

REPORT OF EXAMINATION

**CITY OF
LAGO VISTA**

Lago Vista, Texas

For the Year Ended
September 30, 2019

CITY OF LAGO VISTA, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

**CITY OF LAGO VISTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lago Vista, Texas, as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lago Vista, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 3-8 and 50 - 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Neffendorf & Knopp, P.C.

NEFFENDORF & KNOOPP, P.C.
Fredericksburg, Texas

February 10, 2020

CITY OF LAGO VISTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lago Vista, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2019. Please read it in conjunction with the independent auditors' report (an unqualified opinion) on page 1, and City's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$61,024,122(net position). Of this amount, the unrestricted net position was \$(22,014,647). The large negative balance in the unrestricted net position of the governmental activities is due to recording of the long-term debt as required by GASB #34. The assets are reflected in the business type activities while the long-term debt is shown in the governmental activities (financed by property taxes).
- The City's net position increased by \$3,553,664 as a result of this year's operations.
- At September 30, 2019, the City's governmental funds reported combined ending fund balances of \$10,955,870, an increase of \$1,382,022 in comparison with the prior year.
- At September 30, 2019, the City's Enterprise Funds reported unrestricted net position of \$2,804,720 a decrease of \$884,597 in comparison with the prior year.

USING THIS ANNUAL REPORT

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

Fund financial statements (beginning on page 15) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 29) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, the Notes to the Schedule of Contributions, Schedule of Changes in the Total OPEB Liability and Related Ratios and the Notes to the Schedule of Changes in the Total OPEB Liability are presented as required supplementary information on page 50 through 57.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

The City has two kinds of funds:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the City's governmental activities increased from \$(4,829,979) to \$(3,454,678). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$(24,819,367), at September 30, 2019. This increase in governmental net position was the result of five factors. First, the City's revenues exceeded the expenditures by \$1,382,022. Second, the City acquired capital assets in the amount of \$881,690 and paid principal on long-term debt of \$1,382,000. Third, the City recorded depreciation in the amounts of \$913,431. Fourth, a net decrease of \$17,501 due to recognition of deferred outflows and OPEB liability related to GASB 75 accounting and financial reporting for other post-employment benefits and fifth, a net decrease of \$180,442 due to recognition of deferred inflows, outflows and pension liability related to GASB 68 accounting and financial reporting for pensions.

Net position of the City's business-type activities increased from \$62,300,437 to \$64,478,800. Unrestricted net position was \$2,804,720. This increase in business-type net position was the result of net income of \$1,022,853 and a prior period adjustment in the amount of \$1,155,510. The prior period adjustment was due to the reclassification of the aviation services from a governmental-type activity to a business-type activity.

Table I
City of Lago Vista

NET POSITION
in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 7,885	\$ 4,963	\$ 3,726	\$ 4,336	\$ 11,611	\$ 9,299
Capital Assets	20,750	21,938	58,090	56,576	78,840	78,514
Restricted Assets	4,949	6,130	4,012	2,421	8,961	8,551
Intangible Asset	227	243			227	243
Total Assets	\$ 33,811	\$ 33,274	\$ 65,828	\$ 63,333	\$ 99,639	\$ 96,607
Deferred Outflows of Resources						
Deferred Charge for Refunding	\$ 268	\$ 304	\$ 268	\$ 304		
Deferred Outflow Related to Pension & OPEB	620	424	375	250	995	674
Total Deferred Outflows of Resources	\$ 888	\$ 728	\$ 375	\$ 250	\$ 1,263	\$ 978
Current and Long-Term Debt	\$ 36,645	\$ 37,138	\$ 1,009	\$ 385	\$ 37,654	\$ 37,523
Other Liabilities	1,480	1,354	708	729	2,188	2,083
Total Liabilities	\$ 38,125	\$ 38,492	\$ 1,717	\$ 1,114	\$ 39,842	\$ 39,606
Deferred Inflow of Resources						
Unavailable Revenue - Property Taxes	\$ 18	\$ 19	\$ 18	\$ 19		
Deferred Resource Inflow Related to Pension	12	321	7	168	19	489
Total Deferred Inflows of Resources	\$ 30	\$ 340	\$ 7	\$ 168	\$ 37	\$ 508
Net Position:						
Net Investment in						
Capital Assets	\$ 20,750	\$ 21,938	\$ 57,662	\$ 56,190	\$ 78,412	\$ 78,128
Restricted	614	694	4,012	2,421	4,626	3,115
Unrestricted	(24,819)	(27,462)	2,805	3,689	(22,014)	(23,773)
Total Net Position	\$ (3,455)	\$ (4,830)	\$ 64,479	\$ 62,300	\$ 61,024	\$ 57,471

Table II
City of Lago Vista

CHANGES IN NET POSITION
in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
					Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Charges for Services	\$ 1,556	\$ 1,546	\$ 9,993	\$ 9,408	\$ 11,549	\$ 10,954
Grants & Contributions	93	46	70		163	46
Property Tax	6,062	5,321			6,062	5,321
Sales Tax	529	481			529	481
Franchise Tax	482	467			482	467
Hotel/Motel Tax	109	135			109	135
Interest Income	276	215	91	32	367	247
Miscellaneous	200	291	586	425	786	716
Total Revenue	\$ 9,307	\$ 8,502	\$ 10,740	\$ 9,865	\$ 20,047	\$ 18,367
Expenses:						
General Government	\$ 3,656	\$ 2,936	\$	\$	\$ 3,656	\$ 2,936
Public Safety	2,474	2,510			2,474	2,510
Community Development	1,194	1,239			1,194	1,239
Debt Service & Interest	1,227	1,277	9	26	1,236	1,303
Water			2,670	2,385	2,670	2,385
Wastewater			2,239	1,746	2,239	1,746
Recreation			967	1,076	967	1,076
Information Technology			609	627	609	627
Aviation			227		227	
Capital Outlay	2,487	691			2,487	691
Depreciation			1,753	1,692	1,753	1,692
Total Expenses	\$ 11,038	\$ 8,653	\$ 8,474	\$ 7,552	\$ 19,512	\$ 16,205
Increase in Net Assets Before Transfers & Capital Contributions						
	\$ (1,731)	\$ (151)	\$ 2,266	\$ 2,313	\$ 535	\$ 2,162
Capital Contributions	\$ 762	347	\$ 2,570	\$ 1,370	\$ 3,332	\$ 1,717
Special Item - Litigation Settlement	(88)				(88)	
Loss on Sale of Property			(224)		(224)	
Transfers	3,587	1,500	(3,587)	(1,500)	-	-
Total	\$ 4,261	\$ 1,847	\$ (1,241)	\$ (130)	\$ 3,020	\$ 1,717
Net Change	\$ 2,530	\$ 1,696	\$ 1,025	\$ 2,183	\$ 3,555	\$ 3,879
Net Position, Beginning	(4,830)	(6,435)	62,300	60,180	57,470	53,745
Prior Period Adjustment	(1,155)	(91)	1,155	(62)	-	(153)
Net Position, Ending	\$ (3,455)	\$ (4,830)	\$ 64,479	\$ 62,300	\$ 61,024	\$ 57,471

The cost of all governmental activities this year was \$11,037,297. However, as shown in the Statement of Activities on page 13-14, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$5,996,950 because the other costs were paid by sales tax (\$528,727), franchise tax (\$481,916), motel and other taxes (\$108,721), user charges (\$1,556,492), grants and contributions (\$855,588), interest on investments (\$276,598) and other miscellaneous (\$200,050).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15 and 16) reported a combined fund balance of \$10,955,870, which is more than last year's total of \$9,573,848. Included in this year's total change in fund balance is an increase of \$512,415 in the City's General Fund. The increase in the General Fund was due to the excess of revenues over expenditures.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2019, the City had the following amounts invested in capital assets, net of depreciation:

