

***REPORT OF EXAMINATION***

**CITY OF  
LAGO VISTA**

***Lago Vista, Texas***

**For the Year Ended  
September 30, 2018**

CITY OF LAGO VISTA, TEXAS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2018

CITY OF LAGO VISTA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Independent Auditors' Report .....	1
	Management's Discussion and Analysis .....	3
	 <u>Basic Financial Statements</u>	
	<b>Government Wide Statements:</b>	
A-1	Statement of Net Position.....	9
B-1	Statement of Activities.....	11
	<b>Governmental Fund Financial Statements:</b>	
C-1	Balance Sheet .....	15
C-2	Reconciliation for C-1 .....	17
C-3	Statement of Revenues, Expenditures and Changes in Fund Balance.....	18
C-4	Reconciliation for C-3.....	20
	<b>Proprietary Fund Financial Statements:</b>	
D-1	Statement of Net Position.....	21
D-2	Statement of Revenues, Expenses and Changes in Fund Net Position .....	23
D-3	Statement of Cash Flows .....	26
	<b>Fiduciary Funds:</b>	
E-1	Statement of Fiduciary Net Position.....	28
	Notes to the Financial Statements.....	29
	 <u>Required Supplementary Information</u>	
G-1	Budgetary Comparison Schedule - General Fund.....	50
G-2	Schedule of Changes in Net Pension Liability and Related Ratios.....	51
G-3	Schedule of Employer Contributions.....	52
	Notes to the Schedule of Contributions.....	53
G-4	Schedule of Changes in the Total OPEB Liability and Related Ratios.....	54
	Notes to the Schedule of Changes in the Total OPEB Liability and Related Ratios.....	55

# **NEFFENDORF & KNOPP, P.C.**

## ***Certified Public Accountants***

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: [info@nkpcpa.com](mailto:info@nkpcpa.com)

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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, 2018 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, 2018, 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.



## Emphasis of Matter

As discussed in Note M to the financial statements, in 2018, the City adopted new accounting guidance prescribed by GASB #75 for its Other Post Employment Benefit (OPEB). Because GASB #75 implements new measurement criteria and reporting provisions, information has been added to the Government Wide Statements, Statement of Net Position and Governmental Funds Balance Sheet discloses the City's Net OPEB liability and deferred resource outflows related to the City's supplemental death benefits. The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance discloses the adjustment to the City's Beginning Net Position. Our opinion is not modified with respect to the matter.

## 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 - 55 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.  
Fredericksburg, Texas

January 16, 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, 2018. 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 \$57,470,458(net position). Of this amount, the unrestricted net position was \$(23,772,339). 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 \$3,877,909 as a result of this year's operations.
- At September 30, 2018, the City's governmental funds reported combined ending fund balances of \$9,573,849, a decrease of \$806,768 in comparison with the prior year.
- At September 30, 2018, the City's Enterprise Funds reported unrestricted net position of \$3,689,317 an increase of \$793,673 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 55.

## **Reporting the City as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

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

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

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

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

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

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

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

The City has two kinds of funds:

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



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the City's governmental activities increased from \$(6,434,796) to (\$4,829,979). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$(27,461,656), at September 30, 2018. This increase in governmental net position was the result of six factors. First, the City's expenditures exceeded the revenues by \$806,768. Second, the City acquired capital assets in the amount of \$1,914,702 and paid principal on long-term debt of \$1,231,000. Third, the City recorded depreciation in the amounts of \$913,527. Fourth, a net decrease of \$7,634 due to recognition of deferred outflows and OPEB liability related to GASB 75 accounting and financial reporting for other post-employment benefits. Fifth, a net decrease of \$52,578 due to recognition of deferred inflows, outflows and pension liability related to GASB 68 accounting and financial reporting for pensions. Sixth, due to implementation of GASB Statement No. 75 a prior period adjustment was necessary in the amount of (\$90,575).

Net position of the City's business-type activities increased from \$60,179,920 to \$62,300,437. Unrestricted net position was \$3,689,317. This increase in business-type net position was the result of net income of \$2,182,517 and due to implementation of GASB Statement No. 75 a prior period adjustment in the amount of (\$62,000).

**Table I**  
**City of Lago Vista**

### NET POSITION in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 4,963	\$ 3,739	\$ 4,336	\$ 3,379	\$ 9,299	\$ 7,118
Capital Assets	21,938	20,936	56,576	56,782	78,514	77,718
Restricted Assets	6,130	8,005	2,421	1,321	8,551	9,326
Intangible Asset	243	260			243	260
Total Assets	\$ 33,274	\$ 32,940	\$ 63,333	\$ 61,482	\$ 96,607	\$ 94,422
Deferred Outflows of Resources						
Deferred Charge for Refunding	\$ 304	\$ 341			\$ 304	\$ 341
Deferred Outflow Related to Pension & OPEB	424	433	250	313	674	
Total Deferred Outflows of Resources	\$ 728	\$ 774	\$ 250	\$ 313	\$ 978	\$ 341
Current and Long-Term Debt	\$ 37,138	\$ 39,207	\$ 385	\$ 687	\$ 37,523	\$ 39,894
Other Liabilities	1,354	906	729	917	2,083	1,823
Total Liabilities	\$ 38,492	\$ 40,113	\$ 1,114	\$ 1,604	\$ 39,606	\$ 41,717
Deferred Inflow of Resources						
Unavailable Revenue - Property Taxes	\$ 19	\$ 20			\$ 19	\$ 20
Deferred Resource Inflow Related to Pension	321	15	168	11	489	
Total Deferred Inflows of Resources	\$ 340	\$ 35	\$ 168	\$ 11	\$ 508	\$ 20
Net Position:						
Net Investment in						
Capital Assets	\$ 21,938	\$ 20,567	\$ 56,190	\$ 55,963	\$ 78,128	\$ 76,530
Restricted	694	460	2,421	1,321	3,115	1,781
Unrestricted	(27,462)	(27,462)	3,689	2,896	(23,773)	(24,566)
Total Net Position	\$ (4,830)	\$ (6,435)	\$ 62,300	\$ 60,180	\$ 57,470	\$ 53,745

