

CITY OF LAGO VISTA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAGO VISTA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor, Members of the City Council, and Citizens of the
City of Lago Vista, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Lago Vista, Texas (the "City") as of and for the year ended September 30, 2020, 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 and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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 as of September 30, 2020, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

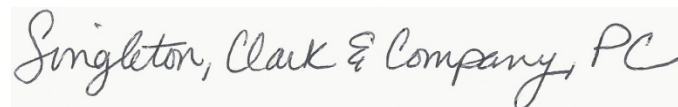
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in dark ink on a light-colored background.

Singleton, Clark & Company, PC
Cedar Park, Texas

February 26, 2021

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CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Management's Discussion and Analysis

The Management's Discussion and Analysis section of the City of Lago Vista, Texas's (hereafter the "City") Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. Please read it in conjunction with the independent auditor's report beginning on page 1 of this report and the City's basic financial statements which follow this section.

Financial Highlights

- The City's net position for governmental activities increased by \$2,010,125 to end at \$93,457. This change for the year in addition to the prior period adjustment erased the prior year ending net position deficit of (\$3,454,678).
- The City's fund balance in the General Fund decreased by \$79,686 to end at \$4,825,169 primarily due to the transfers out made during the year.
- The City's net position in the Utility Fund increased by \$2,609,240 and its ending unrestricted net position balance is \$4,895,448.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements.

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between assets and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds as applicable.

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Hotel Fund, the Debt Service Fund and the Capital Projects Fund which are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund, Debt Service Fund, Capital Projects Fund, Aviation Fund, Golf Course Fund, and Utility Fund. Budgetary comparison statements have been provided for the General Fund and the Debt Service Fund to demonstrate compliance with these budgets.

Proprietary Funds. The City has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its aviation, golf, and utility operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a city's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the aviation, golf, and utility funds, all of which are considered to be major funds of the City. Conversely, when internal service funds are utilized, they are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are then provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Basis of Reporting. The government-wide statements and the fund-level proprietary statements are reported using the full accrual basis of accounting. The governmental funds are reported using the modified accrual basis of accounting.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 64 of this report..

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$64,291,087 at the close of the most recent fiscal year.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Condensed Statement of Net Position
As of September 30**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 10,802,265	\$ 12,834,509	\$ 11,329,894	\$ 8,662,834	\$ 22,132,159	\$ 21,497,343
Capital assets	25,300,583	20,750,465	54,166,281	58,089,977	79,466,864	78,840,442
Other noncurrent assets	-	227,544	-	-	-	227,544
Total assets	36,102,848	33,812,518	65,496,175	66,752,811	101,599,023	100,565,329
Deferred outflows of resources	659,962	888,031	404,234	374,858	1,064,196	1,262,889
Current liabilities	1,372,460	2,921,887	511,279	1,703,389	1,883,739	4,625,276
Noncurrent liabilities	34,673,855	35,203,755	809,774	938,397	35,483,629	36,142,152
Total liabilities	36,046,315	38,125,642	1,321,053	2,641,786	37,367,368	40,767,428
Deferred inflows of resources	623,038	29,485	381,726	7,083	1,004,764	36,568
Net position:						
Net investment in capital assets	(8,507,400)	20,750,464	53,808,712	57,662,331	45,301,312	78,412,795
Restricted	4,506,579	614,325	5,422,497	4,011,749	9,929,076	4,626,074
Unrestricted	4,094,278	(24,819,367)	4,966,421	2,804,720	9,060,699	(22,014,647)
Total net position	\$ 93,457	\$ (3,454,578)	\$64,197,630	\$64,478,800	\$64,291,087	\$61,024,222

By far, the largest portion of the City's net position (70.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (15.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,060,699 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation did not hold true for the prior fiscal year.

The City's overall net position increased by \$4,685,838 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$2,010,125 from the prior fiscal year for an ending balance of \$93,457. The City recorded prior period adjustments totaling \$1,538,010 related primarily to the adjustment of capital assets. The change for the year for governmental activities differs from that of governmental funds largely related to the difference in accounting for long-term items like capital assets.

**Condensed Statement of Activities
For the Years Ended September 30**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for services	\$ 1,998,223	\$ 1,556,492	\$ 12,811,372	\$ 10,628,218	\$ 14,809,595	\$ 12,184,710
Operating grants & contributions	78,287	66,223	750	-	79,037	66,223
Capital grants and contributions	312,566	762,366	-	-	312,566	762,366
General Revenues:						
Property taxes	6,518,335	6,061,844	-	-	6,518,335	6,061,844
Other taxes	738,973	1,119,364	-	-	738,973	1,119,364
Grants and contributions not restricted to specific programs	492,793	26,999	-	-	492,793	26,999
Other	292,290	388,149	183,628	-	475,918	388,149
Total revenue	10,431,467	9,981,437	12,995,750	10,628,218	23,427,217	20,609,655
Expenses:						
General government	2,246,281	1,991,537	-	-	2,246,281	1,991,537
Public safety	2,699,051	2,474,122	-	-	2,699,051	2,474,122
Highways and streets	1,176,800	1,410,461	-	-	1,176,800	1,410,461
Sanitation	925,312	887,716	-	-	925,312	887,716
Culture and recreation	642,606	560,893	-	-	642,606	560,893
Economic development and assistance	326,854	-	-	-	326,854	-
Interest and bank fees	1,171,715	1,225,926	-	-	1,171,715	1,225,926
Aviation	-	-	272,438	268,363	272,438	268,363
Golf Course	-	-	1,143,586	1,121,944	1,143,586	1,121,944
Utility	-	-	8,136,736	7,074,946	8,136,736	7,074,946
Total expenses	9,188,619	8,550,655	9,552,760	8,465,253	18,741,379	17,015,908
Increase (decrease) in net position before transfers	1,242,848	1,430,782	3,442,990	2,162,965	4,685,838	3,593,747
Nonoperating/Transfers	767,277	1,100,029	(767,277)	(1,140,112)	-	(40,083)
Increase (decrease) in net position	2,010,125	2,530,811	2,675,713	1,022,853	4,685,838	3,553,664
Net position - beginning	(3,454,678)	(4,829,979)	64,478,800	62,300,437	61,024,122	57,470,458
Prior period adjustment	1,538,010	(1,155,510)	(2,956,883)	1,155,510	(1,418,873)	-
Net position - ending	\$ 93,457	\$ (3,454,678)	\$ 64,197,630	\$ 64,478,800	\$ 64,291,087	\$ 61,024,122

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Business-type Activities. For the City of Lago Vista, Texas's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$64,197,630. The total increase in net position for business-type activities (aviation, golf course, and utility funds) was \$2,675,713 or 4% from the prior fiscal year. Net position was also affected by prior period adjustments that decreased net position by \$2,956,883.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2020, the City's governmental funds reported combined fund balances of \$9,141,049, a decrease of \$2,031,367 in comparison with the prior year. Approximately 52% of this amount, \$4,774,096, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form, \$19,039; or 2) restricted for particular purposes, \$4,347,914.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,774,096, while total fund balance decreased to \$4,825,169. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 67.5% of total general fund expenditures, while total fund balance represents 68.2% of that same amount.

The fund balance of the City's General Fund decreased by \$79,686 during the current fiscal year. The fund balance was also affected by prior period adjustments that increased the beginning fund balance by \$39,152. Based on the review of the City's adopted and amended budgets in relation to the General Fund's actual results for the fiscal year, it appears that, despite lower than expected expenditures, a higher than expected transfer out total caused the decrease for the year.

