 15, 2015 by purchasing \$7,598,093 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2015 bonds mature on February 15, in each of the years 2016 through 2022, bearing interest at 2.16%. The refunding bonds resulted in a gross debt service loss of \$2,386,573 and the net present value savings of \$138,877. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance 9/30/2016
General Obligation – Refunding Bonds – Series 2005	\$ 7,445,000	\$ 5,575,000
Total Amount refunded	\$ 7,445,000	\$ 5,575,000

General Obligation Refunding Bonds – Series 2011

During 2012, the City advance refunded a portion of several of the City's obligations with one refunding, general obligation refunding bonds – Series 2011 (\$4,535,000). The various bonds were called and were redeemed on December 1, 2011 by purchasing \$4,612,372 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2011 bonds mature on February 15, in each of the years 2012 through 2023, bearing interest at 2.0% and 3.0%. The refunding bonds resulted in a gross debt service savings of \$351,141 and the net present value savings of \$293,664. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance 9/30/2016
Combination Tax & Limited Revenue – Refunding Bonds – Series 2003	\$ 4,050,000	\$ 3,305,000
Limited Tax Notes – Series 2010	295,000	64,000
Total Amount refunded	\$ 4,345,000	\$ 3,369,000

General Obligation Refunding Bonds – Series 2009

During 2009, the City advance refunded a portion of several of the City's obligations with one refunding, general obligation refunding bonds - Series 2009 (\$2,340,000). The various bonds were called and were redeemed on August 20, 2009 by purchasing \$2,305,790 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2009 bonds mature on February 15, in each of the years 2010 through 2019, bearing interest at 3.3%. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance, 9/30/16
Combination Tax & Limited Revenue Refunding Bonds – Series 1999	\$ 1,440,000	\$ 500,000
General Obligation Bonds - Series 1999	<u>855,000</u>	<u> </u>
Total Amount Refunded	<u><u>\$ 2,295,000</u></u>	<u><u>\$ 500,000</u></u>

R. Negative Unrestricted Net Position

The unrestricted net position for the governmental activities reflects a large negative balance. Since the City finances utility fund improvements with taxes, the assets are reflected in the utility fund while the debt is shown in the governmental activities. This causes a large negative balance for unrestricted net position in the governmental activities as shown below:

Long-term debt used to finance utility (enterprise) fund improvements -	\$ (29,959,000)
Unrestricted Net Position	<u>2,894,687</u>
As Reported on Exhibit A-1	<u><u>\$ (27,064,313)</u></u>

S. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

T. Cash Flows Statement – Supplemental Disclosures

Since the City is tax exempt, no income tax was paid in 2016 and 2015. The City paid interest in the amount of \$8,540 in 2016 and \$4,755 in 2015.

U. Public Improvement Districts

On May 11, 2012 the City granted a petition to create Tessera on Lake Travis Public Improvement District. The Petitioners proposed the District be managed by the City with, at the option of the City, the assistance of other parties as determined by the City. The costs and expenses of the services of such other parties shall be part of the cost of operating and administering the District. The City will not be obligated to provide any funds to finance construction of authorized improvements. All design and construction costs of authorized improvements will be paid from assessments and from other sources of funds, if any, available to the Petitioners.

On September 11, 2014 Hines Lake Travis Land II Limited Partnership conveyed Phase I assets of Tessera on Lake Travis Public Improvement District to the City. The governmental assets totaled \$12,798,379 in infrastructure, improvements and buildings and the proprietary fund assets (Utility Fund) totaled \$4,949,459 in system improvements. The total assets conveyed were \$17,747,838.

T. Subsequent Events

The City has evaluated subsequent events through April 11, 2017, the date which the financial statements were available to be issued. In December 2016 the City issued General Refunding Bonds, Series 2016A and General Obligation Refunding Bonds, Taxable Series 2016B totaling \$5,685,000. The City is not aware of any other subsequent events that materially impact the financial statements.