CAPITAL ASSETS in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
	2019	2018	2019	2018	2019	2018
Land	\$ 650	\$ 1,052	\$ 3,251	\$ 3,272	\$ 3,901	\$ 4,324
Construction in Progress	2,186	770	8,016	17,370	10,202	18,140
Buildings & Streets	13,937	13,002	1,432	979	15,369	13,981
Improvements	7,806	8,499	63,364	50,125	71,169	58,625
Machinery & Equipment	2,657	2,391	4,863	4,590	7,520	6,981
Total Capital Assets	\$ 27,235	\$ 25,715	\$ 80,926	\$ 76,336	\$ 108,160	\$ 102,051
Less: Accumulated Depreciation	(6,484)	(4,779)	(22,836)	(19,554)	(29,320)	(24,332)
Capital Assets, Net	\$ 20,750	\$ 20,937	\$ 58,090	\$ 56,782	\$ 78,840	\$ 77,719

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

DEBT

At September 30, 2019, the City had the following outstanding debt:

OUTSTANDING DEBT in thousands

	Governmental Activities		Business-Type Activities		TOTALS	
	2019	2018	2019	2018	2019	2018
Bonds Payable	\$ 35,291	\$ 36,772			\$ 35,291	\$ 36,772
Loans Payable	-	-			-	-
Capital Leases Payable			428	385	428	385
Deferred Loss on Refunding Bonds	(268)	(304)			(268)	(304)
Accrued Compensation	393	367			393	367
Net Pension Liability	847	148	512	113	1,359	261
Net OPEB Liability	115	110	69	75	184	185
Total Outstanding Debt	\$ 36,378	\$ 37,093	\$ 1,009	\$ 574	\$ 37,387	\$ 37,666

For governmental activities, the City had \$33,789,000 in certificates of obligation, a decrease of 3.93 percent. The City paid \$1,382,000 in principal on the outstanding long-term debt.

For business-type activities, the City had \$427,647 in capital leases outstanding. The City paid \$54,230 in principal on the outstanding long-term debt and issued capital leases for \$96,450.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund budget for 2020. Amounts available for appropriation in the General Fund budget are \$8,200,965 (including a transfer from the Utility Fund in the amount of \$1,500,000) and expenditures are estimated to be \$8,013,889.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by the close of 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1 (Cont'd)

	Primary Government			
	Business -		Type Activities	Total
	Governmental Activities	Activities		
ASSETS				
Cash and Cash Equivalents	\$ 283,900	\$ 1,533,950	\$ 1,817,850	
Investments - Current	5,191,162	1,287,874	6,479,036	
Accounts Receivable (Net)	1,322,962	1,558,273	2,881,235	
Due from Other Governments	143,190	67,820	211,010	
Due from Other Funds	924,722	(924,722)	-	
Inventories	3,398	189,841	193,239	
Prepaid Items	15,641	13,327	28,968	
Restricted Asset - Impact Fees	604,828	4,011,749	4,616,577	
Restricted Asset - Capital Improvements	4,344,706	-	4,344,706	
Capital Assets:				
Land Purchase and Improvements	649,962	3,250,666	3,900,628	
Infrastructure, Net	9,473,638	-	9,473,638	
Buildings, Net	1,683,582	1,022,804	2,706,386	
Improvements other than Buildings, Net	6,306,859	45,080,179	51,387,038	
Furniture and Equipment, Net	450,829	960,920	1,411,749	
Construction in Progress	2,185,595	7,775,408	9,961,003	
Other Assets	227,444	-	227,444	
Total Assets	<hr/> 33,812,418	<hr/> 65,828,089	<hr/> 99,640,507	
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge for Refunding	267,874	-	267,874	
Deferred Outflow Related to Pension Plan	609,191	368,230	977,421	
Deferred Resource Outflow Related to OPEB	10,966	6,628	17,594	
Total Deferred Outflows of Resources	<hr/> 888,031	<hr/> 374,858	<hr/> 1,262,889	

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

	Primary Government		
	Business -		Total
	Governmental Activities	Type Activities	
LIABILITIES			
Accounts Payable	905,402	55,736	961,138
Wages and Salaries Payable	44,812	86,784	131,596
Compensated Absences Payable	-	163,614	163,614
Intergovernmental Payable	5,976	-	5,976
Accrued Interest Payable	158,643	-	158,643
Unearned Revenues	177,394	9,422	186,816
Notes Payable - Current	-	70,803	70,803
Other Current Liabilities	187,660	392,308	579,968
Noncurrent Liabilities:			
Debt Due Within One Year	1,442,000	-	1,442,000
Due in More Than 1 Year	34,241,647	356,843	34,598,490
Net Pension Liability	847,151	512,067	1,359,218
Net OPEB Liability	114,957	69,487	184,444
Total Liabilities	<u>38,125,642</u>	<u>1,717,064</u>	<u>39,842,706</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	17,766	-	17,766
Deferred Resource Inflow Related to OPEB	11,719	7,083	18,802
Total Deferred Inflows of Resources	<u>29,485</u>	<u>7,083</u>	<u>36,568</u>
NET POSITION			
Net Investment in Capital Assets	20,750,464	57,662,331	78,412,795
Restricted for:			
Restricted for Special Revenue	515,811	4,011,749	4,527,560
Restricted for Retirement of Long-term Debt	98,021	-	98,021
Restricted for Parkland Fees	393	-	393
Unrestricted Net Position	(24,819,367)	2,804,720	(22,014,647)
Total Net Position	<u>\$ (3,454,678)</u>	<u>\$ 64,478,800</u>	<u>\$ 61,024,122</u>

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, 2019

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 539,354	\$ 289,083	\$ -	\$ -
Non Departmental	104,870	-	-	-
Development Services	499,341	260,833	-	-
Finance	293,757	-	-	-
Human Resources	101,941	-	-	-
Municipal Court	159,569	93,153	-	-
City Secretary	115,094	-	-	-
Economic Development	134,190	-	-	-
Police Department	2,107,704	-	-	-
Dispatching	366,418	-	-	-
Public Works Streets	1,410,461	-	-	253,592
Solid Waste	887,716	913,423	65,580	-
Building Maintenance	43,421	-	-	-
Recreation	108,119	-	-	-
Library	238,521	-	643	-
Parks	107,458	-	-	508,774
Tourism	106,795	-	-	-
Interest on Debt	1,223,336	-	-	-
Other Debt Service	2,590	-	-	-
Capital Outlay	2,486,642	-	-	-
Total Governmental Activities	11,037,297	1,556,492	66,223	762,366
BUSINESS-TYPE ACTIVITIES:				
Golf Course Fund	1,355,134	349,891	17,820	30,019
Utility Fund	7,074,946	9,643,048	-	2,087,998
Aviation Fund	268,363	-	50,000	452,406
Total Business-Type Activities	8,698,443	9,992,939	67,820	2,570,423
TOTAL PRIMARY GOVERNMENT	\$ 19,735,740	\$ 11,549,431	\$ 134,043	\$ 3,332,789

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(250,271)	-	(250,271)
(104,870)	-	(104,870)
(238,508)	-	(238,508)
(293,757)	-	(293,757)
(101,941)	-	(101,941)
(66,416)	-	(66,416)
(115,094)	-	(115,094)
(134,190)	-	(134,190)
(2,107,704)	-	(2,107,704)
(366,418)	-	(366,418)
(1,156,869)	-	(1,156,869)
91,287	-	91,287
(43,421)	-	(43,421)
(108,119)	-	(108,119)
(237,878)	-	(237,878)
401,316	-	401,316
(106,795)	-	(106,795)
(1,223,336)	-	(1,223,336)
(2,590)	-	(2,590)
(2,486,642)	-	(2,486,642)
<hr/>	<hr/>	<hr/>
(8,652,216)	-	(8,652,216)
<hr/>	<hr/>	<hr/>
-	(957,404)	(957,404)
-	4,656,100	4,656,100
-	234,043	234,043
<hr/>	<hr/>	<hr/>
-	3,932,739	3,932,739
<hr/>	<hr/>	<hr/>
(8,652,216)	3,932,739	(4,719,477)