The Hotel Fund, a major fund, had a \$90,089 increase in fund balance as of year-end. This fund uses hotel taxes to promote local economic development.

The Debt Service Fund, a major fund, had an increase in fund balance during the current year of \$68,661 to bring the year end fund balance to \$166,682. This fund uses the City's interest and sinking tax levy to service its existing, related debt.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The Capital Projects Fund, a major fund, had a \$2,110,431 decrease in fund balance during the current fiscal year which put the overall fund balance at \$5,476,335. Fund balance was also affected by prior period adjustments that increased beginning fund balance by \$177,394. The decrease in fund balance was caused mainly by the spending of resources obtained through the issuance of long-term debt in the prior period, and on capital acquisition and construction in the current period. That is, the fund balance that resulted from the previous long-term debt issuance was spent down during the current period as the related capital projects progressed.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail

Unrestricted net position of the Aviation Fund at the end of the year was \$81,030, for the Golf Course Fund was (\$10,057), and for the Utility Fund was \$4,895,448. The total change in net position for all three funds was (\$27,527), \$94,000 and \$2,609,240, respectively.

The Aviation Fund had a \$27,527 decrease in net position during the current fiscal year which put the overall net position at \$1,623,616. The Golf Course Fund had a \$94,000 increase in net position which put the overall net position at \$2,046,842. The City strives to operate its proprietary activities to break even; however, the City did transfer \$467,583 to the Golf Course Fund during the year.

The Utility Fund had a \$2,609,240 increase in net position during the current fiscal year which put the overall net position at \$60,527,172. Net position was also affected by prior period adjustments that decreased beginning fund balance by \$2,956,883. The City's Utility Fund ended the year with a unrestricted net position amount of \$4,895,448 which represents about 60% of the fund's operating expenses for the year ended. Additionally, the Utility Fund has a restricted net position balance of \$5,422,497 related to future obligations related to the water and wastewater systems.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$79,466,864 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, the water system, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 3%.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2020	Governmental Activities 2019	Change
Land	\$ 615,402	\$ 649,963	\$ (34,561)
Autos and trucks	1,254,994	1,279,005	(24,011)
Buildings and streets	17,416,600	16,246,996	1,169,604
Furniture and fixtures	98,623	98,623	-
Improvements	7,336,169	7,277,825	58,344
Machinery and equipment	1,524,543	1,279,086	245,457
Construction in progress	4,578,819	1,992,740	2,586,079
Total	32,825,150	28,824,238	4,000,912
Less accumulated depreciation	(7,524,567)	(6,484,434)	(1,040,133)
Capital assets, net of depreciation	\$ 25,300,583	\$ 22,339,804	\$ 2,960,779

	Business-Type Activities 2020	Business-Type Activities 2019	Change
Land	\$ 3,251,491	\$ 3,250,666	\$ 825
Buildings	1,490,420	1,439,038	51,382
Furniture and equipment	5,214,895	4,862,907	351,988
Construction in progress	1,232,247	4,809,103	(3,576,856)
Improvements	67,899,003	63,597,488	4,301,515
Total	79,088,056	77,959,202	1,128,854
Less accumulated depreciation	(24,921,775)	(22,835,529)	(2,086,246)
Capital assets, net of depreciation	\$ 54,166,281	\$ 55,123,673	\$ (957,392)

Additional information on the City's capital assets can be found in Note III.C on pages 47-48 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$33,807,983. The remainder of the City's long-term obligations comprises compensated absences, pension-related debt, and capital leases.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Outstanding Debt

	Governmental Activities 2020	Governmental Activities 2019	Change
General obligation bonds	\$ 33,807,983	\$ 35,290,631	\$ (1,482,648)
Compensated absences	393,018	393,018	-
Net pension liability	328,956	847,151	(518,195)
Other post-employment benefits	143,898	114,957	28,941
Total	<u>\$ 34,673,855</u>	<u>\$ 36,645,757</u>	<u>\$ (1,971,902)</u>
	Business-Type Activities 2020	Business-Type Activities 2019	Change
Capital leases payable	\$ 357,569	\$ 427,647	\$ (70,078)
Compensated absences	163,614	163,614	-
Net pension liability	201,618	512,067	(310,449)
Other post-employment benefits	86,973	69,486	17,487
Total	<u>\$ 809,774</u>	<u>\$ 1,172,814</u>	<u>\$ (363,040)</u>

The City's total debt decreased by \$2,334,942 during the current fiscal year. The reasons for the decrease were that no new debt was issued during the year and regularly scheduled principal payments reduced the existing outstanding debt. Additional information on the City's long-term debt can be found in Note III.H on pages 57-58 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2020-2021 budget. The City's General Fund budget for fiscal year 2020-2021 includes expenditures of \$12,165,438 which is an increase from fiscal year 2019-2020 total adopted expenditures. The city decreased the property tax rate for 2020-2021 to \$.4083 for the General Fund and to \$.2392 for the Interest and Sinking Fund. The overall total tax rate decreased to \$.6475 per \$100 valuation.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's business office at the City of Lago Vista, Texas, 5803 Thunderbird Drive, PO Box 4727, Lago Vista, Texas 78645, or by calling (512) 267-1155, ext. 103.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 2,002,159	\$ 6,652,527	\$ 8,654,686
Investments - current	6,008,226	4,800,616	10,808,842
Taxes receivable - delinquent	183,484	-	183,484
Accounts receivable, net	674,140	1,452,953	2,127,093
Intergovernmental receivable	135,847	-	135,847
Internal balances	1,779,370	(1,779,370)	-
Inventories	3,398	189,841	193,239
Prepaid items	15,641	13,327	28,968
Capital assets, not being depreciated:			
Land	615,402	3,251,491	3,866,893
Construction in progress	4,578,819	1,232,247	5,811,066
Capital assets, being depreciated:			
Buildings and improvements	24,974,215	1,490,420	26,464,635
Machinery, equipment, and vehicles	2,656,714	5,214,895	7,871,609
Other capital assets, depreciable	-	67,899,003	67,899,003
Accumulated depreciation	(7,524,567)	(24,921,775)	(32,446,342)
Total assets	36,102,848	65,496,175	101,599,023
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension and OPEB	659,962	404,234	1,064,196
Total deferred outflows of resources	659,962	404,234	1,064,196
LIABILITIES			
Accounts payable	793,185	154,581	947,766
Accrued salaries and benefits	93,825	76,271	170,096
Accrued liabilities	-	1,162	1,162
Retainage payable	150,946	-	150,946
Intergovernmental payable	6,475	-	6,475
Accrued interest payable	282,036	-	282,036
Unearned revenue	26,593	-	26,593
Other current liabilities	19,400	-	19,400
Customer deposits	-	279,265	279,265
Noncurrent liabilities:			
Due within one year	1,491,000	72,280	1,563,280
Due in more than one year	33,182,855	737,494	33,920,349
Total liabilities	36,046,315	1,321,053	37,367,368
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension and OPEB	623,038	381,726	1,004,764
Total deferred inflows of resources	623,038	381,726	1,004,764
NET POSITION			
Net investment in capital assets	(8,507,400)	53,808,712	45,301,312
Restricted for capital improvements	32,034	5,422,497	5,454,531
Restricted for tourism	605,900	-	605,900
Restricted for debt service	325,347	-	325,347
Restricted for capital projects	3,543,298	-	3,543,298
Unrestricted	4,094,278	4,966,421	9,060,699
Total net position	\$ 93,457	\$ 64,197,630	\$ 64,291,087

