

CITY OF LAGO VISTA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAGO VISTA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Lago Vista, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

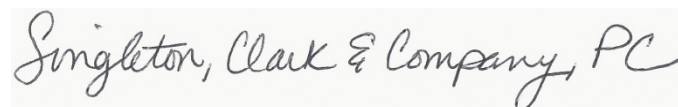
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

January 31, 2022

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CITY OF LAGO VISTA, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Management’s Discussion and Analysis

The Management’s Discussion and Analysis section of the City of Lago Vista, Texas’s (hereafter the “City”) Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditor’s report beginning on page 1 of this report and the City’s basic financial statements which follow this section.

Financial Highlights

- The City’s net position for governmental activities increased by \$6,442,583 to end at \$6,793,703.
- The City’s fund balance in the General Fund increased by \$292,449 to end at \$5,216,638.
- The City’s net position in the Utility Fund increased by \$400,407 and its ending unrestricted net position balance is \$4,979,864.

Overview of the Financial Statements

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

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

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

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

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

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

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

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

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

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 60 of this report.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$71,466,298 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 13,433,740	\$ 10,802,265	\$ 13,461,663	\$ 11,329,894	\$ 26,895,403	\$ 22,132,159
Capital assets	28,116,503	25,300,583	52,726,495	54,166,281	80,842,998	79,466,864
Total assets	41,550,243	36,102,848	66,188,158	65,496,175	107,738,401	101,599,023
Deferred outflows of resources	582,801	659,962	357,201	404,234	940,002	1,064,196
Current liabilities	1,700,539	1,372,460	709,764	511,279	2,410,303	1,883,739
Noncurrent liabilities	33,163,108	34,673,855	871,445	809,774	34,034,553	35,483,629
Total liabilities	34,863,647	36,046,315	1,581,209	1,321,053	36,444,856	37,367,368
Deferred inflows of resources	475,694	623,038	291,555	381,726	767,249	1,004,764
Net position:						
Net investment in capital assets	(4,115,523)	(8,507,400)	52,348,447	53,808,712	48,232,924	45,301,312
Restricted	2,237,267	4,506,579	7,264,645	5,422,497	9,501,912	9,929,076
Unrestricted	8,671,959	4,094,278	5,059,503	4,966,421	13,731,462	9,060,699
Total net position	\$ 6,793,703	\$ 93,457	\$ 64,672,595	\$ 64,197,630	\$ 71,466,298	\$ 64,291,087

By far, the largest portion of the City's net position (67.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (13.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,731,462 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position for business-type activities, but its governmental activities had negative net investment in capital assets. The same situation held true for the prior fiscal year.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The City's overall net position increased by \$6,917,548 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$6,442,583 from the prior fiscal year for an ending balance of \$6,793,703. The increase in the overall net position of governmental activities is primarily the result of transfers into the General Fund and Capital Projects Fund from the Utility Fund. As well, the General Fund's licenses and permits revenue was higher than budgeted.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for services	\$ 3,079,155	\$ 1,998,223	\$ 13,203,121	\$ 12,811,372	\$ 16,282,276	\$ 14,809,595
Operating grants & contributions	381,353	78,287	-	750	381,353	79,037
Capital grants and contributions	-	312,566	32,542	-	32,542	312,566
General Revenues:						
Property taxes	7,486,850	6,518,335	-	-	7,486,850	6,518,335
Other taxes	1,653,998	738,973	-	-	1,653,998	738,973
Grants and contributions not restricted to specific programs	200	492,793	-	-	200	492,793
Other	164,805	292,290	117,801	183,628	282,606	475,918
Total revenue	12,766,361	10,431,467	13,353,464	12,995,750	26,119,825	23,427,217
Expenses:						
General government	2,831,465	2,246,281	-	-	2,831,465	2,246,281
Public safety	2,717,147	2,699,051	-	-	2,717,147	2,699,051
Highways and streets	1,256,449	1,176,800	-	-	1,256,449	1,176,800
Sanitation	1,096,201	925,312	-	-	1,096,201	925,312
Culture and recreation	697,427	642,606	-	-	697,427	642,606
Economic development and assistance	315,089	326,854	-	-	315,089	326,854
Interest and bank fees	1,139,642	1,171,715	-	-	1,139,642	1,171,715
Aviation	-	-	417,287	272,438	417,287	272,438
Golf Course	-	-	1,175,504	1,143,586	1,175,504	1,143,586
Utility	-	-	7,556,066	8,136,736	7,556,066	8,136,736
Total expenses	10,053,420	9,188,619	9,148,857	9,552,760	19,202,277	18,741,379
Increase (decrease) in net position before transfers	2,712,941	1,242,848	4,204,607	3,442,990	6,917,548	4,685,838
Transfers	3,729,642	767,277	(3,729,642)	(767,277)	-	-
Increase (decrease) in net position	6,442,583	2,010,125	474,965	2,675,713	6,917,548	4,685,838
Net position - beginning	93,457	(3,454,678)	64,197,630	64,478,800	64,291,087	61,024,122
Prior period adjustment	257,663	1,538,010	-	(2,956,883)	257,663	(1,418,873)
Net position - ending	\$ 6,793,703	\$ 93,457	\$ 64,672,595	\$ 64,197,630	\$ 71,466,298	\$ 64,291,087

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Business-type Activities. For the City of Lago Vista, Texas's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$64,672,595. The total increase in net position for business-type activities (aviation, golf course, and utility funds) was \$474,965 or 1% from the prior fiscal year.

Financial Analysis of Governmental Funds

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

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

At September 30, 2021, the City's governmental funds reported combined fund balances of \$11,565,033, an increase of \$2,166,321 in comparison with the prior year. Approximately 44% of this amount, \$5,144,101, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted or assigned* to indicate that it is either restricted for particular purposes, \$2,134,427, or assigned for particular purposes, \$4,286,505.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,144,101, while total fund balance increased to \$5,216,638. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 56% of total general fund expenditures, while total fund balance represents 57% of that same amount.

The fund balance of the City's General Fund increased by \$292,449 during the current fiscal year. The fund balance was also affected by a prior period adjustment that increased the beginning fund balance by \$99,020. Based on the review of the City's adopted and amended budgets in relation to the General Fund's actual results for the fiscal year, the increase in fund balance was primarily due to transfers in from the Utility Fund, lower than budgeted transfers out, and higher than budgeted revenues for licenses and permits.

The Hotel Fund, a major fund, had a \$161,524 increase in fund balance to end at \$767,424. The increase in fund balance was primarily due to a 46% increase in hotel tax revenues and a 10% decrease in expenditures compared to the prior year. This fund uses hotel taxes to promote local economic development.

The Debt Service Fund, a major fund, had an increase in fund balance during the current year of \$111,827 to bring the year end fund balance to \$437,152. Fund balance was also affected by a prior period adjustment that increased beginning fund balance by \$158,643. The increase in fund balance was primarily caused by higher than budgeted property tax revenue. This fund uses the City's interest and sinking tax levy to service its existing, related debt.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The Capital Projects Fund, a major fund, had a \$1,600,521 increase in fund balance during the current fiscal year which put the overall fund balance at \$5,143,819. The increase in fund balance was primarily caused by transfers in from the General Fund and Utility Fund.

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

Unrestricted net position of the Aviation Fund at the end of the year was \$73,299, for the Golf Course Fund was \$6,340, and for the Utility Fund was \$4,979,864. The total change in net position for all three funds was (\$63,153), \$137,711, and \$400,407, respectively.