**CITY OF LAGO VISTA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Franchise Tax

Other Taxes

Penalty and Interest on Taxes

Grants and Contributions

Miscellaneous Revenue

Investment Earnings

Special Item - Resource

Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
3,384,039	-	3,384,039
2,612,911	-	2,612,911
528,727	-	528,727
481,916	-	481,916
108,721	-	108,721
64,894	-	64,894
26,999	-	26,999
200,050	585,279	785,329
276,599	91,506	368,105
(88,500)	-	(88,500)
3,586,671	(3,586,671)	-
11,183,027	(2,909,886)	8,273,141
2,530,811	1,022,853	3,553,664
(4,829,979)	62,300,437	57,470,458
(1,155,510)	1,155,510	-
<u>\$ (3,454,678)</u>	<u>\$ 64,478,800</u>	<u>\$ 61,024,122</u>

CITY OF LAGO VISTA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 283,900	\$ -	\$ -
Investments - Current	3,663,081	256,664	759,173
Accounts Receivable (Net)	523,629	156,346	565,000
Due from Other Governments	143,190	-	-
Due from Other Funds	1,528,721	-	-
Inventories	3,398	-	-
Prepaid Items	15,641	-	-
Restricted Asset - Parkland	604,828	-	-
Restricted Asset - Capital Improvements	-	-	4,344,706
Total Assets	<u>\$ 6,766,388</u>	<u>\$ 413,010</u>	<u>\$ 5,668,879</u>
LIABILITIES			
Accounts Payable	\$ 883,251	\$ -	\$ 15,150
Wages and Salaries Payable	44,812	-	-
Intergovernmental Payable	5,976	-	-
Due to Other Funds	580,000	-	-
Accrued Interest Payable	-	158,643	-
Unearned Revenues	-	-	177,394
Other Current Liabilities	187,660	-	-
Total Liabilities	<u>1,701,699</u>	<u>158,643</u>	<u>192,544</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	198,986	156,346	-
Total Deferred Inflows of Resources	<u>198,986</u>	<u>156,346</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted for Tourism	-	-	-
Capital Acquisition and Contractual Obligation	-	-	5,476,335
Retirement of Long-Term Debt	-	98,021	-
Parkland Fees	393	-	-
Unassigned Fund Balance	4,865,310	-	-
Total Fund Balances	<u>4,865,703</u>	<u>98,021</u>	<u>5,476,335</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,766,388</u>	<u>\$ 413,010</u>	<u>\$ 5,668,879</u>

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

Hotel Fund		Total Governmental Funds
\$	-	\$ 283,900
512,244		5,191,162
34,567		1,279,542
-		143,190
-		1,528,721
-		3,398
-		15,641
-		604,828
-		4,344,706
\$ 546,811		\$ 13,395,088
\$ 7,000	\$ 905,401	
-	44,812	
-	5,976	
24,000	604,000	
-	158,643	
-	177,394	
-	187,660	
31,000	2,083,886	
-	355,332	
-	355,332	
515,811	515,811	
-	5,476,335	
-	98,021	
-	393	
-	4,865,310	
515,811	10,955,870	
\$ 546,811	\$ 13,395,088	

CITY OF LAGO VISTA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$ 10,955,870
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(14,817,001)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.	2,464,325
The City is required under GASB Statement No. 68 to report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this requirement included a net pension liability of \$847,151 and a Deferred Resource Outflow of \$609,191. The net effect of these was to decrease the ending net position by \$237,960.	(237,960)
The City is required under GASB Statement No. 75 to report their OPEB benefit plan through TMRS. The requirement resulted in an OPEB liability of \$114,957, a Deferred Resource Outflow of \$10,966 and a Deferred Resource Inflow of \$11,719. The net effect of these was to decrease the ending net position by \$115,710.	(115,710)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(929,678)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	(774,524)
Net Position of Governmental Activities	<u><u>\$ (3,454,678)</u></u>

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 3,384,039	\$ 2,700,174	\$ -
General Sales and Use Taxes	528,727	-	-
Franchise Tax	481,916	-	-
Other Taxes	9,246	-	-
Licenses and Permits	521,666	-	-
Intergovernmental Revenue and Grants	150,222	-	678,366
Charges for Services	941,673	-	-
Fines	93,153	-	-
Investment Earnings	105,584	16,099	142,709
Rents and Royalties	99,929	-	-
Contributions & Donations from Private Sources	27,000	-	-
Other Revenue	77,074	-	-
Total Revenues	<u>6,420,229</u>	<u>2,716,273</u>	<u>821,075</u>
EXPENDITURES:			
Current:			
Administration	521,509	-	-
Non Departmental	104,870	-	-
Development Services	471,455	-	-
Finance	263,075	-	-
Human Resources	95,283	-	-
Municipal Court	152,635	-	-
City Secretary	111,127	-	-
Economic Development	119,651	-	-
Police Department	1,789,057	-	-
Dispatching	351,002	-	-
Public Works Streets	972,210	-	-
Solid Waste	777,821	-	-
Building Maintenance	43,421	-	-
Recreation	96,551	-	-
Library	200,557	-	-
Culture and Recreation:			
Parks	92,766	-	-
Tourism	-	-	-
Debt Service:			
Principal on Debt	-	1,382,000	-
Interest on Debt	-	1,286,048	-
Other Debt Service	-	2,590	-
Capital Outlay:			
Capital Outlay	-	-	3,269,294
Total Expenditures	<u>6,162,990</u>	<u>2,670,638</u>	<u>3,269,294</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>257,239</u>	<u>45,635</u>	<u>(2,448,219)</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	24,309	-	-
Transfers In	1,613,630	-	3,375,752
Transfers Out (Use)	(1,294,263)	(146,080)	-
Total Other Financing Sources (Uses)	<u>343,676</u>	<u>(146,080)</u>	<u>3,375,752</u>
EXTRAORDINARY ITEMS:			
Special Item - Litigation Settlement	(88,500)	-	-
Net Change in Fund Balances	512,415	(100,445)	927,533
Fund Balance - October 1 (Beginning)	4,353,288	198,466	4,548,802
Fund Balance - September 30 (Ending)	<u>\$ 4,865,703</u>	<u>\$ 98,021</u>	<u>\$ 5,476,335</u>

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

		Total
Hotel Fund	Governmental Funds	
\$	\$	
-	6,084,213	
-	528,727	
-	481,916	
99,475	108,721	
-	521,666	
-	828,588	
-	941,673	
-	93,153	
12,207	276,599	
-	99,929	
-	27,000	
-	77,074	
<u>111,682</u>	<u>10,069,259</u>	
-	521,509	
-	104,870	
-	471,455	
-	263,075	
-	95,283	
-	152,635	
-	111,127	
-	119,651	
-	1,789,057	
-	351,002	
-	972,210	
-	777,821	
-	43,421	
-	96,551	
-	200,557	
-	92,766	
106,795	106,795	
-	1,382,000	
-	1,286,048	
-	2,590	
<u>-</u>	<u>3,269,294</u>	
<u>106,795</u>	<u>12,209,717</u>	
<u>4,887</u>	<u>(2,140,458)</u>	
-	24,309	
37,632	5,027,014	
-	(1,440,343)	
<u>37,632</u>	<u>3,610,980</u>	
-	(88,500)	
42,519	1,382,022	
<u>473,292</u>	<u>9,573,848</u>	
\$	\$	
<u>515,811</u>	<u>10,955,870</u>	

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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	1,382,022
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase the change in net position.		2,464,325
The entries required by GASB Statement No. 68 did require that some expenses on B-1 be adjusted. The net effect on the change in net position on Exhibit B-1 is a decrease in net position.		(180,442)
The requirements of recording the OPEB liability under GASB Statement No. 75 resulted in a decrease in net position.		(17,501)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(929,678)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(187,915)
Change in Net Position of Governmental Activities	\$	2,530,811