**Table II**  
**City of Lago Vista**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Charges for Services	\$ 1,546	\$ 1,081	\$ 9,408	\$ 7,256	\$ 10,954	\$ 8,337
Grants & Contributions	46	57			46	57
Property Tax	5,321	4,846			5,321	4,846
Sales Tax	481	443			481	443
Franchise Tax	467	419			467	419
Hotel/Motel Tax	135	117			135	117
Interest Income	215	91	32	11	247	102
Miscellaneous	291	217	425	504	716	721
<b>Total Revenue</b>	<b>\$ 8,502</b>	<b>\$ 7,271</b>	<b>\$ 9,865</b>	<b>\$ 7,771</b>	<b>\$ 18,367</b>	<b>\$ 15,042</b>
<b>Expenses:</b>						
General Government	\$ 1,666	\$ 1,669	\$	\$	\$ 1,666	\$ 1,669
Public Safety	2,668	2,446			2,668	2,446
Community Development	2,351	2,287			2,351	2,287
Debt Service & Interest	1,277	1,435	26	28	1,303	1,463
Water			2,385	1,971	2,385	1,971
Wastewater			1,746	1,173	1,746	1,173
Recreation			1,076	1,652	1,076	1,652
Information Technology			627	471	627	471
Capital Outlay	691	1,245			691	1,245
Depreciation			1,692	1,355	1,692	1,355
<b>Total Expenses</b>	<b>\$ 8,653</b>	<b>\$ 9,082</b>	<b>\$ 7,552</b>	<b>\$ 6,650</b>	<b>\$ 16,205</b>	<b>\$ 15,732</b>
<b>Increase in Net Assets Before Transfers &amp; Capital Contributions</b>	<b>\$ (151)</b>	<b>\$ (1,811)</b>	<b>\$ 2,313</b>	<b>\$ 1,121</b>	<b>\$ 2,162</b>	<b>\$ (690)</b>
<b>Capital Contributions</b>	<b>\$ 347</b>	<b>\$ 154</b>	<b>\$ 1,370</b>	<b>\$ 1,245</b>	<b>\$ 1,717</b>	<b>\$ 1,399</b>
<b>Transfers</b>	<b>\$ 1,500</b>	<b>\$ 743</b>	<b>\$ (1,500)</b>	<b>\$ (743)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 1,847</b>	<b>\$ 897</b>	<b>\$ (130)</b>	<b>\$ 502</b>	<b>\$ 1,717</b>	<b>\$ 1,399</b>
<b>Net Change</b>	<b>\$ 1,696</b>	<b>\$ (914)</b>	<b>\$ 2,183</b>	<b>\$ 1,623</b>	<b>\$ 3,879</b>	<b>\$ 709</b>
<b>Net Position, Beginning</b>	<b>\$ (6,435)</b>	<b>\$ (5,521)</b>	<b>\$ 60,180</b>	<b>\$ 58,557</b>	<b>\$ 53,745</b>	<b>\$ 53,036</b>
<b>Prior Period Adjustment</b>	<b>\$ (91)</b>	<b>\$ -</b>	<b>\$ (62)</b>	<b>\$ -</b>	<b>\$ (153)</b>	<b>\$ -</b>
<b>Net Position, Ending</b>	<b>\$ (4,830)</b>	<b>\$ (6,435)</b>	<b>\$ 62,300</b>	<b>\$ 60,180</b>	<b>\$ 57,470</b>	<b>\$ 53,745</b>

The cost of all governmental activities this year was \$8,653,367. 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 \$5,320,595 because the other costs were paid by sales tax (\$480,798), franchise tax (\$467,578), motel and other taxes (\$134,695), user charges (\$1,546,264), grants and contributions (\$392,658), interest on investments (\$215,111) and other miscellaneous (\$291,060).

#### 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 \$9,573,849, which is less than last year's total of \$10,380,617. Included in this year's total change in fund balance is an increase of \$970,958 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, 2018, the City had the following amounts invested in capital assets, net of depreciation:

#### CAPITAL ASSETS in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,065	\$ 1,052	\$ 3,272	\$ 3,272	\$ 4,337	\$ 4,324
Construction in Progress	1,823	770	7,029	17,370	8,852	18,140
Buildings & Streets	13,601	13,002	1,259	979	14,860	13,981
Improvements	8,583	8,499	61,514	50,125	70,096	58,625
Machinery & Equipment	2,558	2,391	4,583	4,590	7,140	6,981
Total Capital Assets	\$ 27,630	\$ 25,715	\$ 77,656	\$ 76,336	\$ 105,286	\$ 102,051
Less: Accumulated Depreciation	(5,692)	(4,779)	(21,080)	(19,554)	(26,773)	(24,332)
Capital Assets, Net	\$ 21,938	\$ 20,937	\$ 56,576	\$ 56,782	\$ 78,513	\$ 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, 2018, the City had the following outstanding debt:

### OUTSTANDING DEBT in thousands

	Governmental Activities		Business-Type Activities		TOTALS Primary Government	
	2018	2017	2018	2017	2018	2017
Bonds Payable	\$ 36,772	\$ 38,102	\$ -	\$ 462	\$ 36,772	\$ 38,102
Loans Payable	-	369	-	462	-	831
Capital Leases Payable			385	356	385	356
Deferred Loss on						
Refunding Bonds	(304)	(341)			(304)	(341)
Accrued Compensation	367	314			367	314
Net Pension Liability	148		113		261	-
Net OPEB Liability	110		75		185	-
Total Outstanding Debt	\$ 37,093	\$ 38,443	\$ 574	\$ 818	\$ 37,666	\$ 39,262

For governmental activities, the City had \$35,171,000 in certificates of obligation, a decrease of 4.36 percent. The City paid \$1,722,652 in principal on the outstanding long-term debt and issued loans for \$122,188.

For business-type activities, the City had \$385,427 in capital leases outstanding. The City paid \$879,658 in principal on the outstanding long-term debt and issued capital leases for \$426,625.

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 2019 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 2019. Amounts available for appropriation in the General Fund budget are \$7,421,297 (including a transfer from the Utility Fund in the amount of \$1,500,000) and expenditures are estimated to be \$7,309,560.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by the close of 2019.

## 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, 2018

EXHIBIT A-1 (Cont'd)

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 496,323	\$ 895,377	\$ 1,391,700
Investments - Current	5,109,681	242,127	5,351,808
Accounts Receivable (Net)	1,018,317	1,200,020	2,218,337
Due from Other Governments	125,437	-	125,437
Due from Other Funds	(1,805,912)	1,805,912	-
Inventories	3,398	179,617	183,015
Prepaid Items	15,641	13,327	28,968
Restricted Assets:			
Restricted Asset - Impact Fees	-	2,420,827	2,420,827
Restricted Asset - Capital Improvements	6,107,937	-	6,107,937
Restricted Asset - Parkland Fees	22,203	-	22,203
Capital Assets:			
Land Purchase and Improvements	1,065,134	3,271,843	4,336,977
Infrastructure, Net	9,534,199	-	9,534,199
Buildings, Net	1,723,173	883,410	2,606,583
Improvements other than Buildings, Net	7,242,907	44,682,051	51,924,958
Furniture and Equipment, Net	548,918	950,534	1,499,452
Construction in Progress	1,823,386	6,787,881	8,611,267
Other Assets	243,690	-	243,690
Total Assets	<u>33,274,432</u>	<u>63,332,926</u>	<u>96,607,358</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Charge for Refunding	304,146	-	304,146
Deferred Outflow Related to Pension Plan	411,941	241,619	653,560
Deferred Resource Outflow Related to OPEB	11,811	8,085	19,896
Total Deferred Outflows of Resources	<u>727,898</u>	<u>249,704</u>	<u>977,602</u>