The Aviation Fund had a \$63,153 decrease in net position during the current fiscal year which put the overall net position at \$1,560,463.

The Golf Course Fund had a \$137,711 increase in net position which put the overall net position at \$2,184,553. The City strives to operate its proprietary activities to break even; however, the City did transfer \$150,000 to the Golf Course Fund during the year.

The Utility Fund had a \$400,407 increase in net position during the current fiscal year which put the overall net position at \$60,927,579. The City's Utility Fund ended the year with a unrestricted net position amount of \$4,979,864 which represents about 66% of the fund's operating expenses for the year ended. Additionally, the Utility Fund has a restricted net position balance of \$7,264,645 related to future water and wastewater systems obligations.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need for significant amendments to increase the original budgeted appropriations in the General Fund for general government and capital outlay. There was also need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant except for the mentioned amendments to general government and capital outlay in the General Fund.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$80,842,998 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the water treatment plant. The total increase in capital assets for the current fiscal year was approximately 2%.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2021	Governmental Activities 2020	Change
Land	\$ 1,495,408	\$ 615,402	\$ 880,006
Construction in progress	3,984,409	4,578,819	(594,410)
Autos and trucks	1,177,441	1,254,994	(77,553)
Buildings and streets	20,636,309	17,416,600	3,219,709
Furniture and fixtures	98,623	98,623	-
Improvements	7,367,146	7,336,169	30,977
Machinery and equipment	2,032,755	1,524,543	508,212
Total	36,792,091	32,825,150	3,966,941
Less accumulated depreciation	(8,675,588)	(7,524,567)	(1,151,021)
Capital assets, net of depreciation	\$ 28,116,503	\$ 25,300,583	\$ 2,815,920

	Business-Type Activities 2021	Business-Type Activities 2020	Change
Land	\$ 3,251,491	\$ 3,251,491	\$ -
Construction in progress	944,175	1,232,247	(288,072)
Buildings	1,536,130	1,490,420	45,710
Improvements	68,439,311	67,899,003	540,308
Furniture and equipment	5,546,125	5,214,895	331,230
Total	79,717,232	79,088,056	629,176
Less accumulated depreciation	(26,990,737)	(24,921,775)	(2,068,962)
Capital assets, net of depreciation	\$ 52,726,495	\$ 54,166,281	\$ (1,439,786)

Additional information on the City's capital assets can be found in Note III.D on pages 42-43 of this report.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$32,232,026. The remainder of the City long-term obligations comprises compensated absences, pension-related liabilities, and capital leases.

Outstanding Debt

	Governmental Activities 2021	Governmental Activities 2020	Change
General obligation bonds	\$ 32,232,026	\$ 33,807,983	\$ (1,575,957)
Compensated absences	393,018	393,018	-
Net pension liability	346,210	328,956	17,254
Other post-employment benefits	191,854	143,898	47,956
Total	<u>\$ 33,163,108</u>	<u>\$ 34,673,855</u>	<u>\$ (1,510,747)</u>
	Business-Type Activities 2021	Business-Type Activities 2020	Change
Capital leases payable	\$ 378,049	\$ 357,569	\$ 20,480
Compensated absences	163,614	163,614	-
Net pension liability	212,194	201,618	10,576
Other post-employment benefits	117,588	86,973	30,615
Total	<u>\$ 871,445</u>	<u>\$ 809,774</u>	<u>\$ 61,671</u>

The City's total debt decreased by \$1,449,076 during the current fiscal year. Governmental debt decreased mostly because the City did not issue new debt and regularly scheduled principal payments reduced the existing outstanding debt. Business-type debt increased mostly because the City entered into two new capital leases and pension related liabilities increased. Additional information on the City's long-term debt can be found in Note III.I on pages 52-54 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2021-2022 budget. The City's General Fund budget for fiscal year 2021-2022 includes expenditures of \$9,205,233 which is a slight increase from fiscal year 2020-2021 total adopted expenditures. The city decreased the tax rate for 2021-2022 to \$0.3981 for the General Fund and to \$0.2089 for the Interest and Sinking Fund. The overall total tax rate decreased to \$0.6070 per \$100 valuation.

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 1,543,525	\$ 8,109,898	\$ 9,653,423
Investments - current	8,220,365	6,609,875	14,830,240
Taxes receivable - delinquent	144,919	-	144,919
Accounts receivable, net	577,326	1,506,800	2,084,126
Intergovernmental receivable	161,856	-	161,856
Internal balances	2,785,749	(2,785,749)	-
Inventories	-	20,839	20,839
Capital assets, not being depreciated:			
Land	1,495,408	3,251,491	4,746,899
Construction in progress	3,984,409	944,175	4,928,584
Capital assets, being depreciated:			
Buildings and improvements	-	1,536,130	1,536,130
Machinery, equipment, and vehicles	3,308,819	5,546,125	8,854,944
Other capital assets, depreciable	28,003,455	68,439,311	96,442,766
Accumulated depreciation	(8,675,588)	(26,990,737)	(35,666,325)
Total assets	41,550,243	66,188,158	107,738,401
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension and OPEB	582,801	357,201	940,002
Total deferred outflows of resources	582,801	357,201	940,002
LIABILITIES			
Accounts payable	334,556	335,489	670,045
Accrued salaries and benefits	118,503	61,030	179,533
Accrued liabilities	-	175	175
Retainage payable	23,847	-	23,847
Intergovernmental payable	7,102	-	7,102
Accrued interest payable	149,591	-	149,591
Unearned revenue	936,135	-	936,135
Other current liabilities	130,805	-	130,805
Customer deposits	-	313,070	313,070
Noncurrent liabilities:			
Due within one year	1,531,000	227,820	1,758,820
Due in more than one year	31,632,108	643,625	32,275,733
Total liabilities	34,863,647	1,581,209	36,444,856
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension and OPEB	475,694	291,555	767,249
Total deferred inflows of resources	475,694	291,555	767,249
NET POSITION			
Net investment in capital assets	(4,115,523)	52,348,447	48,232,924
Restricted for parks	72,537	-	72,537
Restricted for tourism	767,424	-	767,424
Restricted for debt service	539,992	-	539,992
Restricted for capital projects	857,314	7,264,645	8,121,959
Unrestricted	8,671,959	5,059,503	13,731,462
Total net position	\$ 6,793,703	\$ 64,672,595	\$ 71,466,298