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, 2019

Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Utility Fund	Aviation Fund	Total Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,000	\$ 1,532,950	\$ -	\$ 1,533,950
Investments - Current	- -	1,287,874	- -	1,287,874
Restricted Assets - Current:				
Restricted Asset - Impact Fees	- -	4,011,749	- -	4,011,749
Accounts Receivable (Net)	25,504	1,532,769	- -	1,558,273
Due from Other Governments	17,820	- -	50,000	67,820
Inventories	33,634	156,207	- -	189,841
Prepaid Items	5,141	8,186	- -	13,327
Total Current Assets	83,099	8,529,735	50,000	8,662,834
Noncurrent Assets:				
Capital Assets:				
Land Purchase and Improvements	499,050	2,336,444	415,172	3,250,666
Buildings	852,809	405,538	180,691	1,439,038
Accumulated Depreciation - Buildings	(148,457)	(265,210)	(2,567)	(416,234)
Improvements other than Buildings	1,153,818	61,562,927	880,743	63,597,488
Accumulated Depreciation - Other Improvements	(410,802)	(17,946,459)	(160,048)	(18,517,309)
Furniture and Equipment	2,155,220	2,707,686	- -	4,862,906
Accumulated Depreciation - Furniture & Equipment	(1,705,289)	(2,196,697)	- -	(3,901,986)
Construction in Progress	- -	7,486,361	289,047	7,775,408
Total Noncurrent Assets	2,396,349	54,090,590	1,603,038	58,089,977
Total Assets	2,479,448	62,620,325	1,653,038	66,752,811
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to Pension Plan	54,295	313,935	- -	368,230
Deferred Resource Outflow Related to OPEB	977	5,651	- -	6,628
Total Deferred Outflows of Resources	55,272	319,586	- -	374,858

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, 2019

Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Utility Fund	Aviation Fund	Total Enterprise Funds
LIABILITIES				
Current Liabilities:				
Accounts Payable	430	55,306	-	55,736
Wages and Salaries Payable	24,028	62,756	-	86,784
Compensated Absences Payable	42,980	120,634	-	163,614
Due to Other Funds	-	922,827	1,895	924,722
Unearned Revenues	-	9,422	-	9,422
Notes Payable - Current	70,803	-	-	70,803
Other Current Liabilities	-	392,308	-	392,308
Total Current Liabilities	<u>138,241</u>	<u>1,563,253</u>	<u>1,895</u>	<u>1,703,389</u>
Noncurrent Liabilities:				
Other Long Term Debt Payable - Noncurrent	356,843	-	-	356,843
Net Pension Liability	75,504	436,563	-	512,067
Net OPEB Liability	10,246	59,241	-	69,487
Total Noncurrent Liabilities	<u>442,593</u>	<u>495,804</u>	<u>-</u>	<u>938,397</u>
Total Liabilities	<u>580,834</u>	<u>2,059,057</u>	<u>1,895</u>	<u>2,641,786</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Resource Inflow for Pension Plan	1,044	6,039	-	7,083
Total Deferred Inflows of Resources	<u>1,044</u>	<u>6,039</u>	<u>-</u>	<u>7,083</u>
NET POSITION				
Net Investment in Capital Assets	1,968,703	54,090,590	1,603,038	57,662,331
Restricted for Capital Improvements	-	4,011,749	-	4,011,749
Unrestricted Net Position	<u>(15,861)</u>	<u>2,772,476</u>	<u>48,105</u>	<u>2,804,720</u>
Total Net Position	<u>\$ 1,952,842</u>	<u>\$ 60,874,815</u>	<u>\$ 1,651,143</u>	<u>\$ 64,478,800</u>

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 FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT D-2 (Cont'd)

Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Utility Fund	Aviation Fund	Total Enterprise Funds
OPERATING REVENUES:				
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ 50,000	\$ 50,000
Charges for Services Water Services	-	5,520,649	-	5,520,649
Charges for Services Sewerage Service	-	4,122,399	-	4,122,399
Charges for Services Golf Course	349,891	-	-	349,891
Rents and Royalties	152,354	-	-	152,354
Contributions & Donations from Private Sources	-	-	1,844	1,844
Other Revenue	83,507	124,339	223,235	431,081
Total Operating Revenues	585,752	9,767,387	275,079	10,628,218
OPERATING EXPENSES:				
Personnel Services - Salaries and Wages				
Utilities Administration	-	63,959	-	63,959
Water Services	-	414,132	-	414,132
Water Plant	-	105,014	-	105,014
Wastewater Services	-	161,706	-	161,706
Wastewater Plant	-	123,506	-	123,506
Golf Course	427,844	-	-	427,844
Effluent Disposal	-	106,702	-	106,702
Information Technology	-	180,419	-	180,419
Booster Pumps Stations	-	16,697	-	16,697
Lift Stations	-	16,697	-	16,697
Public Works Admin	-	257,624	-	257,624
Total Personnel Services - Salaries and Wages	427,844	1,446,456	-	1,874,300
Personnel Services - Employee Benefits				
Utilities Administration	-	31,414	-	31,414
Water Services	-	218,954	-	218,954
Water Plant	-	49,570	-	49,570
Wastewater Services	-	78,512	-	78,512
Wastewater Plant	-	55,224	-	55,224
Golf Course	181,868	-	-	181,868
Effluent Disposal	-	53,600	-	53,600
Information Technology	-	76,138	-	76,138
Booster Pumps Stations	-	8,109	-	8,109
Lift Stations	-	7,505	-	7,505
Public Works Admin	-	97,026	-	97,026
Total Personnel Services - Employee Benefits	181,868	676,052	-	857,920
Purchased Professional & Technical Services				
Utilities Administration	-	26,101	-	26,101
Water Services	-	261	-	261
Water Plant	-	41,344	-	41,344
Wastewater Services	-	37	-	37
Wastewater Plant	-	34,111	-	34,111
Golf Course	2,433	-	-	2,433
Aviation	-	-	28,243	28,243
Effluent Disposal	-	31,136	-	31,136
Information Technology	-	7,305	-	7,305

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 FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Utility Fund	Aviation Fund	Total Enterprise Funds
Public Works Admin	-	57,216	-	57,216
Total Purchased Professional & Technical Services	2,433	197,511	28,243	228,187
Purchased Property Services				
Water Services	-	141,199	-	141,199
Water Plant	-	70,772	-	70,772
Wastewater Services	-	171,087	-	171,087
Wastewater Plant	-	106,411	-	106,411
Golf Course	120,314	-	-	120,314
Effluent Disposal	-	70,092	-	70,092
Information Technology	-	83,556	-	83,556
Public Works Admin	-	14,938	-	14,938
Total Purchased Property Services	120,314	658,055	-	778,369
Other Operating Costs				
Utilities Administration	-	47,156	-	47,156
Water Services	-	130,490	-	130,490
Water Plant	-	205,172	-	205,172
Wastewater Services	-	11,980	-	11,980
Wastewater Plant	-	6,050	-	6,050
Golf Course	60,511	-	-	60,511
Aviation	-	-	197,808	197,808
Effluent Disposal	-	4,810	-	4,810
Information Technology	-	77,201	-	77,201
Booster Pumps Stations	-	69,543	-	69,543
Lift Stations	-	60,382	-	60,382
Public Works Admin	-	28,114	-	28,114
Total Other Operating Costs	60,511	640,898	197,808	899,217
Supplies				
Utilities Administration	-	22,560	-	22,560
Water Services	-	886,867	-	886,867
Water Plant	-	179,023	-	179,023
Wastewater Services	-	769,147	-	769,147
Wastewater Plant	-	24,159	-	24,159
Golf Course	173,906	-	-	173,906
Aviation	-	-	922	922
Effluent Disposal	-	7,832	-	7,832
Information Technology	-	5,519	-	5,519
Booster Pumps Stations	-	134	-	134
Lift Stations	-	235	-	235
Public Works Admin	-	3,856	-	3,856
Total Supplies	173,906	1,899,332	922	2,074,160
Depreciation	155,068	1,556,642	41,390	1,753,100
Total Operating Expenses	1,121,944	7,074,946	268,363	8,465,253
Operating Income (Loss)	(536,192)	2,692,441	6,716	2,162,965
NONOPERATING REVENUES (EXPENSES):				
Grants (Not Capital Grants)	17,820	-	-	17,820

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 FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT D-2

Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Utility Fund	Aviation Fund	Total Enterprise Funds
Investment Earnings	-	91,506	-	91,506
(Loss) on Sale of Real and Personal Property	(224,194)	-	-	(224,194)
Interest Expense - Non-Operating	(8,996)	-	-	(8,996)
Total Nonoperating Revenue (Expenses)	<u>(215,370)</u>	<u>91,506</u>	<u>-</u>	<u>(123,864)</u>
Income (Loss) Before Contributions & Transfers	(751,562)	2,783,947	6,716	2,039,101
Capital Contributions	30,019	2,087,998	452,406	2,570,423
Non-Operating Transfers In	2,377,659	-	76,114	2,453,773
Transfers Out (Use)	-	(6,000,841)	(39,603)	(6,040,444)
Change in Net Position	1,656,116	(1,128,896)	495,633	1,022,853
Total Net Position - October 1 (Beginning)	296,726	62,003,711	-	62,300,437
Prior Period Adjustment	-	-	1,155,510	1,155,510
Total Net Position - September 30 (Ending)	<u>\$ 1,952,842</u>	<u>\$ 60,874,815</u>	<u>\$ 1,651,143</u>	<u>\$ 64,478,800</u>

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Utility Fund	Aviation Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 350,778	\$ 9,283,908	\$ -	\$ 9,634,686
Cash Received from Assessments - Other	235,861	124,339	225,078	585,278
Cash Payments to Employees for Services	(608,988)	(2,005,914)	-	(2,614,902)
Cash Payments for Suppliers	(185,711)	(1,897,897)	(922)	(2,084,530)
Cash Payments for Other Operating Expenses	(183,258)	(1,339,056)	(224,156)	(1,746,470)
Net Cash Provided by Operating Activities	<u>(391,318)</u>	<u>4,165,380</u>	<u>-</u>	<u>3,774,062</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In/(Out)	(97,604)	(796,839)	36,511	(857,932)
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition of Capital Assets	(89,957)	(2,272,803)	(488,917)	(2,851,677)
Capital Contributed by Other Funds	30,019	2,087,998	452,406	2,570,423
Restricted Assets	-	(1,590,922)	-	(1,590,922)
Sale of HLGC	515,636	-	-	515,636
Capital Lease Proceeds	96,450	-	-	96,450
Capital Lease Payments	(54,230)	-	-	(54,230)
Interest Expense	(8,996)	-	-	(8,996)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>488,922</u>	<u>(1,775,727)</u>	<u>(36,511)</u>	<u>(1,323,316)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	91,506	-	91,506
Net Increase in Cash and Cash Equivalents	-	1,684,320	-	1,684,320
Cash and Cash Equivalents at the Beginning of the Year	<u>1,000</u>	<u>1,136,504</u>	<u>-</u>	<u>1,137,504</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 1,000</u>	<u>\$ 2,820,824</u>	<u>\$ -</u>	<u>\$ 2,821,824</u>

CITY OF LAGO VISTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Utility Fund	Aviation Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided By Operating Activities:</u>				
Operating Income (Loss)	\$ (536,192)	\$ 2,692,441	\$ 6,716	\$ 2,162,965
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Depreciation	155,068	1,556,642	41,389	1,753,099
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (Increase) in Receivables	887	(359,140)	-	(358,253)
Decrease (Increase) in Inventories	(11,833)	1,609	-	(10,224)
Decrease (Increase) in Due From Other Governments	-	-	(50,000)	(50,000)
Increase (Decrease) in Accounts Payable	28	(174)	-	(146)
Increase (Decrease) in Pension and OPEB Liab	7,355	99,628	-	106,983
Increase (Decrease) in Due to Other Funds	-	-	1,895	1,895
Increase (Decrease) in Other Current Liabilities	-	157,408	-	157,408
Increase (Decrease) in Wages Payable	(1,442)	27,580	-	26,138
Increase (Decrease) in Compensated Absences	(5,189)	(10,614)	-	(15,803)
Net Cash Provided by Operating Activities	<u>\$ (391,318)</u>	<u>\$ 4,165,380</u>	<u>\$ -</u>	<u>\$ 3,774,062</u>

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	Total	Pension	Trust Fund
ASSETS			
Restricted Asset - Deferred Compensation Plan		\$ 806,475	
Total Assets		<hr/> 806,475	<hr/>
LIABILITIES			
Due to Others		806,475	
Total Liabilities		<hr/> 806,475	<hr/>

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

D. Fund Accounting

The City reports the following major governmental funds:

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

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

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

Governmental Funds:

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

Proprietary Fund:

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

E. Other Accounting Policies

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

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

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

6. Implementation of new GASB Accounting Standard:

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

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

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

9. Pensions. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
10. Other Post-Employment Benefits. GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. The City participates in the Texas Municipal Retirement System Supplemental Death Benefit fund.
11. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

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

At September 30, 2019, the carrying amount of the City's deposits was \$1,815,700 and the bank balance was \$2,181,901. The City's cash deposits held at Security State Bank at September 30, 2019 and during the year ended September 30, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2019, the City had the following investments:

Investments	Amount	Weighted Average Maturity (in Days)
Logic	\$ 15,440,318	36

Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Also, investments in government investment pools are not required to disclose custodial credit risk, concentration of credit risk and interest rate risk in accordance with GASB Statement #40.

Policies Governing Deposits and Investments

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

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2019 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

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

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Logic Investment Pool invests only in investments authorized under the **Public Funds Investment Act**. Logic's portfolio has low

market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net position value and must take immediate action if the net position value of the portfolio falls below \$.995 or rises above \$1.005.

B. Property Taxes

The city levies taxes on real property within the city on October 1 each year which is the lien date. Such taxes become delinquent the following February 1. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The Travis County Appraisal District appraises and collects taxes for the city. For the 2018 tax roll, the tax rate was \$.3615 for maintenance and operations and \$.2885 for interest and sinking. The total tax rate was \$.65 per \$100 valuation and the total property valuation was \$923,804,820.

C. Court Fines and Fees Receivable

In accordance with GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$144,732. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$101,312, resulting in a net receivable of \$43,420.

D. Restricted Assets

Restricted assets represent cash that has been set aside for future payment of revenue bonds and capital improvements. A summary of restricted assets at September 30, 2019 appears below:

<i>General Fund-</i>	
Park Land Fees	393
Park Project	604,435
<i>Capital Projects Fund -</i>	
Capital Acquisition and Improvement	
Projects	4,344,706
<i>Utility Fund-</i>	
Impact Fees	4,011,749
<i>Pension Trust Fund-</i>	
Deferred Compensation Plan	806,475
Total Restricted Assets	<u><u>\$ 9,767,758</u></u>

E. Capital Asset Activity

Changes in Governmental fixed assets during the year ended September 30, 2019 were as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 649,963	\$ 384,518	\$ -	\$ 649,963
Buildings & Streets	13,552,603	99,038	-	13,937,121
Machinery & Equipment	1,457,523	-	-	1,556,561
Autos & Trucks	1,001,530	-	-	1,001,530
Furniture & Fixtures	98,623	-	-	98,623
Improvements	7,805,507	-	-	7,805,507
Construction in Progress	1,787,461	398,134	-	2,185,595
Totals at Historic Cost	\$ 26,353,210	\$ 861,690	\$ -	\$ 27,234,900
Less Accumulated Depreciation	<u><u>(\$5,571,003)</u></u>	<u><u>(913,431)</u></u>	<u><u>-</u></u>	<u><u>(\$6,484,434)</u></u>
Governmental Activities				
Capital Assets, Net	<u><u>\$ 20,782,207</u></u>	<u><u>\$ (31,741)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,750,466</u></u>

F. Property, Plant and Equipment

Capital asset activity for the Enterprise Funds for the year ended September 30, 2019, was as follows:

	Balance 10/01/18	Additions	Deletions	Balance 09/30/19
Land	\$ 3,687,015	\$ 162,178	\$ 436,349	\$ 3,250,666
Buildings	1,307,790		38,032	1,431,936
Improvements	12,875,840	103,636	415,243	12,564,233
Water Treatment Plant	7,715,030	1,319,187		9,034,217
Construction in Progress	7,064,754	2,149,439	1,197,836	8,016,357
Water and Sewer System	41,699,809	78,030	12,646	41,765,193
Machinery & Equipment	4,582,709	280,195		4,862,904
Totals	\$ 78,932,947	\$ 4,092,665	\$ 2,100,106	\$ 80,925,506
Accumulated Depreciation	(21,201,721)	(1,753,100)	119,292	(22,835,529)
Fixed Assets, Net	<u>\$ 57,731,226</u>	<u>\$ 2,339,565</u>	<u>\$ 2,219,398</u>	<u>\$ 58,089,977</u>

G. Intangible Asset

On December 3, 2012 the City purchased a 20 year public access to the school facilities from the Lago Vista Independent School District. The easement is being amortized over the contract period (20 years). The unamortized balance as of September 30, 2019 was \$227,444.

H. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable	\$ 35,171,000	\$	\$ 1,382,000	\$ 33,789,000	\$ 1,442,000
Premium on Bonds	1,600,615		98,984	1,501,631	
Compensated Absences	366,657	26,361		393,018	
Less: Deferred Loss on Refunding Bonds	(304,146)		36,272	(267,874)	
Net Pension Liability	148,390	698,761		847,151	
Net OPEB Liability	110,020	4,937		114,957	
Governmental Activity Long-Term Debt	<u>\$ 37,092,536</u>	<u>\$ 730,059</u>	<u>\$ 1,517,256</u>	<u>\$ 36,377,883</u>	<u>\$ 1,442,000</u>

Business-Type Activities

Capital Leases -					
Golf Course Fund					
John Deere	\$ 179,258	\$	\$ 31,484	\$ 147,774	\$ 32,685
Yamaha	206,169		22,746	183,423	23,717
Wells Fargo		96,450		96,450	14,401
Net Pension Liability	112,789	399,278		512,067	
Net OPEB Liability	75,311		5,825	69,486	
Business Type Activity					
Long-Term Debt	\$ 573,527	\$ 495,728	\$ 60,055	\$ 1,009,200	\$ 70,803
TOTAL ACTIVITIES	<u>\$ 37,666,063</u>	<u>\$ 1,225,787</u>	<u>\$ 1,577,311</u>	<u>\$ 37,387,083</u>	<u>\$ 1,512,803</u>

I. Bonds Payable

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

	Balance at 9/30/19	Due within one Year
\$6,515,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006 Date of Issue: October 5, 2006 Interest Rate 4.13% Balance, September 30, 2017	\$ 3,270,000	\$ 350,000
\$2,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008 Date of Issue: July 3, 2008 Interest Rate 3.87% Balance, September 30, 2017	1,079,000	102,000
\$4,535,000 General Obligation Refunding Bonds, Series 2011 Date of Issue: December 1, 2011 Interest Rate: 2.0% Balance, September 30, 2017	2,085,000	575,000
\$7,655,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 Date of Issue: August 19, 2014 Interest Rate: 2.0-4.50% Balance, September 30, 2017	7,545,000	30,000
\$6,955,000 General Obligation Refunding Bonds, Series 2015 Date of Issue: January 8, 2015 Interest Rate: 2.0-4.0% Balance, September 30, 2017	6,815,000	100,000
\$7,725,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017 Date of Issue: March 16, 2017 Interest Rate: 3.0 - 4.0% Balance, September 30, 2017	7,400,000	235,000
\$1,810,000 General Obligation Refunding Bonds, Series 2016A Date of Issue: December 01, 2016 Interest Rate: 2.0-4.0% Balance, September 30, 2017	1,780,000	15,000
\$3,875,000 General Obligation Refunding Bonds, Series 2016B Date of Issue: December 01, 2016 Interest Rate: 1.22-3.739% Balance, September 30, 2017	3,815,000	35,000
TOTAL BONDS PAYABLE	<u>\$ 33,789,000</u>	<u>\$ 1,442,000</u>

The annual requirements to amortize the obligation outstanding at September 30, 2019 follow:

General Long-Term Debt

September 30,	Principal	Interest	Total
2020	\$ 1,442,000	\$ 1,245,029	\$ 2,687,029
2021	1,491,000	1,195,816	2,686,816
2022	1,531,000	1,145,634	2,676,634
2023	1,585,000	1,094,361	2,679,361
2024	1,639,000	1,037,374	2,676,374
2025-2029	9,026,000	4,183,858	13,209,858
2030-2034	10,675,000	2,315,741	12,990,741
2035-2039	4,130,000	654,646	4,784,646
2040-2044	1,335,000	319,168	1,654,168
2045-2049	935,000	57,100	992,100
Totals	<u>\$ 33,789,000</u>	<u>\$ 13,248,727</u>	<u>\$ 47,037,727</u>

J. Capitalized Leases

Capital lease obligations at September 30, 2019, are composed of the following:

Balance at
9/30/19

Golf Course Fund

Lease payable to John Deere Financial for equipment; 24 monthly installments of \$9,447 including principal and interest through principal and interest through October 1, 2023; interest at 3.75	\$ 147,774
Leases payable to Yamaha for Golf Carts; 16 monthly installments of \$6,360 including principal and interest through December 15, 2021; interest at 4.2%. 1 final payment of \$133,575.	183,423
Lease payable to Wells Fargo for Maintenance Equipment; 72 monthly installments of \$4,583 including principal and interest through September 2025; interest at 4.3155%.	96,450
Total	<u>\$ 427,647</u>

Future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2019:

Year Ended September 30,	Long-Term Obligations
2020	\$ 81,558
2021	81,558
2022	191,111
2023	56,119
2024	27,779
2025-2029	18,331
Total Minimum Lease Payments	\$ 456,456
Less Amount Representing Interest	28,809
Present Value of Lease Payments	<u>\$ 427,647</u>

K. Risk Management

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

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2019 were \$216,973.

L. Defined Benefit Pension Plan

Plan Description

The City of Lago Vista, Texas 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 (PLSD) in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. If an individual has become vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well. Plan provisions for the City were as follows:

	Plan Year 2017	Plan Year 2018
Employee Deposit Rate:	6%	6%
Matching Ratio (City to Employee)	2 - 1	2 - 1
Years required for Vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	59
Active employees	90
	180

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. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The employer contribution rate cannot exceed a statutory maximum rate unless the city elects a higher maximum or removes the maximum rate. The statutory maximum rate is based on the employee contribution rate combined with the city matching percentage. Contributions are made monthly by both the employees and the member cities. Since each member city must know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the contribution rate and the calendar year when the rate goes into effect. Member cities are allowed to make contributions in excess of their actuarially determined contributions to the Pension Trust Fund.

Employees for the City of Lago Vista, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista, Texas were 7.87% and 7.77% in calendar years 2018 and 2019, respectively. The city's contributions to TMRS for the year ended September 30, 2019, were \$357,036, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, 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, a 3% minimum mortality rate will be 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

Effective December 31, 2015, the long-term expected rate of return on TMRS pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and the production of income in order to satisfy the short-term and long-term funding needs of TMRS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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). 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)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the

pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
	\$ 10,069,367	\$ 9,808,188	\$ 261,179
Balances as of December 31, 2017			
Changes for the year:			
Service cost	557,697		557,697
Interest	687,882		687,882
Changes of Benefit Terms			-
Difference between Expected and Actual	160,240		
Experience			-
Changes in Assumptions			-
Contributions - Employer		344,782	(344,782)
Contributions - Employee		262,858	(262,858)
Net investment income		(293,885)	293,885
Benefit Payments, Including Refunds of			
Employee Contributions	(314,744)	(314,744)	-
Administrative Expense		(5,678)	5,678
Other Changes		(297)	297
Net Changes	1,091,075	(6,964)	937,799
Balances as of December 31,2018	\$ 11,160,442	\$ 9,801,224	\$ 1,359,218

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 2,903,384	\$ 1,359,218	\$ 78,067

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$ 641,740.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience		\$ 182,615
Changes of assumptions	-	15,314
Net difference between projected and actual earnings	-	509,177
Contributions made subsequent to measurement date	-	270,315
	\$ -	\$ 977,421

\$270,315 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 269,698
2020	140,389
2021	105,833
2022	191,186
2023	-
Thereafter	-
Total	\$ 707,106

M. Defined Other Post-Employment Benefit Plan

Benefit Plan Description. Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). The plan is a single employer defined benefit group life insurance plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). 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 member 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.