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
LIABILITIES			
Accounts Payable	537,029	55,882	592,911
Wages and Salaries Payable	39,142	60,646	99,788
Compensated Absences Payable	-	179,417	179,417
Intergovernmental Payable	5,929	-	5,929
Accrued Interest Payable	164,284	-	164,284
Unearned Revenues	177,394	9,422	186,816
Notes Payable - Current	-	54,230	54,230
Other Current Liabilities	171,837	234,900	406,737
Noncurrent Liabilities:			
Debt Due Within One Year	1,382,000	-	1,382,000
Due in More Than 1 Year	35,756,270	331,196	36,087,466
Net Pension Liability	148,390	112,789	261,179
Net OPEB Liability	110,020	75,311	185,331
Total Liabilities	38,492,295	1,113,793	39,606,088
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue - Property Taxes	18,945	-	18,945
Deferred Inflow Related to Pension Plan	321,069	168,400	489,469
Total Deferred Inflows of Resources	340,014	168,400	508,414
NET POSITION			
Net Investment in Capital Assets	21,937,716	56,190,293	78,128,009
Restricted for:			
Restricted for Capital Acquisition & Improvement	-	2,420,827	2,420,827
Restricted for Special Revenue	473,293	-	473,293
Restricted for Parkland Fees	22,203	-	22,203
Restricted for Retirement of Long-Term Debt	198,465	-	198,465
Unrestricted Net Position	(27,461,656)	3,689,317	(23,772,339)
Total Net Position	\$ (4,829,979)	\$ 62,300,437	\$ 57,470,458

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, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 465,899	\$ 312,354	\$ -	\$ -
Non Departmental	71,399	-	-	-
Development Services	495,903	286,328	-	-
Finance	197,996	-	-	-
Human Resources	100,340	-	-	-
Municipal Court	158,060	106,088	-	-
City Secretary	117,513	-	-	-
City Attorney	286	-	-	-
Police Department	2,166,281	-	-	-
Dispatching	343,814	-	-	-
Public Works Streets	1,029,916	-	-	63,243
Solid Waste	761,024	841,494	-	-
Building Maintenance	34,044	-	-	-
Recreation	129,466	-	-	-
Aviation	209,709	-	-	283,713
Library	214,248	-	282	-
Parks	125,112	-	-	-
Tourism	64,092	-	-	-
Interest on Debt	1,268,096	-	-	-
Other Debt Service	8,590	-	-	-
Capital Outlay	691,579	-	-	-
Total Governmental Activities	8,653,367	1,546,264	282	346,956
BUSINESS-TYPE ACTIVITIES:				
Golf Course Fund	1,232,218	362,799	-	262,509
Utility Fund	6,320,726	9,045,523	-	1,107,410
Total Business-Type Activities	7,552,944	9,408,322	-	1,369,919
TOTAL PRIMARY GOVERNMENT	\$ 16,206,311	\$ 10,954,586	\$ 282	\$ 1,716,875

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
(153,545)	-	(153,545)
(71,399)	-	(71,399)
(209,575)	-	(209,575)
(197,996)	-	(197,996)
(100,340)	-	(100,340)
(51,972)	-	(51,972)
(117,513)	-	(117,513)
(286)	-	(286)
(2,166,281)	-	(2,166,281)
(343,814)	-	(343,814)
(966,673)	-	(966,673)
80,470	-	80,470
(34,044)	-	(34,044)
(129,466)	-	(129,466)
74,004	-	74,004
(213,966)	-	(213,966)
(125,112)	-	(125,112)
(64,092)	-	(64,092)
(1,268,096)	-	(1,268,096)
(8,590)	-	(8,590)
(691,579)	-	(691,579)
(6,759,865)	-	(6,759,865)
-	(606,910)	(606,910)
-	3,832,207	3,832,207
-	3,225,297	3,225,297
(6,759,865)	3,225,297	(3,534,568)

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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General Revenues:  
Taxes:  
    Property 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  
Transfers In (Out)  
    Total General Revenues 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
3,033,678	-	3,033,678
2,196,802	-	2,196,802
480,798	-	480,798
467,578	-	467,578
134,695	-	134,695
90,115	-	90,115
45,420	-	45,420
291,060	425,351	716,411
215,111	31,869	246,980
1,500,000	(1,500,000)	-
8,455,257	(1,042,780)	7,412,477
1,695,392	2,182,517	3,877,909
(6,434,796)	60,179,920	53,745,124
(90,575)	(62,000)	(152,575)
\$ (4,829,979)	\$ 62,300,437	\$ 57,470,458

CITY OF LAGO VISTA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	General Fund	Capital Projects Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 496,323	\$ -	\$ -
Investments - Current	4,236,001	189,535	216,104
Accounts Receivable (Net)	528,090	244,109	151,552
Due from Other Governments	125,437	-	-
Due from Other Funds	393,870	-	146,644
Inventories	3,398	-	-
Prepaid Items	15,641	-	-
Restricted Asset - Capital Improvements	-	6,107,937	-
Restricted Asset - Parkland Fees	22,203	-	-
Total Assets	<u>\$ 5,820,963</u>	<u>\$ 6,541,581</u>	<u>\$ 514,300</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 530,029	\$ -	\$ -
Wages and Salaries Payable	39,142	-	-
Intergovernmental Payable	5,929	-	-
Due to Other Funds	493,410	1,815,384	-
Accrued Interest Payable	-	-	164,283
Unearned Revenues	-	177,394	-
Other Current Liabilities	171,837	-	-
Total Liabilities	<u>1,240,347</u>	<u>1,992,778</u>	<u>164,283</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	227,328	-	151,552
Total Deferred Inflows of Resources	<u>227,328</u>	<u>-</u>	<u>151,552</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Restricted for Tourism	-	-	-
Capital Acquisition and Contractual Obligation	-	4,548,803	-
Retirement of Long-Term Debt	-	-	198,465
Parkland Fees	22,203	-	-
Unassigned Fund Balance	4,331,085	-	-
Total Fund Balances	<u>4,353,288</u>	<u>4,548,803</u>	<u>198,465</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,820,963</u>	<u>\$ 6,541,581</u>	<u>\$ 514,300</u>

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

Hotel Fund	Total Governmental Funds
\$ -	\$ 496,323
468,041	5,109,681
49,884	973,635
-	125,437
-	540,514
-	3,398
-	15,641
-	6,107,937
-	22,203
<u>\$ 517,925</u>	<u>\$ 13,394,769</u>
\$ 7,000	\$ 537,029
-	39,142
-	5,929
37,632	2,346,426
-	164,283
-	177,394
-	171,837
<u>44,632</u>	<u>3,442,040</u>
-	378,880
-	378,880
473,293	473,293
-	4,548,803
-	198,465
-	22,203
-	4,331,085
<u>473,293</u>	<u>9,573,849</u>
<u>\$ 517,925</u>	<u>\$ 13,394,769</u>