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, 2021

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 2,831,465	\$ 1,791,121	\$ 313,148	\$ -	\$ (727,196)	\$ -	\$ (727,196)
Public safety	2,717,147	137,801	1,505	-	(2,577,841)	-	(2,577,841)
Highways and streets	1,256,449	-	-	-	(1,256,449)	-	(1,256,449)
Sanitation	1,096,201	1,084,430	-	-	(11,771)	-	(11,771)
Culture and recreation	697,427	65,803	3,700	-	(627,924)	-	(627,924)
Economic development and assistance	315,089	-	63,000	-	(252,089)	-	(252,089)
Interest and bank fees	1,139,642	-	-	-	(1,139,642)	-	(1,139,642)
Total governmental activities:	10,053,420	3,079,155	381,353	-	(6,592,912)	-	(6,592,912)
Business-type activities:							
Aviation Fund	417,287	330,324	-	14,910	-	(72,053)	(72,053)
Golf Fund	1,175,504	930,369	-	-	-	(245,135)	(245,135)
Utility Fund	7,556,066	11,942,428	-	17,632	-	4,403,994	4,403,994
Total business-type activities:	9,148,857	13,203,121	-	32,542	-	4,086,806	4,086,806
Total primary government	\$ 19,202,277	\$ 16,282,276	\$ 381,353	\$ 32,542	(6,592,912)	4,086,806	(2,506,106)
General revenues:							
Property taxes					7,486,850	-	7,486,850
Sales taxes					921,138	-	921,138
Hotel/motel taxes					208,938	-	208,938
Franchise taxes					523,922	-	523,922
Contributions and donations					200	-	200
Investment earnings					9,651	12,808	22,459
Gain (Loss) on sale of capital assets					114,364	-	114,364
Miscellaneous					40,790	104,993	145,783
Total general revenues					9,305,853	117,801	9,423,654
Transfers and capital contributions					3,729,642	(3,729,642)	-
Total general revenues, transfers, and capital contributions					13,035,495	(3,611,841)	9,423,654
Change in net position					6,442,583	474,965	6,917,548
Net position - beginning					93,457	64,197,630	64,291,087
Prior period adjustment					257,663	-	257,663
Net position - ending					\$ 6,793,703	\$ 64,672,595	\$ 71,466,298

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

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FUND BASIS FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Hotel Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 708,662	\$ -	\$ -	\$ 834,863	\$ 1,543,525
Investments - current	2,857,772	697,107	436,777	4,228,709	8,220,365
Taxes receivable - delinquent	144,919	-	-	-	144,919
Accounts receivable	347,030	77,317	102,840	-	527,187
Allowance for uncollectible accounts receivable	(19,861)	-	-	-	(19,861)
Intergovernmental receivable	161,856	-	-	-	161,856
Due from other funds	2,240,662	-	815	1,189,415	3,430,892
Total assets	<u>\$ 6,441,040</u>	<u>\$ 774,424</u>	<u>\$ 540,432</u>	<u>\$ 6,252,987</u>	<u>\$ 14,008,883</u>
LIABILITIES					
Accounts payable	\$ 184,930	\$ -	\$ 440	\$ 149,186	\$ 334,556
Accrued payroll	118,503	-	-	-	118,503
Retainage payable	-	-	-	23,847	23,847
Intergovernmental payable	7,102	-	-	-	7,102
Due to other funds	638,143	7,000	-	-	645,143
Unearned revenue	-	-	-	936,135	936,135
Other current liabilities	130,805	-	-	-	130,805
Total liabilities	<u>1,079,483</u>	<u>7,000</u>	<u>440</u>	<u>1,109,168</u>	<u>2,196,091</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	144,919	-	102,840	-	247,759
Total deferred inflows of resources	<u>144,919</u>	<u>-</u>	<u>102,840</u>	<u>-</u>	<u>247,759</u>
FUND BALANCES					
Restricted:					
Restricted for parks	72,537	-	-	-	72,537
Restricted for tourism	-	767,424	-	-	767,424
Restricted for debt service	-	-	437,152	-	437,152
Restricted for capital projects	-	-	-	857,314	857,314
Assigned:					
Assigned for capital projects	-	-	-	4,286,505	4,286,505
Unassigned	5,144,101	-	-	-	5,144,101
Total fund balances	<u>5,216,638</u>	<u>767,424</u>	<u>437,152</u>	<u>5,143,819</u>	<u>11,565,033</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 6,441,040</u>	<u>\$ 774,424</u>	<u>\$ 540,432</u>	<u>\$ 6,252,987</u>	<u>\$ 14,008,883</u>

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

CITY OF LAGO VISTA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

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

Total fund balance of all governmental funds	\$ 11,565,033
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,116,503
Warrants outstanding net of allowance are not an available resource and, therefore, are not reported in the funds.	70,000
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.	247,759
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(32,774,635)
Additional long-term liabilities related to the recognition of the net pension liability and/or the net OPEB liability is/are not reported in the funds.	(430,957)
Net position of governmental activities	<u><u>\$ 6,793,703</u></u>

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Hotel Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 4,686,982	\$ -	\$ 2,745,182	\$ -	\$ 7,432,164
Sales taxes	921,138	-	-	-	921,138
Hotel/motel taxes	-	208,938	-	-	208,938
Franchise taxes	523,922	-	-	-	523,922
Penalties and interest on taxes	93,748	-	55,328	-	149,076
Licenses and permits	1,791,122	-	-	-	1,791,122
Intergovernmental revenues	381,353	-	-	-	381,353
Charges for services	1,150,232	-	-	-	1,150,232
Fines	137,801	-	-	-	137,801
Investment earnings	5,336	586	718	3,011	9,651
Private donations and contributions	200	-	-	-	200
Miscellaneous revenue	40,790	-	-	-	40,790
Total revenues	9,732,624	209,524	2,801,228	3,011	12,746,387
EXPENDITURES					
Current:					
General government	2,443,142	-	-	-	2,443,142
Public safety	2,344,784	-	-	-	2,344,784
Highways and streets	1,084,014	-	-	-	1,084,014
Sanitation	945,197	-	-	-	945,197
Culture and recreation	601,355	-	-	-	601,355
Economic development and assistance	223,685	48,000	-	-	271,685
Debt service:					
Bond principal	-	-	1,491,000	-	1,491,000
Interest - bonds	-	-	1,195,811	-	1,195,811
Interest - other debt	-	-	2,590	-	2,590
Capital outlay	1,530,918	-	-	2,928,269	4,459,187
Total expenditures	9,173,095	48,000	2,689,401	2,928,269	14,838,765
Excess (deficiency) of revenues over	559,529	161,524	111,827	(2,925,258)	(2,092,378)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,600,000	-	-	4,682,335	6,282,335
Transfers out	(2,093,167)	-	-	(156,556)	(2,249,723)
Sale of general capital assets	226,087	-	-	-	226,087
Total other financing sources (uses)	(267,080)	-	-	4,525,779	4,258,699
Net change in fund balance	292,449	161,524	111,827	1,600,521	2,166,321
Fund balance - beginning	4,825,169	605,900	166,682	3,543,298	9,141,049
Prior period adjustment	99,020	-	158,643	-	257,663
Fund balance - ending	\$ 5,216,638	\$ 767,424	\$ 437,152	\$ 5,143,819	\$ 11,565,033

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

CITY OF LAGO VISTA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Net change in fund balances for total governmental funds	\$ 2,166,321
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	3,230,613
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(94,390)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and capital contributions) is to decrease net position.	(414,693)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,549,759
The net effect of various transactions involving the net pension liability and the net OPEB liability is to increase net position.	4,973
Change in net position for governmental activities	<hr/> \$ 6,442,583 <hr/>