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Primary Government		
		Services	Grants and	Grants and	Governmental	Business-Type	Total
			Contributions	Contributions	Activities	Activities	
Primary Government:							
Governmental activities:							
General government	\$ 2,246,281	\$ 869,680	\$ 78,287	\$ -	\$ (1,298,314)	\$ -	\$ (1,298,314)
Public safety	2,699,051	117,200	-	-	(2,581,851)	-	(2,581,851)
Highways and streets	1,176,800	-	-	254,423	(922,377)	-	(922,377)
Sanitation	925,312	1,011,343	-	-	86,031	-	86,031
Culture and recreation	642,606	-	-	58,143	(584,463)	-	(584,463)
Economic development and assistance	326,854	-	-	-	(326,854)	-	(326,854)
Interest and bank fees	1,171,715	-	-	-	(1,171,715)	-	(1,171,715)
Total governmental activities:	9,188,619	1,998,223	78,287	312,566	(6,799,543)	-	(6,799,543)
Business-type activities:							
Aviation Fund	272,438	243,983	-	-	-	(28,455)	(28,455)
Golf Course Fund	1,143,586	770,003	-	-	-	(373,583)	(373,583)
Utility Fund	8,136,736	11,797,386	750	-	-	3,661,400	3,661,400
Total business-type activities:	9,552,760	12,811,372	750	-	-	3,259,362	3,259,362
Total primary government	\$ 18,741,379	\$ 14,809,595	\$ 79,037	\$ 312,566	(6,799,543)	3,259,362	(3,540,181)
General revenues:							
Property taxes					6,518,335	-	6,518,335
Sales taxes					738,973	-	738,973
Hotel/motel taxes					136,985	-	136,985
Franchise taxes					492,793	-	492,793
Contributions and donations					4,413	-	4,413
Investment earnings					111,982	79,178	191,160
Gain (Loss) on sale of capital assets					(1,950)	-	(1,950)
Miscellaneous					40,860	104,450	145,310
Transfers					767,277	(767,277)	-
Total general revenues and transfers					8,809,668	(583,649)	8,226,019
Change in net position					2,010,125	2,675,713	4,685,838
Net position - beginning					(3,454,678)	64,478,800	61,024,122
Prior period adjustment					1,538,010	(2,956,883)	(1,418,873)
Net position - ending					\$ 93,457	\$ 64,197,630	\$ 64,291,087

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

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FUND BASIS FINANCIAL STATEMENTS

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CITY OF LAGO VISTA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Hotel Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 650,563	\$ -	\$ -	\$ 1,351,596	\$ 2,002,159
Investments - current	3,795,149	542,591	325,300	1,345,186	6,008,226
Taxes receivable - delinquent	183,484	-	-	-	183,484
Accounts receivable	317,023	70,309	158,665	58,143	604,140
Intergovernmental receivable	135,847	-	-	-	135,847
Due from other funds	915,030	-	465	1,443,875	2,359,370
Inventories	3,398	-	-	-	3,398
Prepaid items	15,641	-	-	-	15,641
Total assets	\$ 6,016,135	\$ 612,900	\$ 484,430	\$ 4,198,800	\$ 11,312,265
LIABILITIES					
Accounts payable	\$ 281,189	\$ 7,000	\$ 440	\$ 504,556	\$ 793,185
Accrued payroll	93,825	-	-	-	93,825
Retainage payable	-	-	-	150,946	150,946
Intergovernmental payable	6,475	-	-	-	6,475
Due to other funds	580,000	-	-	-	580,000
Accrued interest payable	-	-	158,643	-	158,643
Unearned revenue	26,593	-	-	-	26,593
Other current liabilities	19,400	-	-	-	19,400
Total liabilities	1,007,482	7,000	159,083	655,502	1,829,067
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	183,484	-	158,665	-	342,149
Total deferred inflows of resources	183,484	-	158,665	-	342,149
FUND BALANCES					
Nonspendable:					
Fund balance - nonspendable-inventories	3,398	-	-	-	3,398
Fund balance - nonspendable-prepays	15,641	-	-	-	15,641
Restricted:					
Fund balance - restricted for parks	32,034	-	-	-	32,034
Fund balance - restricted for tourism	-	605,900	-	-	605,900
Fund balance - restricted for debt service	-	-	166,682	-	166,682
Fund balance - restricted for capital projects	-	-	-	3,543,298	3,543,298
Unassigned	4,774,096	-	-	-	4,774,096
Total fund balances	4,825,169	605,900	166,682	3,543,298	9,141,049
Total liabilities, deferred inflows, and fund balances	\$ 6,016,135	\$ 612,900	\$ 484,430	\$ 4,198,800	\$ 11,312,265

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

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CITY OF LAGO VISTA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance of all governmental funds	\$ 9,141,049
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,300,583
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	342,149
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(34,324,394)
Additional long-term liabilities related to the recognition of the net pension liability and the net OPEB liability are not reported in the funds.	(435,930)
The net effect of other miscellaneous GASB entries not reported in the funds.	70,000
Net position of governmental activities	<u>\$ 93,457</u>

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

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Hotel Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 4,106,155	\$ -	\$ 2,750,006	\$ -	\$ 6,856,161
Sales taxes	738,973	-	-	-	738,973
Hotel/motel taxes	-	136,985	-	-	136,985
Franchise taxes	492,793	-	-	-	492,793
Licenses and permits	869,680	-	-	-	869,680
Intergovernmental revenues	312,287	-	-	78,566	390,853
Charges for services	1,011,343	-	-	-	1,011,343
Fines	135,302	-	-	-	135,302
Investment earnings	45,288	6,113	8,268	52,313	111,982
Grants and contributions	4,413	-	-	-	4,413
Miscellaneous revenue	40,860	-	-	-	40,860
Total revenues	<u>7,757,094</u>	<u>143,098</u>	<u>2,758,274</u>	<u>130,879</u>	<u>10,789,345</u>
EXPENDITURES					
Current:					
General government	1,915,782	-	-	-	1,915,782
Public safety	2,306,307	-	-	-	2,306,307
Highways and streets	1,008,725	-	-	-	1,008,725
Sanitation	801,231	-	-	-	801,231
Culture and recreation	556,435	-	-	-	556,435
Economic development and assistance	230,014	53,009	-	-	283,023
Debt service:					
Bond principal	-	-	1,442,000	-	1,442,000
Interest - bonds	-	-	1,245,023	-	1,245,023
Bank Charges	-	-	2,590	-	2,590
Capital outlay	252,357	-	-	5,543,751	5,796,108
Total expenditures	<u>7,070,851</u>	<u>53,009</u>	<u>2,689,613</u>	<u>5,543,751</u>	<u>15,357,224</u>
Excess (deficiency) of revenues over	<u>686,243</u>	<u>90,089</u>	<u>68,661</u>	<u>(5,412,872)</u>	<u>(4,567,879)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,500,000	-	-	4,147,275	5,647,275
Transfers out	(4,035,164)	-	-	(844,834)	(4,879,998)
Sale of general capital assets	1,769,235	-	-	-	1,769,235
Total other financing sources (uses)	<u>(765,929)</u>	<u>-</u>	<u>-</u>	<u>3,302,441</u>	<u>2,536,512</u>
Net change in fund balance	<u>(79,686)</u>	<u>90,089</u>	<u>68,661</u>	<u>(2,110,431)</u>	<u>(2,031,367)</u>
Fund balance - beginning	<u>4,865,703</u>	<u>515,811</u>	<u>98,021</u>	<u>5,476,335</u>	<u>10,955,870</u>
Prior period adjustment	<u>39,152</u>	<u>-</u>	<u>-</u>	<u>177,394</u>	<u>216,546</u>
Fund balance - ending	<u>\$ 4,825,169</u>	<u>\$ 605,900</u>	<u>\$ 166,682</u>	<u>\$ 3,543,298</u>	<u>\$ 9,141,049</u>