CITY OF LAGO VISTA, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2018

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 9,573,849</b>
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.	(17,529,317)
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 2018 capital outlays and debt principal payments is to increase net position.	3,928,560
This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$148,390, a Deferred Resource Outflow of \$411,941 and a Deferred Resource Inflow of \$321,069. The net effect of these was to decrease the ending net position by \$57,518.	(57,518)
The City implemented GASB 75 reporting requirements for the OPEB benefit plan through TMRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of (\$90,575). The implementation resulted in an OPEB liability of \$110,020 and a deferred outflow of \$11,811. This resulted in a difference between the ending fund balance and the ending net position of (\$98,209).	(98,209)
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(929,773)
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.	282,429
<b>Net Position of Governmental Activities</b>	<b>\$ (4,829,979)</b>

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, 2018

	General Fund	Capital Projects Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 3,130,623	\$ -	\$ 2,219,955
General Sales and Use Taxes	480,798	-	-
Franchise Tax	467,578	-	-
Other Taxes	7,426	-	-
Licenses and Permits	572,655	-	-
Intergovernmental Revenue and Grants	103,128	244,110	-
Charges for Services	867,520	-	-
Fines	106,088	-	-
Investment Earnings	66,250	129,392	11,679
Rents and Royalties	122,815	-	-
Contributions & Donations from Private Sources	45,420	-	-
Other Revenue	170,661	-	-
Total Revenues	6,140,962	373,502	2,231,634
<b>EXPENDITURES:</b>			
Current:			
Administration	454,536	-	-
Non Departmental	71,399	-	-
Development Services	509,755	-	-
Finance	197,721	-	-
Human Resources	96,966	-	-
Municipal Court	161,561	-	-
City Secretary	114,669	-	-
City Attorney	286	-	-
Police Department	2,060,523	-	-
Dispatching	347,049	-	-
Public Works Streets	978,123	-	-
Solid Waste	627,364	-	-
Building Maintenance	34,044	-	-
Recreation	107,145	-	-
Aviation	217,554	-	-
Library	174,508	-	-
Culture and Recreation:			
Parks	122,622	-	-
Tourism	-	-	-
Debt Service:			
Principal on Debt	15,861	-	1,231,000
Interest on Debt	506	-	1,329,482
Other Debt Service	-	-	8,590
Capital Outlay:			
Capital Outlay	-	2,384,757	-
Total Expenditures	6,292,192	2,384,757	2,569,072
Excess (Deficiency) of Revenues Over (Under)	(151,230)	(2,011,255)	(337,438)
<b>OTHER FINANCING SOURCES (USES):</b>			
Non-Current Loans	122,188	-	-
Transfers In	1,507,886	-	500,000
Transfers Out (Use)	(507,886)	-	-
Total Other Financing Sources (Uses)	1,122,188	-	500,000
Net Change in Fund Balances	970,958	(2,011,255)	162,562
Fund Balance - October 1 (Beginning)	3,382,330	6,560,058	35,903
Fund Balance - September 30 (Ending)	\$ 4,353,288	\$ 4,548,803	\$ 198,465

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

Hotel Fund	Total Governmental Funds
\$ -	\$ 5,350,578
-	480,798
-	467,578
127,269	134,695
-	572,655
-	347,238
-	867,520
-	106,088
7,790	215,111
-	122,815
-	45,420
-	170,661
<u>135,059</u>	<u>8,881,157</u>
-	454,536
-	71,399
-	509,755
-	197,721
-	96,966
-	161,561
-	114,669
-	286
-	2,060,523
-	347,049
-	978,123
-	627,364
-	34,044
-	107,145
-	217,554
-	174,508
-	122,622
64,092	64,092
-	1,246,861
-	1,329,988
-	8,590
-	<u>2,384,757</u>
<u>64,092</u>	<u>11,310,113</u>
<u>70,967</u>	<u>(2,428,956)</u>
-	122,188
-	2,007,886
-	<u>(507,886)</u>
-	<u>1,622,188</u>
<u>70,967</u>	<u>(806,768)</u>
<u>402,326</u>	<u>10,380,617</u>
<u>\$ 473,293</u>	<u>\$ 9,573,849</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, 2018

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (806,768)
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 2018 capital outlays and debt principal payments is to increase the change in net position.	3,928,560
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$263,967 and total debits to expenses were \$316,545. The net effect on the change in net position on Exhibit B-1 is a decrease of \$52,578.	(52,578)
The implementation of GASB 75 to report the TMRS OPEB plan resulted in a prior period adjustment in the amount of (\$90,575). The changes in the ending net position as a result of reporting the OPEB items was a decrease in net position in the amount of \$7,634.	(7,634)
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.	(929,773)
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.	(436,415)
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 1,695,392</u></u>

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, 2018

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,000	\$ 894,377	\$ 895,377
Investments - Current	-	242,127	242,127
Restricted Assets - Current:			
Restricted Asset - Impact Fees	-	2,420,827	2,420,827
Accounts Receivable (Net)	26,391	1,173,629	1,200,020
Due from Other Funds	-	4,281,175	4,281,175
Inventories	21,801	157,816	179,617
Prepaid Items	5,141	8,186	13,327
Total Current Assets	54,333	9,178,137	9,232,470
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	935,399	2,336,444	3,271,843
Buildings	860,822	405,538	1,266,360
Accumulated Depreciation - Buildings	(126,471)	(256,479)	(382,950)
Improvements other than Buildings	1,569,061	60,178,356	61,747,417
Accumulated Depreciation - Other Improvements	(483,868)	(16,581,498)	(17,065,366)
Furniture and Equipment	2,058,770	2,523,941	4,582,711
Accumulated Depreciation - Furniture & Equipment	(1,612,423)	(2,019,754)	(3,632,177)
Construction in Progress	-	6,787,881	6,787,881
Total Noncurrent Assets	3,201,290	53,374,429	56,575,719
Total Assets	3,255,623	62,552,566	65,808,189
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	77,321	164,298	241,619
Deferred Resource Outflow Related to OPEB	1,800	6,285	8,085
Total Deferred Outflows of Resources	79,121	170,583	249,704

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, 2018

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	402	55,480	55,882
Wages and Salaries Payable	25,470	35,176	60,646
Compensated Absences Payable	48,169	131,248	179,417
Due to Other Funds	2,475,263	-	2,475,263
Unearned Revenues	-	9,422	9,422
Notes Payable - Current	54,230	-	54,230
Other Current Liabilities	-	234,900	234,900
Total Current Liabilities	2,603,534	466,226	3,069,760
Noncurrent Liabilities:			
Other Long Term Debt Payable - Noncurrent	331,196	-	331,196
Net Pension Liability	47,806	64,983	112,789
Net OPEB Liability	16,764	58,547	75,311
Total Noncurrent Liabilities	395,766	123,530	519,296
Total Liabilities	2,999,300	589,756	3,589,056
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	38,718	129,682	168,400
Total Deferred Inflows of Resources	38,718	129,682	168,400
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,815,864	53,374,429	56,190,293
Restricted for Capital Improvements	-	2,420,827	2,420,827
Unrestricted Net Position	(2,519,138)	6,208,455	3,689,317
Total Net Position	\$ 296,726	\$ 62,003,711	\$ 62,300,437

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



EXHIBIT D-2 (Cont'd)