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

The City's contributions to the TMRS SDBF for the year ended 2019, 2018 and 2017 were \$10,646, \$10,041 and \$8,800 respectively, which equaled the required contributions each year.

Employees covered by benefit terms.

At the December 31, 2018 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	9
Active employees	90
Total	120

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TOL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Discount Rate

Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

Covered Payroll	\$ 4,380,966
Total OPEB Liability - beginning of year	\$ 185,330
Changes for the year	
Service Cost	16,210
Interest on Total OPEB Liability	6,388
Changes of benefit terms	-
Differences between expected and actual experience	(9,763)
Changes in assumptions or other inputs	(12,846)
Benefit Payments **	(876)
Net changes	(887)
Total OPEB Liability - end of year	\$ 184,443
Total OPEB Liability as a Percentage of Covered Payroll	4.21%

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.71%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
2.71%	3.71%	4.71%
\$ 218,732	\$ 184,443	\$ 157,163

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2019, the City recognized OPEB expense of \$30,862

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 8,119	\$ -
Changes in assumptions and other inputs	10,683	9,591
Contributions made subsequent to measurement date		8,002
Total (excluding contributions made subsequent to measurement date)	\$ 18,802	\$ 17,593

\$8,002 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 Total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:		
2019	\$	(1,373)
2020		(1,373)
2021		(1,373)
2022		(1,518)
2023		(3,574)
Thereafter		-
Total	\$	(9,211)

N. Deferred Compensation Plan

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

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

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

O. Employee Insurance Benefits

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

P. Interfund Transactions

Interfund balances at September 30, 2019 consisted of the following:

	Receivable	Payable
General Fund	\$ 1,528,722	\$ 580,000
Special Revenue Fund		24,000
Utility Fund		922,827
Aviation Fund		1,895
TOTALS	\$ 1,528,722	\$ 1,528,722

During the year ended September 30, 2019, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
General Fund	\$ 1,613,630	\$ 1,294,263
Special Revenue Funds	37,632	
Capital Projects Fund	3,375,752	
Debt Service Fund		146,080
Golf Course	2,377,659	
Utility Fund		6,000,841
Aviation Fund	76,114	39,603
TOTALS	\$ 7,480,787	\$ 7,480,787

Q. Long-Term Debt-Advance Refundings

General Obligation Refunding Bonds – Series 2016A and Series 2016B

During 2017, the City advance refunded Limited Tax Note, Series 2015 (\$1,945,000) and Limited Tax Note, Taxable Series 2015 (\$3,738,000). The bonds were called and were redeemed on February 15, 2017 by purchasing \$5,763,253 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2016A and Series 2016B bonds mature on February 15, in each of the years 2018 through 2037, bearing interest at 1.480 – 3.856%. The refunding bonds resulted in a gross debt service loss of \$2,020,989 and the net present value savings of \$159,007.

General Obligation Refunding Bonds – Series 2015

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

General Obligation Refunding Bonds – Series 2011

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

General Obligation Refunding Bonds – Series 2009

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

R. Negative Unrestricted Net Position

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

Long-term debt used to finance	
utility (enterprise) fund improvements -	\$ (33,789,000)
Unrestricted Net Position	8,969,633
As Reported on Exhibit A-1	<u>\$ (24,819,367)</u>

S. Contingent Liabilities

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

T. Cash Flows Statement – Supplemental Disclosures

Since the City is tax exempt, no income tax was paid in 2019 and 2018. The City paid interest in the amount of \$8,996 in 2019 and \$26,172 in 2018.

U. Public Improvement Districts

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

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

V. Employee Benefit Trust

On September 20, 2018 the City through Resolution No. 18-1769 created an Employee Benefit Trust. It is a nonprofit trust created for the purpose of providing or offering, whether now or possibly in the future, City officers, employees, and qualified retirees and their dependents with life, disability, sickness, accident, and other health benefits either directly or through the purchase of insurance and to perform operations in furtherance thereof. The Trust is intended to qualify as a tax-exempt trust performing an essential government function within the meaning of Section 115 of the Internal Revenue Code.

W. Related Party

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

X. Special Item – Litigation Settlement

During the fiscal year the City settled (2) ongoing lawsuits and paid out \$88,500 to the plaintiffs.

Y. Prior Period Adjustment

The City reclassified the Aviation Fund from a governmental fund to an enterprise fund. This resulted in a prior period adjustment in the amount of (\$1,155,510) for the government wide activities and a prior period adjustment of \$1,155,510 for the business-type activities. The net effect on the total Net Position is \$0. The restated beginning Net Position of the governmental type activities is (\$5,985,489) and the beginning Net Position of the business-type activities is \$63,455,947.

Z. Tax Abatements

The City grants tax abatements under the Chapter 380 Performance Based Economic Development Incentive Program under which sales and property taxes may be rebated if the entity meets performance criteria.

To promote local economic development and stimulate business and commercial activity in the municipality, the City has granted tax rebate agreements under the authority of Chapter 380 of the Texas Local Government Code through the City's Chapter 380 Performance Based Economic Development Incentive Program. All or a portion of property taxes, sales taxes, or a combination of the two were abated as a part of these agreements. To be eligible to participate in the program an entity must make a commitment to move or expand its business in the City through investments in real and/or personal property or leasehold improvements as well as commitments about the number of new jobs it will create. Some agreements also require the participants in this program to meet other City requirements such as salary levels of employees and local business participation. Each agreement is negotiated individually and the terms vary depending on the type of development and the economic benefits to the City.

Sales taxes abated may either be all or a portion of those generated by the entity or its actions. The amount of property taxes abated may be all or a portion of property taxes on the entity's real and personal property or leasehold investment. Agreements generally run for a certain number of years and also may be subject to a not-to-exceed maximum of taxes to be abated. All taxes are collected and then rebated if the entity meets commitments made under the agreement. If the criteria are not met, no taxes are refunded.

During fiscal year 2019, the City had (2) agreements under this program but no rebates were issued. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur and a deadline for the refund of the taxes.

W. Subsequent Events

The City has evaluated subsequent events through February 10, 2020, the date which the financial statements were available to be issued. The City is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 3,350,082	\$ 3,350,082	\$ 3,384,039	\$ 33,957
General Sales and Use Taxes	446,521	446,521	528,727	82,206
Franchise Tax	461,599	461,599	481,916	20,317
Other Taxes	5,907	5,907	9,246	3,339
Licenses and Permits	375,269	375,269	521,666	146,397
Intergovernmental Revenue and Grants	42,993	42,993	150,222	107,229
Charges for Services	839,488	839,488	941,673	102,185
Fines	103,251	103,251	93,153	(10,098)
Investment Earnings	25,000	25,319	105,584	80,265
Rents and Royalties	34,809	34,809	99,929	65,120
Contributions & Donations from Private Sources	19,000	19,000	27,000	8,000
Other Revenue	39,158	39,158	77,074	37,916
Total Revenues	<u>5,743,077</u>	<u>5,743,396</u>	<u>6,420,229</u>	<u>676,833</u>
EXPENDITURES:				
Current:				
Administration	572,662	627,661	521,509	106,152
Non Departmental	90,200	112,200	104,870	7,330
Development Services	552,037	552,037	471,455	80,582
Finance	278,216	278,216	263,075	15,141
Human Resources	103,390	103,390	95,283	8,107
Municipal Court	163,665	163,665	152,635	11,030
City Secretary	129,896	129,896	111,127	18,769
Economic Development	150,627	145,628	119,651	25,977
Police Department	1,813,513	1,813,513	1,789,057	24,456
Dispatching	385,382	385,382	351,002	34,380
Public Works Streets	1,036,325	1,036,325	972,210	64,115
Solid Waste	707,624	782,623	777,821	4,802
Building Maintenance	59,427	59,427	43,421	16,006
Recreation	130,000	130,000	96,551	33,449
Library	227,618	227,618	200,557	27,061
Parks	105,977	105,977	92,766	13,211
Total Expenditures	<u>6,506,559</u>	<u>6,653,558</u>	<u>6,162,990</u>	<u>490,568</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(763,482)</u>	<u>(910,162)</u>	<u>257,239</u>	<u>1,167,401</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	24,309	24,309
Transfers In	1,500,000	1,500,000	1,613,630	113,630
Transfers Out (Use)	(450,000)	(507,000)	(1,294,263)	(787,263)
Total Other Financing Sources (Uses)	<u>1,050,000</u>	<u>993,000</u>	<u>343,676</u>	<u>(649,324)</u>
EXTRAORDINARY ITEMS:				
Special Item - Litigation Settlement	-	-	(88,500)	(88,500)
Net Change in Fund Balances	286,518	82,838	512,415	429,577
Fund Balance - October 1 (Beginning)	4,353,288	4,353,288	4,353,288	-
Fund Balance - September 30 (Ending)	<u>\$ 4,639,806</u>	<u>\$ 4,436,126</u>	<u>\$ 4,865,703</u>	<u>\$ 429,577</u>