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 BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 4,312,540	\$ 4,312,540	\$ 4,686,982	\$ 374,442
Sales taxes	632,000	632,000	921,138	289,138
Franchise taxes	603,217	603,217	523,922	(79,295)
Penalties and interest on taxes	-	-	93,748	93,748
Licenses and permits	496,430	496,430	1,791,122	1,294,692
Intergovernmental revenues	42,430	42,430	381,353	338,923
Charges for services	963,000	963,000	1,150,232	187,232
Fines	129,300	129,300	137,801	8,501
Investment earnings	78,800	78,800	5,336	(73,464)
Contributions and donations, private sources	40,000	40,000	200	(39,800)
Miscellaneous revenue	18,246	18,246	40,790	22,544
Total revenues	7,315,963	7,315,963	9,732,624	2,416,661
EXPENDITURES				
Current:				
General government	2,227,674	2,980,132	2,443,142	536,990
Public safety	2,708,895	2,708,894	2,344,784	364,110
Highways and streets	1,352,135	1,352,136	1,084,014	268,122
Sanitation	789,507	959,507	945,197	14,310
Culture and recreation	685,742	685,745	601,355	84,390
Economic development and assistance	276,425	276,424	223,685	52,739
Capital outlay	624,194	1,668,081	1,530,918	137,163
Total Expenditures	8,664,572	10,630,919	9,173,095	1,457,824
Excess (deficiency) of revenues over expenditures	(1,348,609)	(3,314,956)	559,529	3,874,485
OTHER FINANCING SOURCES (USES)				
Transfers in	5,429,473	5,429,473	1,600,000	(3,829,473)
Transfers out	(4,090,864)	(4,090,864)	(2,093,167)	1,997,697
Sale of general capital assets	10,000	10,000	226,087	216,087
Total other financing sources (uses)	1,348,609	1,348,609	(267,080)	(1,615,689)
Net change in fund balances	-	(1,966,347)	292,449	2,258,796
Fund balance - beginning	4,825,169	4,825,169	4,825,169	-
Prior period adjustment	-	-	99,020	99,020
Fund balance - ending	\$ 4,825,169	\$ 2,858,822	\$ 5,216,638	\$ 2,357,816

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, 2021

	Business-Type Activities			
	Aviation Fund	Golf Course Fund	Utility Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 1,300	\$ 8,108,598	\$ 8,109,898
Investments - current	-	-	6,609,875	6,609,875
Accounts receivable, net	-	21,925	1,484,875	1,506,800
Due from other funds	104,213	94,766	-	198,979
Inventories	-	20,839	-	20,839
Total current assets	104,213	138,830	16,203,348	16,446,391
Noncurrent Assets:				
Land	415,172	499,050	2,337,269	3,251,491
Buildings	186,081	863,164	486,885	1,536,130
Improvements other than buildings	916,668	1,564,652	65,957,991	68,439,311
Furnishings and equipment	-	2,251,804	3,294,321	5,546,125
Accumulated depreciation	(283,879)	(2,622,409)	(24,084,449)	(26,990,737)
Construction/development in progress	253,122	-	691,053	944,175
Total noncurrent assets	1,487,164	2,556,261	48,683,070	52,726,495
Total assets	1,591,377	2,695,091	64,886,418	69,172,886
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - NPL/OPEB	-	52,624	304,577	357,201
LIABILITIES				
Current liabilities:				
Accounts payable	30,914	35,121	269,454	335,489
Wages payable	-	15,156	45,874	61,030
Accrued liabilities	-	175	-	175
Due to other funds	-	-	2,984,728	2,984,728
Bonds and notes payable - current	-	227,820	-	227,820
Customer deposits	-	-	313,070	313,070
Total current liabilities	30,914	278,272	3,613,126	3,922,312
Noncurrent Liabilities:				
Capital leases	-	150,229	-	150,229
Net pension and OPEB obligations	-	47,984	281,798	329,782
Compensated absences	-	42,980	120,634	163,614
Total noncurrent liabilities	-	241,193	402,432	643,625
Total liabilities	30,914	519,465	4,015,558	4,565,937
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - NPL/OPEB	-	43,697	247,858	291,555
NET POSITION				
Net investment in capital assets	1,487,164	2,178,213	48,683,070	52,348,447
Restricted for capital improvements	-	-	7,264,645	7,264,645
Unrestricted	73,299	6,340	4,979,864	5,059,503
Total net position	\$ 1,560,463	\$ 2,184,553	\$ 60,927,579	\$ 64,672,595

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities			Total
	Aviation Fund	Golf Course Fund	Utility Fund	Proprietary Funds
REVENUES				
Operating revenues:				
Charges for services:				
Water sales	\$ -	\$ -	\$ 6,699,368	\$ 6,699,368
Sewerage service	-	-	5,243,060	5,243,060
Other charges for services	330,324	930,369	-	1,260,693
Miscellaneous revenue	14,910	-	122,625	137,535
Total operating revenues	345,234	930,369	12,065,053	13,340,656
EXPENSES				
Operating expenses:				
Personnel services	10,640	581,767	2,162,389	2,754,796
Purchased prof. and technical services	45,693	55,453	638,735	739,881
Purchased property services	16,307	101,313	1,935,428	2,053,048
Materials and supplies	272,900	184,226	736,950	1,194,076
Other operating expenses	10,095	30,438	179,938	220,471
Depreciation	60,812	188,397	1,883,532	2,132,741
Miscellaneous	840	24,104	19,094	44,038
Total operating expenses	417,287	1,165,698	7,556,066	9,139,051
Operating income (loss)	(72,053)	(235,329)	4,508,987	4,201,605
Nonoperating revenues (expenses)				
Investment earnings	-	-	12,808	12,808
Capital contributions	-	232,846	70,124	302,970
Interest expense	-	(9,806)	-	(9,806)
Total nonoperating revenues (expenses)	-	223,040	82,932	305,972
Income before transfers in (out)	(72,053)	(12,289)	4,591,919	4,507,577
Transfers in	8,900	150,000	147,655	306,555
Transfers out	-	-	(4,339,167)	(4,339,167)
Change in net position	(63,153)	137,711	400,407	474,965
Net position-beginning	1,623,616	2,046,842	60,527,172	64,197,630
Net position-ending	\$ 1,560,463	\$ 2,184,553	\$ 60,927,579	\$ 64,672,595

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities			Total
	Aviation Fund	Golf Course Fund	Utility Fund	Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 322,544	\$ 888,445	\$ 12,009,717	\$ 13,220,706
Receipt (return) of customer deposits	-	-	33,805	33,805
Payments to suppliers and service providers	(326,054)	(366,550)	(2,133,830)	(2,826,434)
Payments to employees for salaries and benefits	-	(584,925)	(2,177,407)	(2,762,332)
Net cash provided by (used for) operating activities	(3,510)	(63,030)	7,732,285	7,665,745
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	8,900	150,000	147,655	306,555
Transfers to other funds	-	-	(4,339,167)	(4,339,167)
Net cash provided by (used for) capital and financing activities	8,900	150,000	(4,191,512)	(4,032,612)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(5,390)	(330,190)	(357,375)	(692,955)
Principal paid on capital debt	-	20,480	-	20,480
Interest paid on capital debt	-	(9,806)	-	(9,806)
Capital contributions from other funds	-	232,846	70,124	302,970
Net cash provided by (used for) capital and related financing activities	(5,390)	(86,670)	(287,251)	(379,311)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	-	(1,809,259)	(1,809,259)
Interest on investments	-	-	12,808	12,808
Net cash provided by investing activities	-	-	(1,796,451)	(1,796,451)
Net increase (decrease) in cash and cash equivalents	-	300	1,457,071	1,457,371
Cash and cash equivalents-beginning	-	1,000	6,651,527	6,652,527
Cash and cash equivalents-ending	\$ -	\$ 1,300	\$ 8,108,598	\$ 8,109,898
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:				
Operating income (loss)	(72,053)	(235,329)	4,508,987	4,201,605
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	60,812	188,397	1,883,532	2,132,741
(Increase) decrease in accounts receivable	-	1,489	(55,336)	(53,847)
(Increase) decrease in due from other funds	(22,690)	(43,413)	-	(66,103)
(Increase) decrease in inventories	-	12,795	156,207	169,002
(Increase) decrease in prepaid items	-	5,141	8,186	13,327
(Decrease) increase in deposits payable	-	-	33,805	33,805
(Decrease) increase in accounts payable	30,421	11,048	139,441	180,910
(Decrease) increase in accrued liabilities	-	(2,866)	(13,362)	(16,228)
(Decrease) increase in due to other funds	-	-	1,072,481	1,072,481
(Decrease) increase in net pension and OPEB liabilities	-	(292)	(1,656)	(1,948)
Total adjustments	68,543	172,299	3,223,298	3,464,140
Net cash provided by (used for) operating activities	\$ (3,510)	\$ (63,030)	\$ 7,732,285	\$ 7,665,745

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

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies

This section describes the significant accounting and reporting guidelines of the City.