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
OPERATING REVENUES:			
Charges for Services Water Services	\$ -	\$ 5,076,417	\$ 5,076,417
Charges for Services Sewerage Service	-	3,969,106	3,969,106
Charges for Services Golf Course	362,799	-	362,799
Rents and Royalties	113,165	-	113,165
Other Revenue	226,876	85,310	312,186
Total Operating Revenues	702,840	9,130,833	9,833,673
OPERATING EXPENSES:			
Utilities Administration			
Personnel Services - Salaries and Wages	-	92,034	92,034
Personnel Services - Employee Benefits	-	42,396	42,396
Purchased Professional & Technical Services	-	10,000	10,000
Other Operating Costs	-	40,063	40,063
Supplies	-	20,945	20,945
Total Utilities Administration	-	205,438	205,438
Water Services			
Personnel Services - Salaries and Wages	-	423,817	423,817
Personnel Services - Employee Benefits	-	199,008	199,008
Purchased Professional & Technical Services	-	48,487	48,487
Purchased Property Services	-	116,168	116,168
Other Operating Costs	-	52,019	52,019
Supplies	-	596,830	596,830
Total Water Services	-	1,436,329	1,436,329
Water Plant			
Personnel Services - Salaries and Wages	-	98,417	98,417
Personnel Services - Employee Benefits	-	40,153	40,153
Purchased Professional & Technical Services	-	30,426	30,426
Purchased Property Services	-	75,228	75,228
Other Operating Costs	-	207,749	207,749
Supplies	-	175,850	175,850
Total Water Plant	-	627,823	627,823
Wastewater Services			
Personnel Services - Salaries and Wages	-	159,225	159,225
Personnel Services - Employee Benefits	-	71,704	71,704
Purchased Professional & Technical Services	-	10,882	10,882
Purchased Property Services	-	98,382	98,382
Other Operating Costs	-	8,926	8,926
Supplies	-	569,124	569,124
Total Wastewater Services	-	918,243	918,243
Wastewater Plant			
Personnel Services - Salaries and Wages	-	118,509	118,509
Personnel Services - Employee Benefits	-	47,492	47,492
Purchased Professional & Technical Services	-	27,301	27,301
Purchased Property Services	-	80,986	80,986
Other Operating Costs	-	5,268	5,268

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, 2018

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
Supplies	-	33,291	33,291
Total Wastewater Plant	-	312,847	312,847
Golf Course			
Personnel Services - Salaries and Wages	433,500	-	433,500
Personnel Services - Employee Benefits	196,442	-	196,442
Purchased Professional & Technical Services	57,764	-	57,764
Purchased Property Services	127,336	-	127,336
Other Operating Costs	42,766	-	42,766
Supplies	218,779	-	218,779
Total Golf Course	1,076,587	-	1,076,587
Effluent Disposal			
Personnel Services - Salaries and Wages	-	136,769	136,769
Personnel Services - Employee Benefits	-	61,791	61,791
Purchased Professional & Technical Services	-	2,867	2,867
Purchased Property Services	-	57,092	57,092
Other Operating Costs	-	17,396	17,396
Supplies	-	7,255	7,255
Total Effluent Disposal	-	283,170	283,170
Information Technology			
Personnel Services - Salaries and Wages	-	156,899	156,899
Personnel Services - Employee Benefits	-	57,671	57,671
Purchased Professional & Technical Services	-	33,201	33,201
Purchased Property Services	-	108,442	108,442
Other Operating Costs	-	72,822	72,822
Supplies	-	235	235
Personnel Services - Salaries and Wages	-	19,308	19,308
Personnel Services - Employee Benefits	-	9,126	9,126
Other Operating Costs	-	48,187	48,187
Supplies	-	419	419
Personnel Services - Salaries and Wages	-	19,308	19,308
Personnel Services - Employee Benefits	-	8,658	8,658
Other Operating Costs	-	92,429	92,429
Supplies	-	274	274
Total Information Technology	-	626,979	626,979
Public Works Admin			
Personnel Services - Salaries and Wages	-	146,100	146,100
Personnel Services - Employee Benefits	-	50,747	50,747
Purchased Professional & Technical Services	-	131,558	131,558
Other Operating Costs	-	17,371	17,371
Supplies	-	1,698	1,698
Total Public Works Admin	-	347,474	347,474
Depreciation	145,466	1,546,417	1,691,883
Total Operating Expenses	1,222,053	6,304,720	7,526,773
Operating Income (Loss)	(519,213)	2,826,113	2,306,900

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, 2018

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
NONOPERATING REVENUES (EXPENSES):			
Investment Earnings	-	31,869	31,869
Interest Expense - Non-Operating	(10,165)	(16,006)	(26,171)
Total Nonoperating Revenue (Expenses)	(10,165)	15,863	5,698
Income (Loss) Before Contributions & Transfers	(529,378)	2,841,976	2,312,598
Capital Contributions	262,509	1,107,410	1,369,919
Non-Operating Transfers In	500,000	-	500,000
Transfers Out (Use)	-	(2,000,000)	(2,000,000)
Change in Net Position	233,131	1,949,386	2,182,517
Total Net Position - October 1 (Beginning)	77,396	60,102,524	60,179,920
Prior Period Adjustment	(13,801)	(48,199)	(62,000)
Total Net Position - September 30 (Ending)	<u>\$ 296,726</u>	<u>\$ 62,003,711</u>	<u>\$ 62,300,437</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, 2018

	Business-Type Activities		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 369,684	\$ 8,987,574	\$ 9,357,258
Cash Received from Assessments - Other	340,041	85,310	425,351
Cash Payments to Employees for Services	(623,470)	(1,844,256)	(2,467,726)
Cash Payments for Suppliers	(218,779)	(1,405,267)	(1,624,046)
Cash Payments for Other Operating Expenses	(247,139)	(2,051,592)	(2,298,731)
Net Cash Provided by (Used for) Operating Activities	(379,663)	3,771,769	3,392,106
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Operating Transfer Out	500,000	(2,000,000)	(1,500,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(401,612)	(1,083,964)	(1,485,576)
Capital Contributed by Other Funds	262,509	1,107,410	1,369,919
Restricted Assets	-	(1,100,146)	(1,100,146)
Loan Proceeds	-	20,033	20,033
Capital Lease Proceeds	426,625	-	426,625
Interest Paid	(10,166)	(16,006)	(26,172)
Loan Payments	-	(481,965)	(481,965)
Capital Lease Payments	(397,693)	-	(397,693)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(120,337)	(1,554,638)	(1,674,975)
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	-	31,865	31,865
Net Increase in Cash and Cash Equivalents	-	248,996	248,996
Cash and Cash Equivalents at the Beginning of the Year	1,000	887,508	888,508
Cash and Cash Equivalents at the End of the Year	\$ 1,000	\$ 1,136,504	\$ 1,137,504