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

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability		
Service Cost	\$ 557,697	\$ 530,359
Interest (on the Total Pension Liability)	687,882	623,948
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	160,240	101,262
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(314,744)	(329,404)
Net Change in Total Pension Liability	\$ 1,091,075	\$ 926,165
Total Pension Liability - Beginning	10,069,367	9,143,202
Total Pension Liability - Ending	<u>\$ 11,160,442</u>	<u>\$ 10,069,367</u>
B. Total Fiduciary Net Position		
Contributions - Employer	\$ 344,782	\$ 316,030
Contributions - Employee	262,858	245,916
Net Investment Income	(293,885)	1,166,782
Benefit Payments, Including Refunds of Employee Contributions	(314,744)	(329,404)
Administrative Expense	(5,678)	(6,044)
Other	(297)	(306)
Net Change in Plan Fiduciary Net Position	\$ (6,964)	\$ 1,392,973
Plan Fiduciary Net Position - Beginning	9,808,188	8,415,215
Plan Fiduciary Net Position - Ending	<u>\$ 9,801,224</u>	<u>\$ 9,808,188</u>
C. Net Pension Liability		
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.82%	97.41%
E. Covered Payroll	\$ 4,380,966	\$ 4,098,600
F. Net Pension Liability as a Percentage of Covered Payroll	31.03%	6.37%

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

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

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	498,365	431,114	362,015
	569,842	527,056	489,774
	-	-	-
	43,293	20,443	(73,396)
	-	212,906	-
	(322,425)	(302,417)	(258,266)
\$	789,075	889,102	520,127
	8,354,127	7,465,025	6,944,898
\$	9,143,202	8,354,127	7,465,025
\$	249,566	234,864	215,450
	231,081	212,546	203,575
	523,318	11,202	402,356
	(322,425)	(302,417)	(258,266)
	(5,907)	(6,822)	(4,200)
	(318)	(337)	(345)
\$	675,315	149,035	558,570
	7,739,900	7,590,865	7,032,295
\$	8,415,215	7,739,900	7,590,865
\$	727,987	614,227	(125,840)
	92.04%	92.65%	101.69%
\$	3,851,351	3,542,430	3,392,918
	18.90%	17.34%	(3.71%)

CITY OF LAGO VISTA, TEXAS
 SCHEDULE OF CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE FISCAL YEAR 2019

	2019	2018	2017
Actuarially Determined Contribution	\$ 357,036	\$ 334,163	\$ 300,205
Contributions in Relation to the Actuarially Determined Contributions	(357,036)	(334,163)	(300,205)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
 Covered Payroll	 \$ 4,580,879	 \$ 4,266,109	 \$ 4,042,094
Contributions as a Percentage of Covered Payroll	7.79%	7.84%	7.43%

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

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

	2016	2015
\$	254,860	\$ 235,583
	(254,860)	(235,583)
\$	-	\$ -
\$	3,911,628	\$ 3,491,490
	6.52%	6.75%

CITY OF LAGO VISTA, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2019

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

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

Other Information:

Notes There were no benefit changes during the year.

CITY OF LAGO VISTA, TEXAS
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
Total OPEB Liability		
Service Cost	\$ 16,210	\$ 13,116
Interest on the Total OPEB Liability	6,388	6,000
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	(9,763)	-
Changes of Assumptions	(12,846)	14,459
Benefit Payments*	(876)	(820)
Net Change in Total OPEB Liability	(887)	32,755
Total OPEB Liability - Beginning	185,330	152,575
Total OPEB Liability - Ending	\$ 184,443	\$ 185,330
Covered Payroll	\$ 4,380,966	\$ 4,098,600
Total OPEB Liability as a Percentage of Covered Payroll	4.21%	4.52%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2019

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:

Inflation	2.5%
Salary increases	Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by 3.50% to 10.5% including inflation
Actuarial Cost Method:	Entry Age Normal
Valuation of Assets:	For purposes of calculating the Total OPEB Liability, The plan is considered to be unfunded and therefore no assets are accumulated for OPEB.
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	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.
Discount Rate	Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date. Discount rate is 3.71%.
Supplemental Death Benefit	The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

Other Information:

Notes There were no benefit changes during the year.

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

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MEMBER
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CERTIFIED PUBLIC ACCOUNTANTS

February 10, 2020

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lago Vista, Texas for the year ended September 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lago Vista, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 10, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Current Year Recommendations

Purchases

The City has an adopted purchasing ordinance. During the audit of the transactions we noted numerous purchases that did not follow the purchase ordinance procedures. The ordinance requires a purchase request be submitted and approved prior to purchase to insure the item is in the budget. We recommend the City enforce the purchase ordinance procedures or amend the ordinance.

During our audit of the transactions we noted reimbursement request approved by the same person requesting the reimbursement. We recommend review and approvals be made by a department head for reimbursements to employees, the City Manager for reimbursements to department heads and a Council Member for reimbursements to the City Manager.

City credit cards were issued to the department heads with no instruction on securing the cards or procedures for using the cards. We recommend a policy and procedure be put in place with regard to the City issued credit cards.

Payroll

During our audit of the payroll we noted checks in the amount of \$1,000 given to each police officer for uniform allowance. These amounts were not included in the salary of the officers and no taxes were withheld or paid. This is not in compliance with the Internal Revenue Service regulations regarding salary and wages. We recommend amounts outside of regular payroll be reviewed for compliance with the Internal Revenue Service regulations and accounted for correctly.

We also noted a payment in the amount of \$2,000 to cash for Christmas gifts to employees. This is a gift of public funds and not allowable under the local government code. We recommend the City review the local government and comply with the regulations.

Pro Shop Inventory

During the audit of the pro shop inventory we noted several exceptions on the inventory sheets. Several of the amounts counted were significantly different from the amounts in the system and the cost of several items was noticeably incorrect. We recommend the City review, compare and correct the inventory on a quarterly basis.

Prior Year Recommendations

Bank Reconciliations

Several old outstanding checks are being carried on the bank reconciliations. We again recommend the checks be researched and cleared or re-issued.

Investment Policy

The City's investment policy was not reviewed and adopted by those charged with governance during the fiscal year. The local government code chapter 2256 Public Funds Investment requires the investment policy and investment strategies be reviewed not less than annually. We again recommend the investment policy and investment strategies be reviewed by those charged with governance annually.

Payroll Benefit Deductions

Testing of the employee withholdings revealed inconsistency with the amount withheld from the employees pay and the invoices for insurance benefits. We again recommend the Human Resources Manager conduct an internal audit and update the withholding rates for benefits paid by the employee.

Employee Expenditure Reimbursement

The City currently has no policy regarding the reimbursement of expenses to employees other than for travel. We again recommend the City adopt a policy regarding expenditures purchased for the City by employees with personal funds and subsequently reimbursed.

Related Party Policy

The City currently has no policy regarding transactions with related parties. We again recommend a policy be adopted.

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

Very truly yours,

Neffendorf & Knopp, P.C.

NEFFENDORF & KNOOPP, P.C.
Fredericksburg, Texas