A. Reporting Entity

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

B. Government-Wide Financial Statements

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

C. Fund Financial Statements

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

The government reports the following major governmental funds:

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

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

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

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The government reports the following major enterprise funds:

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

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

E. Budgetary Information

1. Budgetary basis of accounting

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

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

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

2. Excess of expenditures over appropriations

For the year ended September 30, 2021, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

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

3. Inventories and prepaid items

Inventories are valued at cost using the weighted average cost method and consist of the golf course's pro shop inventory. The cost of such inventories is recorded as expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. The City does not currently have an prepaid items.

4. Capital assets

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

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

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

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

5. *Deferred outflows/inflows of resources*

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

6. *Net position flow assumption*

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

7. *Fund balance flow assumptions*

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

8. Fund balance policies

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

G. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2020, upon which the levy for the 2020-2021 fiscal year was based, was \$1,154,615,625. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2021, to finance General Fund and Debt Service Fund operations were \$0.4083 and \$0.2392, respectively, for a total tax rate of \$0.6475 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2020-2021 fiscal year was \$7,476,136. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2021, were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

3. *Compensated absences*

Vacation

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

Sick Leave

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

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

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

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

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

B. Deficit Fund Equity

For the year ended September 30, 2021 there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2021, the government's bank balances were \$25,420,029 and \$0 of that amount was exposed to custodial credit risk. \$0 was exposed to custodial credit risk because the City's bank deposits at September 30, 2021 and during the year then ended were entirely covered by the Federal Deposit Insurance Corporation (FDIC) insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

B. Investments

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

As of September 30, 2021, the government had the following investments:

Investment Type	Maturity Time in Years	
	Less than 1	
Logic (local government investment pool)	\$	23,902,558
Total investments	\$	23,902,558

\$9,072,317 of the investments are classified as cash for the financial statements. The remaining \$14,830,240 of the investments are classified as investments for the financial statements.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of June 30, 2022, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The government's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investor's Service. The government's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investors Service.

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

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

C. Receivables

Receivable amounts are aggregated for certain funds and aggregated columns in the financial statements. Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts:

Governmental Funds:

	General	Hotel	Debt Service	Total
Receivables	Fund	Fund	Fund	Governmental Funds
Property taxes	\$ 144,919	\$ -	\$ 102,840	\$ 247,759
Accounts receivable	201,292	-	-	201,292
Sales taxes	161,856	-	-	161,856
Franchise taxes	145,738	77,317	-	223,055
Gross receivables	653,805	77,317	102,840	833,962
Less: Allowance for uncollectibles	(19,861)	-	-	(19,861)
Net receivables	<u>\$ 633,944</u>	<u>\$ 77,317</u>	<u>\$ 102,840</u>	<u>\$ 814,101</u>

Proprietary Funds:

	Golf	Utility	Total
Receivables	Fund	Fund	Proprietary Funds
Accounts receivable	\$ 21,925	\$ 1,683,727	\$ 1,705,652
Gross receivables	21,925	1,683,727	1,705,652
Less: Allowance for uncollectibles	-	(198,852)	(198,852)
Net receivables	<u>\$ 21,925</u>	<u>\$ 1,484,875</u>	<u>\$ 1,506,800</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

D. Capital Assets

Capital assets activity for the year ended September 30, 2021, was as follows:

Governmental Activities:

	Balance 10/1/20	Increases	Decreases	Adjustments	Balance 9/30/21
Capital assets, not being depreciated:					
Land	\$ 615,402	\$ 991,729	\$ (111,723)	\$ -	\$ 1,495,408
Construction in progress	4,578,819	2,928,269	-	(3,522,679)	3,984,409
Total capital assets, not being depreciated	5,194,221	3,919,998	(111,723)	(3,522,679)	5,479,817
Capital assets, being depreciated:					
Autos and trucks	1,254,994	-	(77,553)	-	1,177,441
Buildings and streets	17,416,600	-	-	3,219,709	20,636,309
Furniture and fixtures	98,623	-	-	-	98,623
Improvements	7,336,169	30,977	-	-	7,367,146
Machinery and equipment	1,524,543	508,212	-	-	2,032,755
Total capital assets, being depreciated	27,630,929	539,189	(77,553)	3,219,709	31,312,274
Less accumulated depreciation for:					
Autos and trucks	(1,207,676)	(28,998)	77,553	-	(1,159,121)
Buildings and streets	(3,076,789)	(705,830)	-	-	(3,782,619)
Furniture and fixtures	(92,719)	(5,904)	-	-	(98,623)
Improvements	(2,065,635)	(286,106)	-	-	(2,351,741)
Machinery and equipment	(1,081,748)	(201,736)	-	-	(1,283,484)
Total accumulated depreciation	(7,524,567)	(1,228,574)	77,553	-	(8,675,588)
Total capital assets being depreciated, net	20,106,362	(689,385)	-	3,219,709	22,636,686
Governmental activities capital assets, net	\$ 25,300,583	\$ 3,230,613	\$ (111,723)	\$ (302,970)	\$ 28,116,503

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Business-Type Activities:

	Balance 10/1/20	Increases	Decreases	Adjustments	Balance 9/30/21
Capital assets, not being depreciated:					
Land	\$ 3,251,491	\$ -	\$ -	\$ -	\$ 3,251,491
Construction in progress	1,232,247	500	-	(288,572)	944,175
Total capital assets, not being depreciated	4,483,738	500	-	(288,572)	4,195,666
Capital assets, being depreciated:					
Buildings	1,490,420	5,390	-	40,320	1,536,130
Improvements	67,899,003	-	-	540,308	68,439,311
Furniture and equipment	5,214,895	384,095	(63,779)	10,914	5,546,125
Total capital assets, being depreciated	74,604,318	389,485	(63,779)	591,542	75,521,566
Less accumulated depreciation for:					
Buildings	(458,763)	(44,905)	-	-	(503,668)
Improvements	(20,232,005)	(1,728,493)	-	-	(21,960,498)
Furniture and equipment	(4,231,007)	(359,343)	63,779	-	(4,526,571)
Total accumulated depreciation	(24,921,775)	(2,132,741)	63,779	-	(26,990,737)
Total capital assets being depreciated, net	49,682,543	(1,743,256)	-	591,542	48,530,829
Business-type activities capital assets, net	\$ 54,166,281	\$ (1,742,756)	\$ -	\$ 302,970	\$ 52,726,495

The residual \$302,970 in the adjustment columns are classified as capital contributions on the Statement of Activities and Statement of Revenues, Expenses, and Changes in Net Position for Proprietary Funds. Capital contributions refer to assets reassigned from governmental activities to an enterprise fund. In this case, assets were reassigned from the Capital Projects Fund to the Golf Course and Utilities Funds.