CITY OF LAGO VISTA, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities		
	Golf Course Fund	Utility Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided By (Used For) Operating Activities:</u>			
Operating Income (Loss)	\$ (519,213)	\$ 2,826,113	\$ 2,306,900
Adjustments to Reconcile Operating Income			
To Net Cash Provided by (Used For) Operating Activities:			
Depreciation	145,466	1,546,417	1,691,883
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	6,885	(57,949)	(51,064)
Decrease (Increase) in Inventories	4,402	-	4,402
Decrease (Increase) in Due From Other Funds	-	(639,322)	(639,322)
Increase (Decrease) in Accounts Payable	330	38,034	38,364
Increase (Decrease) in Wages Payable	(5,583)	4,070	(1,513)
Increase (Decrease) in Intergovernmental Payable	(1,981)	-	(1,981)
Increase (Decrease) in Compensated Absences	2,879	22,356	25,235
Increase (Decrease) in Due To Other Funds	(22,024)	-	(22,024)
Increase (Decrease) in Pension and OPEB Liability	9,176	32,050	41,226
Net Cash Provided by (Used for)			
Operating Activities	<u>\$ (379,663)</u>	<u>\$ 3,771,769</u>	<u>\$ 3,392,106</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, 2018

	Total Pension Trust Fund
<hr/>	
ASSETS	
Restricted Asset - Deferred Compensation Plan	\$ 782,874
Total Assets	<u>782,874</u>
LIABILITIES	
Due to Others	<u>782,874</u>
Total Liabilities	<u>782,874</u>

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

CITY OF LAGO VISTA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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 some times require the City to refund all or part of the unused amount.

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

D. Fund Accounting

The City reports the following major governmental funds:

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

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

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

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

Proprietary Fund:

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

E. Other Accounting Policies

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
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, 2018, the carrying amount of the City's deposits was \$1,391,700 and the bank balance was \$2,422,962. The City's cash deposits held at Security State Bank at September 30, 2018 and during the year ended September 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific

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

Temporary investments:

	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
LOGIC	\$ 13,902,775	\$ 13,902,775	\$ - 0 -	\$ - 0 -

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

#### Policies Governing Deposits and Investments

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

**Custodial Credit Risk - Deposits:** This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2018 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 2017 tax roll, the tax rate was \$.3803 for maintenance and operations and \$.2697 for interest and sinking. The total tax rate was \$.65 per \$100 valuation and the total property valuation was \$804,945,231.

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 \$148,939. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$104,257, resulting in a net receivable of \$44,682.

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, 2018 appears below:

<b>General Fund-</b>	
Park Land Fees	22,203
<b>Capital Projects Fund -</b>	
Capital Acquisition and Improvement Projects	6,107,937
<b>Utility Fund-</b>	
Impact Fees	2,420,827
<b>Pension Trust Fund-</b>	
Deferred Compensation Plan	782,874
Total Restricted Assets	<u><u>\$ 9,333,841</u></u>

E. Capital Asset Activity

Changes in Governmental fixed assets during the year ended September 30, 2018 were as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 1,052,035	\$ 13,100	\$	\$ 1,065,135
Buildings & Streets	13,002,129	599,006		13,601,135
Machinery & Equipment	1,291,019	166,504		1,457,523
Autos & Trucks	1,001,530			1,001,530
Furniture & Fixtures	98,623			98,623
Improvements	8,499,428	83,186		8,582,614
Construction in Progress	770,480	1,163,824	110,918	1,823,386
Totals at Historic Cost	\$ 25,715,244	\$ 2,025,620	\$ 110,918	\$ 27,629,946
Less Accumulated Depreciation	(4,778,702)	(913,527)		(5,692,229)
Governmental Activities				
Capital Assets, Net	<u>\$ 20,936,542</u>	<u>\$ 1,112,093</u>	<u>\$ 110,918</u>	<u>\$ 21,937,717</u>



F. Property, Plant and Equipment

Capital asset activity for the Enterprise Funds for the year ended September 30, 2018, was as follows:

	Balance 10/01/17	Additions	Deletions	Balance 09/30/18
Land	\$ 3,271,843	\$	\$	\$ 3,271,843
Buildings	978,696	280,562		1,259,258
Improvements	12,098,733	-		12,098,733
Water Treatment Plant	7,715,030			7,715,030
Construction in Progress	17,369,889	429,070	(10,770,130)	7,028,829
Water and Sewer System	30,311,521	11,388,288		41,699,809
Machinery & Equipment	4,589,941	458,208	(465,440)	4,582,709
Totals	\$ 76,335,653	\$ 12,556,128	\$ (11,235,570)	\$ 77,656,211
Accumulated Depreciation	(19,553,630)	(1,691,883)	165,018	(21,080,495)
Fixed Assets, Net	\$ 56,782,023	\$ 10,864,245	\$ (11,070,552)	\$ 56,575,716

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, 2018 was \$243,690.

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	\$ 36,402,000	\$	\$ 1,231,000	\$ 35,171,000	\$ 1,382,000
Premium on Bonds	1,699,599		98,984	1,600,615	
Compensated Absences	314,141	52,516		366,657	
Loans Payable	369,464	122,188	491,652	-	
Less: Deferred Loss on Refunding Bonds	(341,239)		37,093	(304,146)	
Net Pension Liability	422,232		273,842	148,390	
Net OPEB Liability		110,020		110,020	
Governmental Activity Long-Term Debt	\$ 38,866,197	\$ 284,724	\$ 2,132,571	\$ 37,092,536	\$ 1,382,000
<u>Business-Type Activities</u>					
Loans Payable - Water & Sewer Fund	\$ 461,932	\$ 20,033	\$ 481,965	\$ -	
Capital Leases - Golf Course Fund					
John Deere	74,248	204,010	99,000	179,258	31,484
Yamaha	282,247	222,615	298,693	206,169	22,746
Net Pension Liability	305,754		192,965	112,789	
Net OPEB Liability		75,311		75,311	
Business Type Activity Long-Term Debt	\$ 1,124,181	\$ 521,969	\$ 1,072,623	\$ 573,527	\$ 54,230
TOTAL ACTIVITIES	\$ 39,990,378	\$ 806,693	\$ 3,205,194	\$ 37,666,063	\$ 1,436,230

I. Bonds Payable

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

	Balance at 9/30/18	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	\$ 3,605,000	\$ 335,000
\$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	1,177,000	98,000
\$2,340,000 General Obligation Refunding Bonds, Series 2009 Date of Issue: August 20, 2009 Interest Rate 3.30% Balance, September 30, 2017	169,000	169,000
\$4,535,000 General Obligation Refunding Bonds, Series 2011 Date of Issue: December 1, 2011 Interest Rate: 2.0% Balance, September 30, 2017	2,515,000	430,000
\$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	7,575,000	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	6,870,000	55,000
\$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	7,620,000	220,000
\$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	1,795,000	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	3,845,000	30,000
<b>TOTAL BONDS PAYABLE</b>	<b>\$ 35,171,000</b>	<b>\$ 1,382,000</b>

The annual requirements to amortize the obligation outstanding at September 30, 2018 follow:

General Long-Term Debt

September 30,	Principal	Interest	Total
2019	\$ 1,382,000	1,291,694	\$ 2,673,694
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
2024-2028	8,765,000	4,524,036	13,289,036
2029-2033	10,270,000	2,717,796	12,987,796
2034-2038	6,195,000	857,099	7,052,099
2039-2043	1,285,000	368,656	1,653,656
2044-2048	1,225,000	100,261	1,325,261
<b>Totals</b>	<b>\$ 35,171,000</b>	<b>\$ 14,540,382</b>	<b>\$ 49,711,382</b>



J. Capitalized Leases

Capital lease obligations at September 30, 2018, are composed of the following:

	Balance at 9/30/18
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	\$ 179,258
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.	206,169
Total	<u>\$ 385,427</u>

Future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2018:

Year Ended September 30,	Long-Term Obligations
2019	\$ 63,226
2020	63,226
2021	63,226
2022	172,779
2023	37,787
2024-2028	9,447
Total Minimum Lease Payments	\$ 409,691
Less Amount Representing Interest	24,264
Present Value of Lease Payments	<u>\$ 385,427</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, 2018 were \$194,193.