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

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CITY OF LAGO VISTA, TEXAS
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, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances for total governmental funds	\$ (2,031,367)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	(1,064,144)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(337,826)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	4,024,925
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,517,898
The net effect of various transactions involving the net pension liability and the net OPEB liability is to decrease net position.	(81,259)
The net effect of other miscellaneous GASB entries is to increase net position.	(18,102)
Change in net position for governmental activities	<u>\$ 2,010,125</u>

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

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 4,011,943	\$ 4,011,943	\$ 4,106,155	\$ 94,212
Sales taxes	507,000	507,000	738,973	231,973
Franchise taxes	490,200	490,200	492,793	2,593
Licenses and permits	441,580	441,580	869,680	428,100
Intergovernmental revenues	42,430	42,430	312,287	269,857
Charges for services	908,090	908,090	1,011,343	103,253
Fines	105,892	105,892	135,302	29,410
Investment earnings	75,000	75,000	45,288	(29,712)
Contributions and donations, private sources	30,000	30,000	4,413	(25,587)
Miscellaneous revenue	37,478	37,478	40,860	3,382
Total revenues	6,649,613	6,649,613	7,757,094	1,107,481
EXPENDITURES				
Current:				
General government	2,072,951	2,341,719	1,915,782	425,937
Public safety	2,518,367	2,495,407	2,306,307	189,100
Highways and streets	1,244,156	1,244,156	1,008,725	235,431
Sanitation	749,493	815,493	801,231	14,262
Culture and recreation	534,434	560,126	556,435	3,691
Economic development and assistance	294,619	264,620	230,014	34,606
Capital outlay	377,675	380,675	252,357	128,318
Total Expenditures	7,791,695	8,102,196	7,070,851	1,031,345
Excess (deficiency) of revenues over expenditures	(1,142,082)	(1,452,583)	686,243	2,138,826
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500,000	1,500,000	1,500,000	-
Transfers out	(435,602)	(4,035,602)	(4,035,164)	438
Sale of general capital assets	10,000	10,000	1,769,235	1,759,235
Total other financing sources (uses)	1,074,398	(2,525,602)	(765,929)	1,759,673
Net change in fund balances	(67,684)	(3,978,185)	(79,686)	3,898,499
Fund balance - beginning	4,865,703	4,865,703	4,865,703	-
Prior period adjustment	-	-	39,152	39,152
Fund balance - ending	\$ 4,798,019	\$ 887,518	\$ 4,825,169	\$ 3,937,651

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities			
	Aviation Fund	Golf Course Fund	Utility Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 1,000	\$ 6,651,527	\$ 6,652,527
Investments - current	-	-	4,800,616	4,800,616
Accounts receivable, net	-	23,414	1,429,539	1,452,953
Due from other funds	81,523	51,353	-	132,876
Inventories	-	33,634	156,207	189,841
Prepaid items	-	5,141	8,186	13,327
Total current assets	81,523	114,542	13,046,075	13,242,140
Noncurrent Assets:				
Land	415,172	499,050	2,337,269	3,251,491
Buildings	180,691	863,164	446,565	1,490,420
Improvements other than buildings	916,668	1,331,807	65,650,528	67,899,003
Furnishings and equipment	-	2,154,459	3,060,436	5,214,895
Accumulated depreciation	(223,067)	(2,434,012)	(22,264,696)	(24,921,775)
Construction/development in progress	253,122	-	979,125	1,232,247
Total noncurrent assets	1,542,586	2,414,468	50,209,227	54,166,281
Total assets	1,624,109	2,529,010	63,255,302	67,408,421
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - NPL/OPEB	-	59,679	344,555	404,234
Total deferred outflows of resources	-	59,679	344,555	404,234
LIABILITIES				
Current liabilities:				
Accounts payable	493	24,073	130,014	154,580
Wages payable	-	17,035	59,236	76,271
Accrued liabilities	-	1,162	-	1,162
Due to other funds	-	-	1,912,247	1,912,247
Capital leases - current	-	72,280	-	72,280
Customer deposits	-	-	279,265	279,265
Total current liabilities	493	114,550	2,380,762	2,495,805
Noncurrent Liabilities:				
Capital leases	-	285,289	-	285,289
Net pension obligation/OPEB	-	41,806	246,785	288,591
Compensated absences	-	42,980	120,634	163,614
Total noncurrent liabilities	-	370,075	367,419	737,494
Total liabilities	493	484,625	2,748,181	3,233,299
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - NPL/OPEB	-	57,222	324,504	381,726
Total deferred inflows of resources	-	57,222	324,504	381,726
NET POSITION				
Net investment in capital assets	1,542,586	2,056,899	50,209,227	53,808,712
Restricted for capital improvements	-	-	5,422,497	5,422,497
Unrestricted	81,030	(10,057)	4,895,448	4,966,421
Total net position	\$ 1,623,616	\$ 2,046,842	\$ 60,527,172	\$ 64,197,630

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities			Total
	Aviation Fund	Golf Course Fund	Utility Fund	Proprietary Funds
REVENUES				
Operating revenues:				
Charges for services:				
Water sales	\$ -	\$ -	\$ 6,141,121	\$ 6,141,121
Sewerage service	-	-	5,656,265	5,656,265
Other charges for services	243,983	770,003	-	1,013,986
Miscellaneous revenue	928	-	104,272	105,200
Total operating revenues	244,911	770,003	11,901,658	12,916,572
EXPENSES				
Operating expenses:				
Personnel services	-	577,811	2,161,348	2,739,159
Purchased prof. and technical services	23,167	46,605	579,749	649,521
Purchased property services	21,699	111,082	2,738,338	2,871,119
Materials and supplies	155,230	170,815	450,630	776,675
Other operating expenses	8,244	28,700	353,335	390,279
Depreciation	60,452	169,464	1,843,815	2,073,731
Miscellaneous	3,646	27,629	9,521	40,796
Total operating expenses	272,438	1,132,106	8,136,736	9,541,280
Operating income (loss)	(27,527)	(362,103)	3,764,922	3,375,292
Nonoperating revenues (expenses)				
Investment earnings	-	-	79,178	79,178
Interest expense	-	(11,480)	-	(11,480)
Total nonoperating revenues (expenses)	-	(11,480)	79,178	67,698
Income before transfers in (out)	(27,527)	(373,583)	3,844,100	3,442,990
Transfers in	-	467,583	657,251	1,124,834
Transfers out	-	-	(1,892,111)	(1,892,111)
Change in net position	(27,527)	94,000	2,609,240	2,675,713
Net position-beginning	1,651,143	1,952,842	60,874,815	64,478,800
Prior period adjustment	-	-	(2,956,883)	(2,956,883)
Net position-ending	\$ 1,623,616	\$ 2,046,842	\$ 60,527,172	\$ 64,197,630