/

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGO VISTA, TEXA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)		Variance With Final Budget Positive or (Negative)
	Original	Final			
REVENUES:					
Taxes:					
Property Taxes	\$ 2,689,917	\$ 2,689,917	\$ 2,706,564	\$ 16,647	
General Sales and Use Taxes	395,503	395,503	413,984	18,481	
Franchise Tax	305,895	305,895	286,169	(19,726)	
Other Taxes	9,000	9,000	7,936	(1,064)	
Licenses and Permits	140,954	140,954	169,004	28,050	
Intergovernmental Revenue and Grants	68,367	68,367	88,201	19,834	
Charges for Services	720,181	720,181	750,506	30,325	
Fines	100,600	100,600	95,087	(5,513)	
Investment Earnings	2,300	2,300	6,667	4,367	
Contributions & Donations from Private Sources	-	-	77,474	77,474	
Other Revenue	73,120	73,120	16,162	(56,958)	
Total Revenues	<u>4,505,837</u>	<u>4,505,837</u>	<u>4,617,754</u>	<u>111,917</u>	
EXPENDITURES:					
Current:					
Administration	511,853	475,347	439,762	35,585	
Non Departmental	94,500	94,500	86,335	8,165	
Development Services	591,838	601,711	511,298	90,413	
Finance	197,335	207,665	198,696	8,969	
Human Resources	87,322	90,836	85,782	5,054	
Municipal Court	98,567	106,894	100,763	6,131	
City Secretary	128,568	127,114	111,326	15,788	
Police Department	1,513,711	1,570,083	1,492,774	77,309	
Dispatching	319,263	332,816	310,794	22,022	
Public Works Streets	769,128	791,556	760,689	30,867	
Solid Waste	548,182	568,182	563,721	4,461	
Building Maintenance	52,897	52,897	50,643	2,254	
Recreation	96,595	96,595	80,740	15,855	
Aviation	29,661	29,660	25,361	4,299	
Library	164,839	170,224	159,493	10,731	
Culture and Recreation:					
Parks	107,293	102,720	98,935	3,785	
Debt Service:					
Other Debt Principal	-	4,756	4,774	(18)	
Other Debt Interest	-	847	829	18	
Total Expenditures	<u>5,311,552</u>	<u>5,424,403</u>	<u>5,082,715</u>	<u>341,688</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(805,715)</u>	<u>(918,566)</u>	<u>(464,961)</u>	<u>453,605</u>	
OTHER FINANCING SOURCES (USES):					
Non-Current Loans	-	-	39,227	39,227	
Transfers In	1,000,000	1,000,000	1,000,000	-	
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,039,227</u>	<u>39,227</u>	
Net Change in Fund Balances	194,285	81,434	574,266	492,832	
Fund Balance - October 1 (Beginning)	2,834,675	2,834,675	2,834,675	-	
Fund Balance - September 30 (Ending)	<u>\$ 3,028,960</u>	<u>\$ 2,916,109</u>	<u>\$ 3,408,941</u>	<u>\$ 492,832</u>	

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

CITY OF LAGO VISTA, TEXA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SEPTEMBER 30, 2016

EXHIBIT G-2

	2016	2015
A. Total Pension Liability		
Service Cost	\$ 431,114	\$ 362,015
Interest (on the Total Pension Liability)	527,056	489,774
Changes of Benefit Terms	-0-	-0-
Difference between Expected and Actual Experience	20,443	(73,396)
Changes of Assumptions	212,906	-0-
Benefit Payments, including refunds of employee contributions	(302,417)	(258,266)
Net change in Total Pension Liability	<hr/> \$ 889,102	<hr/> \$ 520,127
Total Pension Liability - Beginning	<hr/> 7,465,025	<hr/> 6,944,898
Total Pension Liability - Ending	<hr/> \$ 8,354,127	<hr/> \$ 7,465,025
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 234,864	\$ 215,450
Contributions - Employee	212,546	203,575
Net Investment Income	11,202	402,356
Benefit Payments, including refunds of employee contributions	(302,417)	(258,266)
Administrative Expense	(6,822)	(4,200)
Other	(337)	(345)
Net Change in Plan Fiduciary Net Position	<hr/> \$ 149,035	<hr/> \$ 558,570
Plan Fiduciary Net Position - Beginning	<hr/> 7,590,865	<hr/> 7,032,295
Plan Fiduciary Net Position - Ending	<hr/> \$ 7,739,900	<hr/> \$ 7,590,865
C. Net Pension Liability	<hr/> \$ 614,227	<hr/> \$ (125,840)
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.65%	101.69%
E. Covered Employee Payroll	\$ 3,542,430	\$ 3,392,918
F. Net Pension Liability as a Percentage of Covered Employee Payroll	17.34%	(3.71%)

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only two years of data are presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF LAGO VISTA, TEXA
 SCHEDULE OF CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SEPTEMBER 30, 2016

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 254,860	\$ 235,583
Contributions in Relation to the Actuarially Determined Contributions	(254,860)	(235,583)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
Covered Employee Payroll	<u>\$ 3,911,628</u>	<u>\$ 3,491,490</u>
Contributions as a Percentage of Covered Employee Payroll	6.52%	6.75%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31, 2014 for Fiscal Year 2015 and December 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF LAGO VISTA, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2016

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

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MEMBER

AMERICAN INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER

TEXAS SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

April 11, 2017

Honorable Mayor and
Members of the City Council
City of Lago Vista, Texas
Lago Vista, TX 78645

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lago Vista, Texas for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 2, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lago Vista, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 11, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We did find non-material weakness, included for informational purposes as follows:

Prior Year Recommendations

Deferred Revenues – Capital Projects Contributions

The City maintains a subsidiary ledger for all CIP projects which reconcile to the general ledger for funds received and expenditures. However, the general ledger is not adjusted at year-end for deferred revenues on the CIP projects. We again recommend that the general ledger be adjusted at year-end for any deferred revenues.

Current Year Recommendations

During the testing and confirming of grant revenues we discovered a significant amount of capital assets contributed through TXDOT projects were not recorded in the general ledger. We recommend a procedure be put in place between the Finance Department and the Development Services Department to assure future assets are recorded.

This information is intended solely for the use of the City Council and management of City of Lago Vista and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Neffendorf & Knopp, P.C.

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Fredericksburg, Texas