L. Defined Benefit Pension Plan

***Plan Description***

The City of Lago Vista, Texas participates as one of 883 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](http://www.tmrs.com).

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

Benefits Provided

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

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

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

	Plan Year 2016	Plan Year 2017
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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	60
Active employees	88
	<hr/>
	182

**Contributions**

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

Employees for the City of Lago Vista, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista, Texas were 7.71% and 7.87% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were \$334,163, and were equal to the required contributions.

**Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment with males 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 is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December

31, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

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

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

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

#### Discount Rate

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



	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2016	\$ 9,143,202	\$ 8,415,215	\$ 727,987
Changes for the year:			
Service cost	530,359		530,359
Interest	623,948		623,948
Changes of Benefit Terms			-
Difference between Expected and Actual Experience	101,262		-
Changes in Assumptions	-		-
Contributions - Employer		316,030	(316,030)
Contributions - Employee		245,916	(245,916)
Net investment income		1,166,782	(1,166,782)
Benefit Payments, Including Refunds of Employee Contributions	(329,404)	(329,404)	-
Administrative Expense		(6,044)	6,044
Other Changes		(306)	306
	-		-
Net Changes	926,165	1,392,974	(568,071)
Balances as of December 31, 2017	\$ 10,069,367	\$ 9,808,189	\$ 261,179

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,658,056	\$ 261,179	\$ (896,392)

#### ***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](http://www.tmrs.com).

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

For the year ended September 30, 2018, the City recognized pension expense of \$ 422,751.



At September 30, 2018, 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	\$ 9,940	\$ 104,739
Changes of assumptions	-	64,712
Net difference between projected and actual earnings	479,529	226,043
Contributions made subsequent to measurement date	-	258,066
	<u>\$ 489,469</u>	<u>\$ 653,560</u>

\$258,066 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, 2018. 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:	
2018	\$ 81,961
2019	36,562
2020	(92,747)
2021	(119,751)
2022	-
Thereafter	-
Total	<u>\$ (93,975)</u>

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 2018, 2017 and 2016 were

\$10,041, \$8,800 and \$8,115 respectively, which equaled the required contributions each year.

**Employees covered by benefit terms.**

At the December 31, 2017 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	8
Active employees	88
Total	117

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The TOL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount rate*	3.31%
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, 2017.

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.

<b>Covered Payroll</b>	\$ 4,098,600
Total OPEB Liability - beginning of year	\$ 152,575
Changes for the year	
Service Cost	13,116
Interest on Total OPEB Liability	6,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	14,459
Benefit Payments **	(820)
Net changes	32,755
Total OPEB Liability - end of year	\$ 185,330

**Total OPEB Liability as a Percentage of Covered Payroll** 4.52%

\*\*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 3.31 %, 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 (2.31 %) or 1-percentage-point higher (4.31 %) than the current rate:

1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
\$ 222,137	\$ 185,330	\$ 156,534

#### OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2018, the City recognized OPEB expense of \$14,774

At September 30, 2018, 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	\$ -	\$ -
Changes in assumptions and other inputs		12,025
Contributions made subsequent to measurement date		7,870
Total (excluding contributions made subsequent to measurement date)	\$ -	\$ 19,895

\$7,870 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, 2018. 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:

2018	\$ 2,434
2019	2,434
2020	2,434
2021	2,434
2022	2,289
Thereafter	-
Total	\$ 12,025

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, 2018 consisted of the following:

	Receivable	Payable
General Fund	\$ 393,870	\$ 493,410
Debt Service Fund	146,644	
Special Revenue Fund		37,632
Capital Projects Fund		1,815,384
Golf Course Fund		2,475,264
Utility Fund	4,281,176	
TOTALS	\$ 4,821,690	\$ 4,821,690



During the year ended September 30, 2018, the City's transfers between funds consisted of:

	Transfers In	Transfers Out
General Fund	\$ 1,507,886	\$ 507,886
Capital Projects Fund		
Debt Service Fund	500,000	
Golf Course	500,000	
Utility Fund		2,000,000
TOTALS	\$ 2,507,886	\$ 2,507,886

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 -	\$ (35,171,000)
Unrestricted Net Position	7,709,344
As Reported on Exhibit A-1	<u>\$ (27,461,656)</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 2018 and 2017. The City paid interest in the amount of \$26,172 in 2018 and \$27,763 in 2017.

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. Prior Period Adjustment

During the fiscal year 2018, the City adopted GASB Statement No. 75 for *Other Post Employment Benefits*. Under GASB Statement No. 75 the District must report their Net OPEB Liability of the TMRS (Texas Municipal Retirement System) Supplemental Death Benefit Fund. Adoption of GASB Statement No. 75 required a prior period adjustment in the governmental activities of \$90,575 and \$62,000 in the business type activities. The restated beginning net position of the governmental activities is (\$6,525,371) and in the business type activities is \$60,117,920.

Y. Subsequent Events

The City has evaluated subsequent events through January 16, 2019, the date which the financial statements were available to be issued. In October 2018 the City settled a law suit with Brian Atlas in the amount of \$70,000. The City is not aware of any other 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, 2018