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

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities			Total
	Aviation Fund	Golf Course Fund	Utility Fund	Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 213,388	\$ 738,560	\$ 12,004,887	\$ 12,956,835
Receipt (return) of customer deposits	-	-	17,630	17,630
Payments to suppliers and service providers	(213,388)	(361,190)	(3,206,559)	(3,781,137)
Payments to employees for salaries and benefits	-	(575,814)	(2,111,950)	(2,687,764)
Net cash provided by (used for) operating activities	-	(198,444)	6,704,008	6,505,564
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to)/from other funds	-	467,583	(1,234,860)	(767,277)
Net cash provided by (used for) capital and financing activities	-	467,583	(1,234,860)	(767,277)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(187,583)	(928,756)	(1,116,339)
Principal paid on capital debt	-	(70,077)	-	(70,077)
Interest paid on capital debt	-	(11,480)	-	(11,480)
Net cash provided by (used for) capital and related financing activities	-	(269,140)	(928,756)	(1,197,896)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	-	(3,512,742)	(3,512,742)
Interest on investments	-	-	79,178	79,178
Net cash provided by investing activities	-	-	(3,433,564)	(3,433,564)
Net increase (decrease) in cash and cash equivalents	-	(1)	1,106,828	1,106,827
Cash and cash equivalents-beginning	-	1,000	5,544,699	5,545,699
Cash and cash equivalents-ending	\$ -	\$ 999	\$ 6,651,527	6,652,526
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:				
Operating income (loss)	(27,527)	(362,103)	3,764,922	3,375,292
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	60,452	169,464	1,843,815	2,073,731
(Increase) decrease in accounts receivable	50,000	2,090	103,230	155,320
(Increase) decrease in due from other funds	(81,523)	(33,533)	-	(115,056)
(Decrease) increase in deposits payable	-	-	17,630	17,630
(Decrease) increase in accounts payable	493	23,641	74,708	98,842
(Decrease) increase in accrued liabilities	-	(5,830)	(134,193)	(140,023)
(Decrease) increase in deferred revenue	-	-	(9,422)	(9,422)
(Decrease) increase in NPL/OPEB related balances	-	7,827	44,477	52,304
(Decrease) increase in due to other funds	(1,895)	-	989,420	987,525
Total adjustments	27,527	163,659	2,929,665	3,120,851
Net cash provided by (used for) operating activities	\$ -	\$ (198,444)	\$ 6,694,587	\$ 6,496,143

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

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 865,092
Total assets	<u>865,092</u>
LIABILITIES	
Due to others	865,092
Total liabilities	<u>\$ 865,092</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member governing council. The accompanying financial statements present the government and its potential component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. However, there were no component units identified that would require inclusion in this report.

B. Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

The Hotel Fund accounts for fees received in relation to hotel and motel taxes and are spent in relation to economic development and assistance.

The Capital Projects Fund accounts for the acquisition and construction of the government's major capital facilities.

The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations.

The government reports the following major enterprise funds:

The Aviation Fund accounts for the government's aviation services, including aviation equipment, supplies, and facilities.

The Golf Course Fund accounts for the government's municipal golf course services, including the pro shop, snack bar, and golf course.

The Utility Fund accounts for the government's utility services, including water and sewer services.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Additionally, the government reports the following fund types:

The Agency Fund accounts for resources related to the City's deferred compensation plan.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using 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 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.

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Budgetary Information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, Capital Projects Fund, Aviation Fund, Golf Course Fund, and Utility Fund. The Hotel Fund does not have an appropriated budget since other means control the use of these resources.

The appropriated budget is prepared by fund and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of expenditures over appropriations

For the year ended September 30, 2020, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The government'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.

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools (TexPool, Logic, etc.) when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

Inventories are valued at cost using the weighted average cost method and consist of expendable supplies, the golf course's snack bar and pro shop inventories, and utility operations repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Capital asset classes	Lives
Buildings	10-50
Machinery and equipment	5-20
Vehicles	5-10
Improvements	10-60

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently has deferred inflows related to net pension liability and other post-employment benefits. As well, the governmental funds report unavailable revenue related to property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. *Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. *Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$1,049,147,615. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2020, to finance General Fund and Debt Service Fund operations were \$.3893 and \$.2607, respectively, for a total tax rate of \$.65 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2019-2020 fiscal year was \$6,819,460. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2020, were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. *Compensated absences*

Vacation

Upon termination, all regular employees who resign or are terminated after a 90-day probation period will be compensated for unused vacation leave up to a max of 30 days. Payment is based on the employee's salary at time of termination. Two-week notice required.

Sick Leave

If employed before July 1, 2016, 50% of accrued sick leave is paid upon termination or resignation up to a max of 90 days. Any employee employed after July 1, 2016 will not be eligible for paid accrued sick leave at termination or resignation.

4. *Proprietary funds operating and nonoperating revenues and expenses*

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

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit Fund Equity

For the year ended September 30, 2020 there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2020, the government's bank balance was \$8,914,839 which was not exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the government's name.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

B. Investments

The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

As of September 30, 2020, the government had the following investments:

Investment Type	Maturity Time in Years	
	Less than 1	
Logic (local government investment pool)	\$	10,808,842
Total investments	\$	10,808,842

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2020, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The government's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investor's Service. The government's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service.

Concentration of credit risk. The government's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government's total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

C. Capital Assets

Capital assets activity for the year ended September 30, 2020, was as follows:

Governmental Activities:

	Balance 10/1/19	Increases	Decreases	Adjustments	Balance 9/30/20
Capital assets, not being depreciated:					
Land	\$ 649,963	\$ 6,900	\$ (41,461)	\$ -	\$ 615,402
Construction in progress	1,992,740	3,850,275	-	(1,264,196)	4,578,819
Total capital assets, not being depreciated	2,642,703	3,857,175	(41,461)	(1,264,196)	5,194,221
Capital assets, being depreciated:					
Autos and trucks	1,279,005	-	(24,011)	-	1,254,994
Buildings and streets	16,246,996	1,693,476	(1,729,724)	1,205,852	17,416,600
Furniture and fixtures	98,623	-	-	-	98,623
Improvements	7,277,825	-	-	58,344	7,336,169
Machinery and equipment	1,279,086	245,457	-	-	1,524,543
Total capital assets, being depreciated	26,181,535	1,938,933	(1,753,735)	1,264,196	27,630,929
Less accumulated depreciation for:					
Autos and trucks	(1,170,876)	(60,811)	24,011	-	(1,207,676)
Buildings and streets	(2,510,817)	(565,972)	-	-	(3,076,789)
Furniture and fixtures	(79,673)	(13,046)	-	-	(92,719)
Improvements	(1,781,333)	(284,302)	-	-	(2,065,635)
Machinery and equipment	(941,735)	(140,013)	-	-	(1,081,748)
Total accumulated depreciation	(6,484,434)	(1,064,144)	24,011	-	(7,524,567)
Total capital assets being depreciated, net	19,697,101	874,789	(1,729,724)	1,264,196	20,106,362
Governmental activities capital assets, net	\$ 22,339,804	\$ 4,731,964	\$ (1,771,185)	\$ -	\$ 25,300,583

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Business-Type Activities:

	Balance 10/1/19	Increases	Decreases	Adjustments	Balance 9/30/20
Capital assets, not being depreciated:					
Land	\$ 3,250,666	\$ -	\$ -	\$ 825	\$ 3,251,491
Construction in progress	4,809,103	-	-	(3,576,856)	1,232,247
Total capital assets, not being depreciated	8,059,769	-	-	(3,576,031)	4,483,738
Capital assets, being depreciated:					
Buildings	1,439,038	41,027	-	10,355	1,490,420
Furniture and equipment	4,862,907	352,879	-	(891)	5,214,895
Improvements	63,597,488	722,433	-	3,579,082	67,899,003
Total capital assets, being depreciated	69,899,433	1,116,339	-	3,588,546	74,604,318
Less accumulated depreciation for:					
Buildings	(416,234)	(32,174)	-	(10,355)	(458,763)
Furniture and equipment	(3,901,986)	(329,912)	-	891	(4,231,007)
Improvements	(18,517,309)	(1,711,645)	-	(3,051)	(20,232,005)
Total accumulated depreciation	(22,835,529)	(2,073,731)	-	(12,515)	(24,921,775)
Total capital assets being depreciated, net	47,063,904	(957,392)	-	3,576,031	49,682,543
Business-type activities capital assets, net	\$ 55,123,673	\$ (957,392)	\$ -	\$ -	\$ 54,166,281

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

Governmental activities:

General government	\$ 296,684
Public safety	357,162
Highways and streets	156,215
Sanitation	124,081
Culture and recreation	86,171
Economic development and assistance	43,831
Total depreciation expense - governmental activities	<u>\$ 1,064,144</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

D. Defined Benefit Pension Plan

Plan Description

The City participates as one of 887 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.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	50
Active employees	96
	<hr/>
	180
	<hr/>

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.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista were 7.77% and 8.12% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$401,349, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 Blue Collar Adjustment, 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 95%. 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 Combined Healthy Mortality Table with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, 3.5% and 3.0% minimum mortality for males and females, respectively, is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. Healthy post-retirement mortality rates and annuity purchase 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 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
International Equity	30.6%	6.10%
Core Fixed Income	12.8%	1.00%
Non-Core Fixed Income	18.3%	3.65%
Real Return	11.0%	4.03%
Real Estate	8.8%	5.00%
Absolute Return	9.8%	4.00%
Private Equity	3.7%	8.00%
Unallocated Cash	5.0%	4.55%
Total	100%	

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.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 11,160,442	\$ 9,801,224	\$ 1,359,218
Changes for the year:			
Service cost	595,954	-	595,954
Interest	759,830	-	759,830
Change of benefit terms	-	-	-
Difference between expected and actual experience	(74,546)	-	(74,546)
Changes of assumptions	37,949	-	37,949
Contributions - employer	-	361,957	(361,957)
Contributions - employee	-	279,353	(279,353)
Net investment income	-	1,515,340	(1,515,340)
Benefit payments, including refunds of employee contr.	(403,363)	(403,363)	-
Administrative expense	-	(8,562)	8,562
Other changes	-	(257)	257
Net changes	915,824	1,744,468	(828,644)
Balance at 12/31/2019	\$ 12,076,266	\$ 11,545,692	\$ 530,574

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 in	Current	1% Increase in
	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
City's net pension liability	\$ 2,174,254	\$ 530,574	\$ (836,272)

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.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

For the year ended September 30, 2020, the city recognized pension expense of \$114,456.

At September 30, 2020, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 573,562	\$ 922,683
Differences between expected and actual economic experience	103,523	56,230
Difference in assumption changes	28,625	-
Contributions subsequent to the measurement date	309,713	-
Total	<u>\$ 1,015,423</u>	<u>\$ 978,913</u>

\$309,713 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2020	\$ (171,379)
2021	11,442
2022	(73,911)
2023	(39,355)
Total	<u>\$ (273,203)</u>

E. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

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 another post-employment benefit, or OPEB.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	8
Active employees	96
	<hr/>
	127
	<hr/> <hr/>

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 years September 30, 2020 and 2019 were \$11,867 and \$10,646 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2019 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5%-10.5% including inflation per year
Discount rate	2.75% based on Fidelity Index's 20-year Municipal GO AA Index
Retirees' share of benefit costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. Mortality rates for service retirees are calculated using the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. The mortality rates for disabled retirees are calculated using the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Schedule of Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 184,443	\$ -	\$ 184,443
Changes for the year:			
Service cost	14,899	-	14,899
Interest	7,093	-	7,093
Change of benefit terms	-	-	-
Difference between expected and actual experience	(12,980)	-	(12,980)
Changes of assumptions	38,814	-	38,814
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(1,397)	-	(1,397)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	46,429	-	46,429
Balance at 12/31/2019	\$ 230,872	\$ -	\$ 230,872

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.75% or 1-percentage-point higher 3.75% than the current rate:

	1% Decrease in Discount Rate 1.75%	Current Discount Rate 2.75%	1% Increase in Discount Rate 3.75%
City's net OPEB liability	\$ 274,566	\$ 230,872	\$ 195,881

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the city recognized OPEB expense of \$22,298.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

At September 30, 2020, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ -
Differences between expected and actual economic experience	-	17,331
Difference in assumption changes	39,618	8,520
Contributions subsequent to the measurement date	9,154	-
Total	<u>\$ 48,772</u>	<u>\$ 25,851</u>

\$9,154 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 2,856
2021	2,856
2022	2,711
2023	655
2024	4,229
Thereafter	460
Total	<u>\$ 13,767</u>

F. Risk Management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year, the City purchased commercial insurance to cover general liabilities. There are no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

G. Capital Lease Obligations

The future minimum capital lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

Year Ending September 30,	Business-type Activities
2021	\$ 81,558
2022	193,713
2023	56,119
2024	27,779
2025	18,332
Total minimum lease payments	377,501
Less: amount representing interest	(19,932)
Present value of minimum lease payments	<u>\$ 357,569</u>

H. Long-Term Liabilities

General Obligation Bonds

The government issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for governmental activities. These long-term debt instruments are direct obligations and pledge the full faith and credit of the government. General obligation bonds and certificates of obligation generally are issued with repayment scheduled to occur as equal amounts of principal maturing each year with maturities that range from 5 to 30 years.

Details of long-term debt obligations outstanding at September 30, 2020, for governmental activities are as follows:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/20
Bonds Payable					
Certificates of Obligation, Series 2006	2006	\$ 6,515,000	4.13%	2027	\$ 2,920,000
Certificates of Obligation, Series 2008	2008	2,000,000	3.87%	2028	977,000
General Obligation Refunding Bond, Series 2011	2011	4,535,000	2.00%	2023	1,510,000
Certificates of Obligation, Series 2014	2014	7,655,000	2-4.5%	2035	7,515,000
General Obligation Refunding Bond, Series 2015	2015	6,955,000	2-4%	2035	6,715,000
General Obligation Refunding Bond, Series 2016A	2016	1,810,000	2-4%	2037	1,765,000
General Obligation Refunding Bond, Series 2016B	2016	3,875,000	1.22-3.739%	2037	3,780,000
Certificates of Obligation, Series 2017	2017	7,725,000	3-4%	2047	7,165,000
Total Bonds Payable					<u>\$ 32,347,000</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2020 are as follows:

Governmental Activities:

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20	Due in One Year
Bonds Payable					
General obligation bonds	\$ 14,495,000	\$ -	\$ (725,000)	\$ 13,770,000	\$ 750,000
Certificates of obligation	19,294,000	-	(717,000)	18,577,000	741,000
Premium	1,501,631	-	(40,648)	1,460,983	-
Total bonds payable	35,290,631	-	(1,482,648)	33,807,983	1,491,000
Compensated absences	393,018	-	-	393,018	-
Net pension liability	847,151	-	(518,195)	328,956	-
Other post-employment benefits	114,957	28,941	-	143,898	-
Governmental activities long-term liabilities	<u>\$ 36,645,757</u>	<u>\$ 28,941</u>	<u>\$ (2,000,843)</u>	<u>\$ 34,673,855</u>	<u>\$ 1,491,000</u>

Business-type Activities:

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20	Due in One Year
Capital leases	427,647	-	(70,078)	357,569	72,280
Compensated absences	163,614	-	-	163,614	-
Net pension liability	512,067		(310,449)	201,618	201,618
Other post-employment benefits	69,486	17,487	-	86,973	86,973
Governmental activities long-term liabilities	<u>\$ 1,172,814</u>	<u>\$ 17,487</u>	<u>\$ (380,527)</u>	<u>\$ 809,774</u>	<u>\$ 360,871</u>

The debt service requirements for the government's bonds, loans, and notes are as follows:

Year Ended September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2021	1,491,000	1,195,814
2022	1,531,000	1,145,631
2023	1,585,000	1,094,358
2024	1,639,000	1,037,372
2025	1,699,000	974,008
2026-2030	9,302,000	3,833,612
2031-2035	11,090,000	1,893,529
2036-2040	1,990,000	536,570
2041-2045	1,385,000	267,069
2046-2047	635,000	25,700
Totals	<u>\$ 32,347,000</u>	<u>\$ 12,003,663</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

I. Fund Balance

Minimum fund balance policy. The governing council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at 90 days of general fund annual revenues (approximately 25%), but not to drop below 60 days (16.7%). In rare circumstances, it is allowed to drop further below target provided a plan is in place to restore the funds.

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2020 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund (Parkland)	\$ 580,000
General Fund	Utility Fund	335,030
Debt Service Fund	Utility Fund	465
Capital Projects Fund	Utility Fund	1,443,875
Aviation Fund	Utility Fund	81,523
Golf Course Fund	Utility Fund	51,353
Total		<u>\$ 2,492,246</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

K. Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2020 is as follows:

Transfer in to:					
	Governmental Funds		Enterprise Funds		Total
	General Fund	Capital Projects Fund	Golf Course Fund	Utility Fund	
Transfer out from:					
General Fund	\$ -	\$ 3,755,164	\$ 280,000	\$ -	\$ 4,035,164
Capital Projects Fund	-	-	187,583	657,251	844,834
Utility Fund	1,500,000	392,111	-	-	1,892,111
Total	<u>\$ 1,500,000</u>	<u>\$ 4,147,275</u>	<u>\$ 467,583</u>	<u>\$ 657,251</u>	<u>\$ 6,772,109</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, 2) move general fund resources to provide subsidies to other funds as needs arise, and 3) move resources from the enterprise funds to the general fund to subsidize governmental activities.

Furthermore, during the year ended September 30, 2020 the government made the following one-time transfers:

- 1) A transfer of \$1,500,000 from the Utility Fund to the General Fund to subsidize governmental activities.
- 2) A transfer of \$3,755,164 from the General Fund to the Capital Projects Fund to finance capital improvement plan projects.
- 3) A transfer of \$392,111 from the Utility Fund to the Capital Projects Fund to finance capital improvement plan projects.
- 4) A transfer of \$280,000 from the General Fund to the Golf Course Fund to subsidize the Golf Course Fund's activities.
- 5) A transfer of \$187,583 from the Capital Projects Fund to the Golf Course Fund to place completed construction improvement plan projects into service.
- 6) A transfer of \$657,251 from the Capital Projects Fund to the Utility Fund to place completed construction improvement plan projects into service.

L. Contingencies

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

M. Subsequent Events

As of February 26, 2021, there were no items noted requiring recording or disclosure.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

N. Prior Period Adjustments

The effect on beginning fund balance of the prior period adjustments described is summarized as follows:

	General Fund	Capital Projects Fund
Fund balance as previously stated at 09/30/2019	\$ 4,865,703	\$ 5,476,335
Effect of adjustment to deferred revenue	-	177,394
Effect of adjustment to escrow accounts	44,302	-
Effect of adjustment to liability balances	137,521	-
Effect of adjustment to accounts payable	(142,671)	-
Fund balance as restated at 09/30/2019	<u>\$ 4,904,855</u>	<u>\$ 5,653,729</u>

The effect on beginning net position of the prior period adjustments described is summarized as follows:

	Governmental Activities	Business-Type Activities
Net position as previously stated at 9/30/2019	\$ (3,454,678)	\$ 64,478,800
Effect of adjustment to deferred revenue	177,394	-
Effect of adjustment to escrow accounts	44,302	-
Effect of liability accounts reclassified to fund balance	137,521	-
Effect of adjusting beginning accounts payable	(142,671)	-
Effect of adjustment to capital assets	(140,386)	-
Effect of adjustment to deferred loss on debt	(267,874)	-
Effect of adjustment to capital asset fund location	1,729,724	(1,729,724)
Effect of adjustment of construction in progress	-	(1,236,581)
Effect of miscellaneous adjustments	-	9,422
Net position as restated at 09/31/2019	<u>\$ (1,916,668)</u>	<u>\$ 61,521,917</u>

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
A. Total pension liability						
1. Service cost	\$ 362,015	\$ 431,114	\$ 498,365	\$ 530,359	\$ 557,697	\$ 595,954
2. Interest (on the Total Pension Liability)	489,774	527,056	569,842	623,948	687,882	759,830
3. Changes of benefit terms	-	-	-	-	-	-
4. Difference between expected and actual experience	(73,396)	20,443	43,293	101,262	160,240	(74,546)
5. Changes of assumptions	-	212,906	-	-	-	37,949
6. Benefit payments, including refunds of employee contributions	(258,266)	(302,417)	(322,425)	(329,404)	(314,744)	(403,363)
7. Net change in total pension liability	\$ 520,127	\$ 889,102	\$ 789,075	\$ 926,165	\$ 1,091,075	\$ 915,824
8. Total pension liability - beginning	6,944,898	7,465,025	8,354,127	9,143,202	10,069,367	11,160,442
9. Total pension liability - ending	<u>\$ 7,465,025</u>	<u>\$ 8,354,127</u>	<u>\$ 9,143,202</u>	<u>\$ 10,069,367</u>	<u>\$ 11,160,442</u>	<u>\$ 12,076,266</u>
B. Plan fiduciary net position						
1. Contributions - employer	\$ 215,450	\$ 234,864	\$ 249,566	\$ 316,030	\$ 344,782	\$ 361,957
2. Contributions - employee	203,575	212,546	231,081	245,916	262,858	279,353
3. Net investment income	402,356	11,202	523,318	1,166,782	(293,885)	1,515,340
4. Benefit payments, including refunds of employee contributions	(258,266)	(302,417)	(322,425)	(329,404)	(314,744)	(403,363)
5. Administrative expense	(4,200)	(6,822)	(5,907)	(6,044)	(5,678)	(8,562)
6. Other changes	(345)	(338)	(318)	(306)	(297)	(257)
7. Net change in plan fiduciary net position	\$ 558,570	\$ 149,035	\$ 675,315	\$ 1,392,974	\$ (6,964)	\$ 1,744,468
8. Plan fiduciary net position - beginning	7,032,295	7,590,865	7,739,900	8,415,215	9,808,188	9,801,224
9. Plan fiduciary net position - ending	<u>\$ 7,590,865</u>	<u>\$ 7,739,900</u>	<u>\$ 8,415,215</u>	<u>\$ 9,808,189</u>	<u>\$ 9,801,224</u>	<u>\$ 11,545,692</u>
C. Net pension liability [A.9 - B.9]	<u>\$ (125,840)</u>	<u>\$ 614,228</u>	<u>\$ 727,987</u>	<u>\$ 261,179</u>	<u>\$ 1,359,218</u>	<u>\$ 530,574</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	101.69%	92.65%	92.04%	97.41%	87.82%	95.61%
E. Covered-employee payroll	\$ 3,392,918	\$ 3,542,430	\$ 3,851,351	\$ 4,098,600	\$ 4,380,966	\$ 4,655,888
F. Net position as a percentage of covered employee payroll [C / E]	-3.71%	17.34%	18.90%	6.37%	31.03%	11.40%

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF EMPLOYER NPL CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution	\$ 235,583	\$ 254,860	\$ 300,205	\$ 334,163	\$ 357,036	\$ 401,349
Contributions in relation to the actuarially determined contribution	<u>(235,583)</u>	<u>(254,860)</u>	<u>(300,205)</u>	<u>(334,163)</u>	<u>(357,036)</u>	<u>(401,349)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 3,491,490	\$ 3,911,628	\$ 4,042,094	\$ 4,266,109	\$ 4,580,879	\$ 4,993,558
Contributions as a percentage of covered employee payroll	6.75%	6.52%	7.43%	7.83%	7.79%	8.04%

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CITY OF LAGO VISTA, TEXAS
NOTES TO SCHEDULE OF NPL EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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; 12% soft corridor
Inflation	2.5% per year
Salary increases	3.50% to 11.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: PUB(10) mortality tables, with the Public Safety table used males and the General Employee table for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITIES AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
A. Total pension liability			
1. Service cost	\$ 13,116	\$ 16,210	\$ 14,899
2. Interest on Total OPEB Liability	6,000	6,388	7,093
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience	-	(9,763)	(12,980)
5. Changes of assumptions	14,459	(12,846)	38,814
6. Benefit payments	(820)	(876)	(1,397)
7. Net changes	\$ 32,755	\$ (887)	\$ 46,429
8. Total OPEB Liability - beginning of the year	152,575	185,330	184,443
9. Total OPEB Liability - end of the year	<u>\$ 185,330</u>	<u>\$ 184,443</u>	<u>\$ 230,872</u>
 E. Covered-employee payroll	 \$ 4,098,600	 \$ 4,380,966	 \$ 4,655,888
 F. Total OPEB Liability as a Percentage of Covered Payroll	 4.52%	 4.21%	 4.96%

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF NOPEBL EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2018	Fiscal Year 2019	2020
Actuarially Determined Contribution	\$ 9,385	\$ 10,994	\$ 11,867
Contributions in relation to the actuarially determined contribution	<u>(9,385)</u>	<u>(10,994)</u>	<u>(11,867)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$4,266,109	\$4,580,879	\$4,993,558
Contributions as a percentage of covered employee payroll	0.22%	0.24%	0.24%

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CITY OF LAGO VISTA, TEXAS
NOTES TO SCHEDULE OF NOPEBL EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 11.5%; including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 2,686,652	\$ 2,686,652	\$ 2,750,006	\$ 63,354
Investment earnings	8,375	8,375	8,268	(107)
Total revenues	<u>2,695,027</u>	<u>2,695,027</u>	<u>2,758,274</u>	<u>63,247</u>
EXPENDITURES				
Current:				
Debt service:				
Bond principal	1,442,000	1,442,000	1,442,000	-
Interest - bonds	1,245,027	1,245,027	1,245,023	4
Bank Charges	8,000	8,000	2,590	5,410
Total Expenditures	<u>2,695,027</u>	<u>2,695,027</u>	<u>2,689,613</u>	<u>5,414</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>68,661</u>	<u>68,661</u>
Net Change in Fund Balances	-	-	68,661	68,661
Fund balance - beginning	<u>98,021</u>	<u>98,021</u>	<u>98,021</u>	<u>-</u>
Prior period adjustment	-	-	39,152	39,152
Fund balance - ending	<u>\$ 98,021</u>	<u>\$ 98,021</u>	<u>\$ 205,834</u>	<u>\$ 107,813</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, Members of the City Council, and Citizens of
the City of Lago Vista, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Lago Vista, Texas's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lago Vista, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lago Vista, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lago Vista, Texas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified a deficiency in internal control that we consider to be a material weakness and that has been reported as item 2020-002.

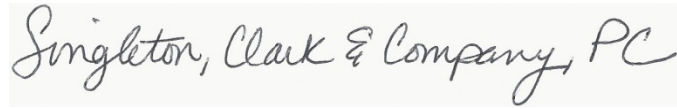
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lago Vista, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and that has been reported as item 2020-001.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in dark ink on a light-colored background.

Singleton, Clark & Company, PC
Cedar Park, Texas

February 26, 2021

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CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☒ Yes ☐ No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended September 30, 2020 due to expenditures of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

2020-001

Texas Bid Law Compliance

Criteria:

Under Texas Government Code Sec. 2269 and Texas Local Government Code Sec. 252, all contracts, except in the case of exemptions outlined in Texas Local Government Code Sec. 252.022, valued at \$50,000 or more in the aggregate, for each 12-month period shall be made by vendor competitive methods. In the case of job order contracts, previously awarded contracts need rebidding every two years or may be renewed annually for up to three additional years.

Condition Found:

During our testing, it was noted that the City purchased goods and services in excess of \$50,000 from 35 vendors during the year. Related to 31 of the 35 vendors, the City fulfilled the state bid law requirements either through competitive purchasing means or through a valid exemption. However in four cases, we were unable to verify appropriate evidence that demonstrated the goods or services were obtained through a competitive purchasing method or had a valid exemption.

Cause:

The cause of this condition was a lack of appropriate procedures/controls.

Effect:

The effect of this condition is noncompliance with Texas bid law.

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CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2020-001 Texas Bid Law Compliance (Continued)

Recommendation: We recommend that large purchases of goods or services be planned in advance and that they are purchased through competitive means such as public requests for proposals or through purchasing cooperatives where applicable. In the case of job order contracts, we recommend assessing the need to rebid every two years or renewing applicable contracts annually for up to three years beyond the initial contract year.

Classification: This matter has been classified as material noncompliance.

2020-002 Proper Revenue Recognition

Criteria: Adherence to generally accepted accounting principles (GAAP) when recording transactions is a critical internal control procedure that helps ensure accurate accounting information and financial statements.

Condition Found: During our testing of tap and extension revenues, we noted significant, material revenue transactions/balances improperly deferred as liabilities where an earnings process does not exist, or net against related expenses.

Cause: Management approved netting revenues and expenses and deferral of revenue related to a lack of adherence to the City's fiscal policy as well as a failure to properly adhere to GAAP.

Effect: The effect of this condition was that the City did not report approximately \$2.9 million in revenues and \$1.6 million in expenses in its accounting records and without adjustment would not have reported these amounts its financial statements.

Recommendation: We recommend that the City review its controls and procedures related to recording revenue and related amounts to ensure proper application of generally accepted accounting principles.

Classification: This matter has been classified as a control material weakness.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended September 30, 2020 and 2019:

Not applicable.

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Mayor Ed Tidwell • Mayor Pro Tem Arch Davila
David Williams • Kevin Sullivan • Chelaine Marion • Dick Weatherly • Paul Prince

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Current Year Audit Findings:

2020-001 State Bid Law Compliance

Corrective Action Planned:

The City plans to comply with state bid law when purchasing goods or services from single vendors in excess of \$50,000.

Anticipated Completion Date: Fiscal Year 2020-2021

Contact Person(s): Starr Lockwood

2020-002 Adherence to Accounting Principles

Corrective Action Planned:

The City plans to review its controls and procedures related to recording revenue and related amounts to ensure proper application of generally accepted accounting principles.

Anticipated Completion Date: Fiscal Year 2020-2021

Contact Person(s): Starr Lockwood