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

Governmental activities:

General government	\$ 390,313
Public safety	374,600
Highways and streets	173,181
Sanitation	151,004
Culture and recreation	96,072
Economic development and assistance	43,404
Total depreciation expense - governmental activities	<u>\$ 1,228,574</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at 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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	52
Active employees	99
	<hr/>
	191
	<hr/>

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista were 8.12% and 7.86% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$421,203, and were equal to the required contributions.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 12,076,266	\$ 11,545,692	\$ 530,574
Changes for the year:			
Service cost	663,096	-	663,096
Interest	817,904	-	817,904
Change of benefit terms	-	-	-
Difference between expected and actual experience	159,695	-	159,695
Changes of assumptions	-	-	-
Contributions - employer	-	427,060	(427,060)
Contributions - employee	-	315,600	(315,600)
Net investment income	-	876,098	(876,098)
Benefit payments, including refunds of employee contr.	(581,439)	(581,439)	-
Administrative expense	-	(5,671)	5,671
Other changes	-	(222)	222
Net changes	1,059,256	1,031,426	27,830
Balance at 12/31/2020	<u>\$ 13,135,522</u>	<u>\$ 12,577,118</u>	<u>\$ 558,404</u>

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

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

	1% Decrease in Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 2,367,770	\$ 558,404	\$ (941,628)

Pension Plan Fiduciary Net Position

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

For the year ended September 30, 2021, the city recognized pension expense of (\$47,932).

At September 30, 2021, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 382,374	\$ (709,415)
Differences between expected and actual economic experience	154,067	(37,914)
Difference in assumption changes	19,301	-
Contributions subsequent to the measurement date	303,859	-
Total	<u>\$ 859,601</u>	<u>\$ (747,329)</u>

\$303,859 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (53,240)
2022	32,113
2023	(151,109)
2024	(19,351)
Total	<u>\$ (191,587)</u>

F. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

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

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	10
Active employees	99
	<hr/>
	138
	<hr/>

Contributions

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

The City's contributions to the TMRS SDBF for the years September 30, 2021 and 2020 were \$11,587 and \$11,867 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2020 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5%-10.5% including inflation per year
Discount rate	3.31% based on Fidelity Index's 20-year Municipal GO AA Index
Retirees' share of benefit costs	\$0

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Schedule of Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 230,872	\$ -	\$ 230,872
Changes for the year:			
Service cost	23,137	-	23,137
Interest	6,645	-	6,645
Change of benefit terms	-	-	-
Difference between expected and actual experience	11,968	-	11,968
Changes of assumptions	38,398	-	38,398
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(1,578)	-	(1,578)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	78,570	-	78,570
Balance at 12/31/2020	\$ 309,442	\$ -	\$ 309,442

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.00% or 1-percentage-point higher 3.00% than the current rate:

	1% Decrease in Discount Rate 1.00%	Current Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
City's net OPEB liability	\$ 372,463	\$ 309,442	\$ 259,722

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the city recognized OPEB expense of \$41,010.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

At September 30, 2021, the city reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,850	\$ (13,563)
Difference in assumption changes	62,433	(6,357)
Contributions subsequent to the measurement date	8,118	-
Total	<u>\$ 80,401</u>	<u>\$ (19,920)</u>

\$8,118 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2021	\$ 11,770
2022	11,625
2023	9,569
2024	13,143
2025	6,256
Total	<u>\$ 52,363</u>

G. Risk Management

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

H. Lease Obligations

1. Capital Lease

The City entered into two new capital leases in the current year, one for maintenance equipment and another for golf carts.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Year Ending September 30,	Business-type Activities
2022	\$ 236,505
2023	68,344
2024	40,005
2025	30,558
2026	12,226
2027	9,171
Total minimum lease payments	396,809
Less: amount representing interest	(18,760)
Present value of minimum lease payments	\$ 378,049

I. Long-Term Liabilities

General Obligation Bonds

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

Details of long-term debt obligations outstanding at September 30, 2021 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/21
Bonds Payable					
Certificates of Obligation, Series 2006	2006	\$ 6,515,000	4.13%	2027	\$ 2,555,000
Certificates of Obligation, Series 2008	2008	2,000,000	3.87%	2028	871,000
General Obligation Refunding Bond, Series 2011	2011	4,535,000	2.00%	2023	915,000
Certificates of Obligation, Series 2014	2014	7,655,000	2-4.5%	2035	7,485,000
General Obligation Refunding Bond, Series 2015	2015	6,955,000	2-4%	2035	6,615,000
General Obligation Refunding Bond, Series 2016A	2016	1,810,000	2-4%	2037	1,745,000
General Obligation Refunding Bond, Series 2016B	2016	3,875,000	1.22-3.739%	2037	3,745,000
Certificates of Obligation, Series 2017	2017	7,725,000	3-4%	2047	6,925,000
Aggregate premium on bonds payable	2011	1,980,878	N/A	2047	1,376,026
Total Bonds Payable					<u>\$ 32,232,026</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/21
Capital Leases Payable					
Wells Fargo, Mowers	2019	\$ 96,450	4.32%	2025	\$ 67,017
Yamaha, Golf Carts	2019	309,474	4.20%	2023	137,115
John Deere, Maintenance Equipment and Vehicles	2019	204,010	3.75%	2023	81,157
John Deere, Maintenance Vehicles	2021	65,598	3.75%	2027	62,952
Yamaha, Golf Carts	2021	31,747	3.96%	2022	29,808
Total Capital Leases					<u>\$ 378,049</u>

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2021 are as follows:

Governmental Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Bonds Payable					
General obligation bonds	\$ 13,770,000	\$ -	\$ (750,000)	\$ 13,020,000	\$ 765,000
Certificates of obligation	18,577,000	-	(741,000)	17,836,000	766,000
Premium	1,460,983	-	(84,957)	1,376,026	-
Total bonds payable	33,807,983	-	(1,575,957)	32,232,026	1,531,000
Compensated absences	393,018	-	-	393,018	-
Net pension liability	328,956	17,254	-	346,210	-
Net other postemployment benefit obligation	143,898	47,956	-	191,854	-
Governmental activities long-term liabilities	<u>\$ 34,673,855</u>	<u>\$ 65,210</u>	<u>\$ (1,575,957)</u>	<u>\$ 33,163,108</u>	<u>\$ 1,531,000</u>

Business-type Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Capital leases	\$ 357,569	\$ 97,345	\$ (76,865)	\$ 378,049	\$ 227,820
Compensated absences	163,614	-	-	163,614	-
Net pension liability	201,618	10,576	-	212,194	-
Net other postemployment benefit obligation	86,973	30,615	-	117,588	-
Governmental activities long-term liabilities	<u>\$ 809,774</u>	<u>\$ 138,536</u>	<u>\$ (76,865)</u>	<u>\$ 871,445</u>	<u>\$ 227,820</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

The debt service requirements for the government's bonds are as follows:

Governmental Activities:

Year Ended September 30,	Governmental Activities Bonds Payable	
	Principal	Interest
2022	\$ 1,531,000	\$ 1,145,631
2023	1,585,000	1,094,358
2024	1,639,000	1,037,372
2025	1,699,000	974,008
2026	1,764,000	907,531
2027-2031	9,588,000	3,473,352
2032-2036	9,665,000	1,487,421
2037-2041	1,620,000	469,439
2042-2046	1,440,000	212,238
2047	325,000	6,500
Totals	<u>\$ 30,856,000</u>	<u>\$ 10,807,850</u>

J. Fund Balance

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

K. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2021 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund (Parkland)	\$ 580,000
General Fund	Hotel Fund	7,000
General Fund	Utility Fund	1,653,662
Debt Service Fund	Utility Fund	815
Capital Projects Fund	General Fund	58,143
Capital Projects Fund	Utility Fund	1,131,272
Aviation Fund	Utility Fund	104,213
Golf Fund	Utility Fund	94,766
Total		<u>\$ 3,629,871</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Interfund balances between governmental activities and business-type activities are classified as internal balances on the Statement of Net Position.

L. Interfund Transfers

The composition of interfund transfers for the year ended September 30, 2018 is as follows:

	Governmental Funds		Enterprise Funds			Total
	General Fund	Capital Projects Fund	Aviation Fund	Golf Course Fund	Utility Fund	
Transfer out from:						
General Fund	\$ -	\$ 1,943,167	\$ -	\$ 150,000	\$ -	\$ 2,093,167
Capital Projects Fund	-	-	8,900	-	147,656	156,556
Utility Fund	1,600,000	2,739,167	-	-	-	4,339,167
Total	<u>\$ 1,600,000</u>	<u>\$ 4,682,334</u>	<u>\$ 8,900</u>	<u>\$ 150,000</u>	<u>\$ 147,656</u>	<u>\$ 6,588,890</u>

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

M. Contingencies

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

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

N. Subsequent Events

As of September 30, 2021, there were no items noted requiring recording or disclosure.

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CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

O. Prior Period Adjustments

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

	General Fund	Debt Service Fund
Fund balance as previously stated at 9/30/2020	\$ 4,825,169	\$ 166,682
Effect of adjusting accounts payable.	99,020	-
Effect of removing stale accrued interest.	-	158,643
Fund balance as restated at 9/30/2020	<u>\$ 4,924,189</u>	<u>\$ 325,325</u>

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

	Governmental Activities
Net position as previously stated at 9/30/2020	\$ 93,457
Effect of adjusting accounts payable.	99,020
Effect of removing stale accrued interest.	158,643
Net position as restated at 9/30/2020	<u>\$ 351,120</u>

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
A. Total pension liability							
1. Service cost	\$ 663,096	\$ 595,954	\$ 557,697	\$ 530,359	\$ 498,365	\$ 431,114	\$ 362,015
2. Interest (on the Total Pension Liability)	817,904	759,830	687,882	623,948	569,842	527,056	489,774
3. Changes of benefit terms	-	-	-	-	-	-	-
4. Difference between expected and actual experience	159,695	(74,546)	160,240	101,262	43,293	20,443	(73,396)
5. Changes of assumptions	-	37,949	-	-	-	212,906	-
6. Benefit payments, including refunds of employee contributions	(581,439)	(403,363)	(314,744)	(329,404)	(322,425)	(302,417)	(258,266)
7. Net change in total pension liability	\$ 1,059,256	\$ 915,824	\$ 1,091,075	\$ 926,165	\$ 789,075	\$ 889,102	\$ 520,127
8. Total pension liability - beginning	12,076,266	11,160,442	10,069,367	9,143,202	8,354,127	7,465,025	6,944,898
9. Total pension liability - ending	<u>\$ 13,135,522</u>	<u>\$ 12,076,266</u>	<u>\$ 11,160,442</u>	<u>\$ 10,069,367</u>	<u>\$ 9,143,202</u>	<u>\$ 8,354,127</u>	<u>\$ 7,465,025</u>
B. Plan fiduciary net position							
1. Contributions - employer	\$ 427,060	\$ 361,957	\$ 344,782	\$ 316,030	\$ 249,566	\$ 234,864	\$ 215,450
2. Contributions - employee	315,600	279,353	262,858	245,916	231,081	212,546	203,575
3. Net investment income	876,098	1,515,340	(293,885)	1,166,782	523,318	11,202	402,356
4. Benefit payments, including refunds of employee contributions	(581,439)	(403,363)	(314,744)	(329,404)	(322,425)	(302,417)	(258,266)
5. Administrative expense	(5,671)	(8,562)	(5,678)	(6,044)	(5,907)	(6,822)	(4,200)
6. Other changes	(222)	(257)	(297)	(306)	(318)	(338)	(345)
7. Net change in plan fiduciary net position	\$ 1,031,426	\$ 1,744,468	\$ (6,964)	\$ 1,392,974	\$ 675,315	\$ 149,035	\$ 558,570
8. Plan fiduciary net position - beginning	11,545,692	9,801,224	9,808,188	8,415,215	7,739,900	7,590,865	7,032,295
9. Plan fiduciary net position - ending	<u>\$ 12,577,118</u>	<u>\$ 11,545,692</u>	<u>\$ 9,801,224</u>	<u>\$ 9,808,189</u>	<u>\$ 8,415,215</u>	<u>\$ 7,739,900</u>	<u>\$ 7,590,865</u>
C. Net pension liability [A.9 - B.9]	<u>\$ 558,404</u>	<u>\$ 530,574</u>	<u>\$ 1,359,218</u>	<u>\$ 261,178</u>	<u>\$ 727,987</u>	<u>\$ 614,227</u>	<u>\$ (125,840)</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	95.75%	95.61%	87.82%	97.41%	92.04%	92.65%	101.69%
E. Covered-employee payroll	\$ 5,258,495	\$ 4,655,888	\$ 4,380,966	\$ 4,098,600	\$ 3,851,351	\$ 3,542,430	\$ 3,392,918
F. Net position as a percentage of covered employee payroll [C / E]	10.62%	11.40%	31.03%	6.37%	18.90%	17.34%	-3.71%

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 421,203	\$ 401,349	\$ 357,036	\$ 334,163	\$ 300,205	\$ 254,860	\$ 235,583
Contributions in relation to the actuarially determined contribution	<u>(421,203)</u>	<u>(401,349)</u>	<u>(357,036)</u>	<u>(334,163)</u>	<u>(300,205)</u>	<u>(254,860)</u>	<u>(235,583)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,311,019	\$ 4,993,558	\$ 4,580,879	\$ 4,266,109	\$ 4,042,094	\$ 3,911,628	\$ 3,491,490
Contributions as a percentage of covered employee payroll	7.93%	8.04%	7.79%	7.83%	7.43%	6.52%	6.75%

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CITY OF LAGO VISTA, TEXAS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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	24 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary increases	3.50% to 11.50%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
A. Total pension liability				
1. Service cost	\$ 23,137	\$ 14,899	\$ 16,210	\$ 13,116
2. Interest on Total OPEB Liability	6,645	7,093	6,388	6,000
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	11,968	(12,980)	(9,763)	-
5. Changes of assumptions	38,398	38,814	(12,846)	14,459
6. Benefit payments	(1,578)	(1,397)	(876)	(820)
7. Net changes	\$ 78,570	\$ 46,429	\$ (887)	\$ 32,755
8. Total OPEB Liability - beginning of the year	230,872	184,443	185,330	152,575
9. Total OPEB Liability - end of the year	<u>\$ 309,442</u>	<u>\$ 230,872</u>	<u>\$ 184,443</u>	<u>\$ 185,330</u>
E. Covered-employee payroll	\$ 5,258,495	\$ 4,655,888	\$ 4,380,966	\$ 4,098,600
F. Total OPEB Liability as a Percentage of Covered Payroll	5.88%	4.96%	4.21%	4.52%

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year			
	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 11,587	\$ 11,867	\$ 10,994	\$ 9,385
Contributions in relation to the actuarially determined contribution	(11,587)	(11,867)	(10,994)	(9,385)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,311,019	\$ 4,993,558	\$ 4,580,879	\$ 4,266,109
Contributions as a percentage of covered employee payroll	0.22%	0.24%	0.24%	0.22%

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CITY OF LAGO VISTA, TEXAS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50%; including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes	<p>*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.</p> <p>The Actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.</p>
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CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	\$ 2,690,814	\$ 2,690,814	\$ 2,745,182	\$ 54,368
Penalties and interest on taxes	-	-	55,328	55,328
Investment earnings	6,000	6,000	718	(5,282)
Total revenues	<u>2,696,814</u>	<u>2,696,814</u>	<u>2,801,228</u>	<u>104,414</u>
EXPENDITURES				
Current:				
Debt service:				
Bond principal	1,491,000	1,491,000	1,491,000	-
Interest - bonds	1,195,814	1,195,814	1,195,811	3
Bank charges	10,000	10,000	2,590	7,410
Total Expenditures	<u>2,696,814</u>	<u>2,696,814</u>	<u>2,689,401</u>	<u>7,413</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>111,827</u>	<u>111,827</u>
Net Change in Fund Balances	-	-	111,827	111,827
Fund balance - beginning	<u>166,682</u>	<u>166,682</u>	<u>166,682</u>	<u>-</u>
Prior period adjustment	-	-	158,643	158,643
Fund balance - ending	<u>\$ 166,682</u>	<u>\$ 166,682</u>	<u>\$ 437,152</u>	<u>\$ 270,470</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lago Vista, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Lago Vista, Texas's basic financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The results of our tests disclosed a deficiency in internal control that we consider to be a significant deficiency that has been reported as item 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lago Vista, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

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

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

Singleton, Clark & Company, PC
Cedar Park, Texas

January 31, 2022

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CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

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

2021-001 Accounting Procedures

Criteria: Based on our understanding of the City’s prior year and current year accounting procedures, we reduced the City’s prior year material weakness in internal control to a current year significant deficiency in internal control. We reduced the significance of the Finding based on improvements observed in procedures related to revenue recognition, purchasing, credit cards, reimbursements, and the City’s travel policy. However, issues noted in the prior year remain related primarily to the application of generally accepted accounting principles and Governmental Accounting Standards Board (GASB) guidance to the City’s accounting for transactions.

Condition Found: During the audit, we noted accounting procedures and transactions that do not adhere to generally accepted accounting principles and/or GASB guidance. This is not uncommon and is the primary reason for audit adjustments for any auditee. Specifically, the issues noted related to asset/capital outlay recording, debt/lease recording, the capital improvements fund, grant administration, and accounts payable. We also noted issues with the City’s bank reconciliations, expenditure coding, and purchasing policy.

Related to the capital improvements fund (referred to as the Capital Projects Fund in the financial statements), we noted the fund improperly commingles resources from bond issues, grants, and other project resources from governmental and proprietary funds. According to GASB Statement 54, §33, capital projects funds are governmental funds used to account for financial resources restricted for capital outlay but should exclude proprietary fund resources and most grant resources (most grants are required to be recorded in special revenue funds).

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2021-001 Accounting Procedures (Continued)

Condition Found (Continued)

For the City's proprietary funds – Utility, Aviation, and the Golf Course – full accrual accounting is required rather than modified accrual accounting which is employed in governmental funds like the General Fund. The difference between full accrual and modified accrual accounting relates to resources. Governmental funds rely primarily, if not exclusively, on tax revenues and so take a 12-14 month perspective. Proprietary funds charge fees to customers and transactions are recorded as they would be in a business. Proprietary assets, debt, and leases are recorded on the balance sheet rather than the income statement as they would be in a governmental fund. The City required audit adjustments related to the recording of assets and debt in its proprietary funds.

Related to grant administration, we noted the City does not record material grants in distinct special revenue funds (or otherwise track grant expenditures separately as a best practice in accordance with GASB Statement 54).

Related to cash, we noted October transactions included on the City's September bank reconciliation. The City required an audit adjustment related to these transactions as they did not affect cash until the next month.

Related to accounts payable, we noted that the City combines accounts payable into a single fund instead of recording accounts payable in separate funds. This relates to the use of a pooled cash fund to assist with the processing of checks through a single disbursing account. An audit adjustment was necessary to record individual accounts payable balances.

Related to expenditures, we noted transactions miscoded related to the perceived ability of a particular fund to bear those expenditures. And, related to purchasing we did not note a specific purchase order policy.

Cause: The cause of these issues is a lack of understanding and/or adherence to generally accepted accounting principles and GASB guidance.

Effect: The effect of this condition is the necessity of significant and numerous audit adjustments. The potential effect of the cash and expenditure/purchasing issues is unauthorized purchases or incorrect recording of transactions.

Recommendation: We recommend that the City review the cause of these issues and take steps to modify its procedures/implement auditor recommendations in order to apply/adhere to generally accepted accounting principles/GASB/best practices.

Classification: This matter has been classified as a significant deficiency in internal control.

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Prior year financial statement findings as required to be restated with current status:

2020-001 Texas Bid Law Compliance

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

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

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

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

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

Classification: This matter has been classified as material noncompliance.

Current Status: During our testing, it was noted that the City purchased goods and services in excess of \$50,000 from 45 vendors during the year. Related to 44 of the 45 vendors, the City fulfilled the state bid law requirements either through competitive purchasing means or through a valid exemption. However, in one case, a vendor was bid on 6/13/2018 as a job order contract and no annual renewals or rebidding since 2018 were noted. Job order contracts need to be rebid every two years or may be renewed annually for up to three additional years. This was a finding in the prior year. However, after the 2019-2020 audit presentation in May 2021, the City signed a new job order contract with a new vendor in response to the issue noted above. As a result of the City's actions taken after last year's audit presentation, we will pass on a current year finding related to bid law.

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CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2020-002	Proper Revenue Recognition
Criteria:	Adherence to generally accepted accounting principles (GAAP) when recording transactions is a critical internal control procedure that helps ensure accurate accounting information and financial statements.
Condition Found:	During our testing of tap and extension revenues, we noted significant, material revenue transactions/balances improperly deferred as liabilities where an earnings process does not exist, or net against related expenses.
Cause:	Management approved netting revenues and expenses and deferral of revenue related to a lack of adherence to the City's fiscal policy as well as a failure to properly adhere to GAAP.
Effect:	The effect of this condition was that the City did not report approximately \$2.9 million in revenues and \$1.6 million in expenses in its accounting records and without adjustment would not have reported these amounts in its financial statements.
Recommendation:	We recommend that the City review its controls and procedures related to recording revenue and related amounts to ensure proper application of generally accepted accounting principles.
Classification:	This matter has been classified as a material weakness in internal control.
Current Status:	We noted the City recognized revenue in accordance with generally accepted accounting principles in the current year.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Current Year Audit Findings:

2021-001 Accounting Procedures

Corrective Action Planned:

The City will ensure application of generally accepted accounting principles and applicable guidance to the recording of its transactions.

Anticipated Completion Date: Fiscal Year 2022-2023

Contact Person(s): Starr Lockwood