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 2,908,139	\$ 2,908,139	\$ 3,130,623	\$ 222,484
General Sales and Use Taxes	438,238	438,238	480,798	42,560
Franchise Tax	489,382	489,382	467,578	(21,804)
Other Taxes	7,000	7,000	7,426	426
Licenses and Permits	273,200	273,200	572,655	299,455
Intergovernmental Revenue and Grants	48,230	48,230	103,128	54,898
Charges for Services	813,322	813,322	867,520	54,198
Fines	105,600	105,600	106,088	488
Investment Earnings	6,000	6,212	66,250	60,038
Rents and Royalties	-	-	122,815	122,815
Contributions & Donations from Private Sources	42,000	42,000	45,420	3,420
Other Revenue	60,645	60,645	170,661	110,016
Total Revenues	5,191,756	5,191,968	6,140,962	948,994
<b>EXPENDITURES:</b>				
Current:				
Administration	601,967	601,967	454,536	147,431
Non Departmental	82,700	82,700	71,399	11,301
Development Services	557,284	557,283	509,755	47,528
Finance	222,318	222,318	197,721	24,597
Human Resources	101,326	101,326	96,966	4,360
Municipal Court	165,169	165,169	161,561	3,608
City Secretary	124,954	124,954	114,669	10,285
City Attorney	-	-	286	(286)
Police Department	1,873,008	2,103,007	2,060,523	42,484
Dispatching	381,243	381,243	347,049	34,194
Public Works Streets	875,188	995,190	978,123	17,067
Solid Waste	633,210	633,210	627,364	5,846
Building Maintenance	55,456	55,456	34,044	21,412
Recreation	111,164	111,164	107,145	4,019
Aviation	43,731	226,131	217,554	8,577
Library	192,518	192,519	174,508	18,011
Parks	112,044	147,442	122,622	24,820
Debt Service:				
Principal on Debt	-	5,107	15,861	(10,754)
Interest on Debt	-	496	506	(10)
Total Expenditures	6,133,280	6,706,682	6,292,192	414,490
Excess (Deficiency) of Revenues Over (Under) Expenditures	(941,524)	(1,514,714)	(151,230)	1,363,484
<b>OTHER FINANCING SOURCES (USES):</b>				
Non-Current Loans	-	-	122,188	122,188
Transfers In	1,500,000	1,500,000	1,507,886	7,886
Transfers Out (Use)	(555,130)	(555,130)	(507,886)	47,244
Total Other Financing Sources (Uses)	944,870	944,870	1,122,188	177,318
Net Change in Fund Balances	3,346	(569,844)	970,958	1,540,802
Fund Balance - October 1 (Beginning)	3,382,330	3,382,330	3,382,330	-
Fund Balance - September 30 (Ending)	\$ 3,385,676	\$ 2,812,486	\$ 4,353,288	\$ 1,540,802

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, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
<b>A. Total Pension Liability</b>				
Service Cost	\$ 530,359	\$ 498,365	\$ 431,114	\$ 362,015
Interest (on the Total Pension Liability)	623,948	569,842	527,056	489,774
Changes of Benefit Terms	-0-	-0-	-0-	-0-
Difference between Expected and Actual Experience	101,262	43,293	20,443	(73,396)
Changes of Assumptions	-0-	-0-	212,906	-0-
Benefit Payments, including refunds of employee contributions	(329,404)	(322,425)	(302,417)	(258,266)
Net change in Total Pension Liability	\$ 926,165	\$ 789,075	\$ 889,102	\$ 520,127
Total Pension Liability - Beginning	9,143,202	8,354,127	7,465,025	6,944,898
Total Pension Liability - Ending	\$ 10,069,367	\$ 9,143,202	\$ 8,354,127	\$ 7,465,025
<b>B. Total Fiduciary Net Position</b>				
Contributions - Employer	\$ 316,030	\$ 249,566	\$ 234,864	\$ 215,450
Contributions - Employee	245,916	231,081	212,546	203,575
Net Investment Income	1,166,782	523,318	11,202	402,356
Benefit Payments, including refunds of employee contributions	(329,404)	(322,425)	(302,417)	(258,266)
Administrative Expense	(6,044)	(5,907)	(6,822)	(4,200)
Other	(306)	(318)	(337)	(345)
Net Change in Plan Fiduciary Net Position	\$ 1,392,973	\$ 675,315	\$ 149,035	\$ 558,570
Plan Fiduciary Net Position - Beginning	8,415,215	7,739,900	7,590,865	7,032,295
Plan Fiduciary Net Position - Ending	\$ 9,808,188	\$ 8,415,215	\$ 7,739,900	\$ 7,590,865
<b>C. Net Pension Liability</b>	\$ 261,179	\$ 727,987	\$ 614,227	\$ (125,840)
<b>D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	97.41%	92.04%	92.65%	101.69%
<b>E. Covered Payroll</b>	\$ 4,098,600	\$ 3,851,351	\$ 3,542,430	\$ 3,392,918
<b>F. Net Pension Liability as a Percentage of Covered Payroll</b>	6.37%	18.90%	17.34%	(3.71%)

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

Note: Only four 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."



CITY OF LAGO VISTA, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
FOR THE FISCAL YEAR 2018

EXHIBIT G-3

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 334,163	\$ 300,205	\$ 254,860	\$ 235,583
Contributions in Relation to the Actuarially Determined Contributions	(334,163)	(300,205)	(254,860)	(235,583)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered Payroll	\$ 4,266,109	\$ 4,042,094	\$ 3,911,628	\$ 3,491,490
Contributions as a Percentage of Covered Payroll	7.84%	7.43%	6.52%	6.75%

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

CITY OF LAGO VISTA, TEXAS  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2018

**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, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 13,116
Interest on the Total OPEB Liability	6,000
Changes of Benefit Terms	-0-
Difference between Expected and Actual Experience	-0-
Changes of Assumptions	14,459
Benefit Payments*	(820)
Net change in Total OPEB Liability	<u>32,755</u>
Total OPEB Liability - Beginning	152,575
Total OPEB Liability - Ending	<u><u>\$ 185,330</u></u>
<b>Covered Payroll</b>	\$ 4,098,600
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	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, 2018

**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 3.31%.
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***

P.O. BOX 874 · 736 S. WASHINGTON ST.  
FREDERICKSBURG, TEXAS 78624-0874  
(830) 997-3348

FAX: (830) 997-3333  
Email: info@nkpcpa.com

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

January 16, 2019

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, 2018. 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 December 4, 2018. 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. GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was adopted and the application of existing policies was not changed during the year ended September 30, 2018. 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 January 16, 2019.

### *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.

### Recommendations

#### Bank Reconciliations

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

During the review of the bank reconciliations no review and approval was noted on the reconciliations. We recommend review and approval from someone other than the person preparing the reconciliations and evidence of that review and approval be noted on the reconciliations.

#### 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 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 recommend the Human Resources Manager conduct an internal audit and update the withholding rates for benefits paid by the employee.

#### Utility Inventory

Utility inventory listing was the same dollar amount as the prior year. We recommend a physical inventory be conducted at year end and the inventory listing updated.

#### Contributed Assets

Infrastructure in the amount of \$634,861 was conveyed to the City from Paseo De Vaca during the fiscal year. The information was not provided to the Finance Department from the Public Works department and the assets were not recorded. We recommend a policy and procedure be implemented regarding contributed assets.

#### Grant Documents

Grants documents were requested from those administering the grants. Those documents were not readily available and some were missing. We recommend that all grant documents be sent to the Finance Department for proper recording and documentation.

#### Sale of Municipal Assets

The Highland Lakes Golf Course was sold in September 2018. The City was required to refund the sale proceeds due to non-compliance with Local Government Code Sec 272.001 Title 8 regarding procedures for sale of municipal assets. We recommend the City review and comply with the local government code.

#### Employee Expenditure Reimbursement

The City currently has no policy regarding the reimbursement of expenses to employees other than for travel. We 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 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,

A handwritten signature in blue ink that reads "Neffendorf + Knopp PC". The signature is stylized and cursive.

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas