

CITY OF LAGO VISTA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAGO VISTA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lago Vista, Texas (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Lago Vista, Texas's basic financial statements as listed in the table of contents.

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 City of Lago Vista, Texas, as of September 30, 2022, and the respective changes in financial position, and, 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.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Lago Vista, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lago Vista, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Lago Vista, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lago Vista, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits liabilities related schedules following the notes to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lago Vista, Texas's basic financial statements. The accompanying combining schedules of non-major governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules of non-major governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated on January 20, 2023 our consideration of City of Lago Vista, Texas'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 solely 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 the effectiveness of City of Lago Vista, Texas's 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 City of Lago Vista, Texas's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is fluid and cursive, with "Singleton" on the first line, "Clark & Company" on the second line, and "PC" on the third line.

Singleton, Clark & Company, PC
Cedar Park, Texas

January 20, 2023

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CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022. 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 \$348,328 to end at \$7,142,031.
- The City's fund balance in the General Fund increased by \$1,796,928 to end at \$7,013,566.
- The City's net position in the Utility Fund increased by \$7,186,148 to end at \$68,113,727.

Overview of the Financial Statements

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

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

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

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

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

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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

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

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

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

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

**CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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.

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. Currently, the City does not maintain any fiduciary 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, 2022

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 and deferred inflows of resources by \$79,084,308 at the close of the most recent fiscal year.

Condensed Statement of Net Position
As of September 30

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 13,888,822	13,433,740	\$ 19,661,784	\$ 13,461,663	\$ 33,550,606	\$ 26,895,403
Capital assets	25,660,987	28,116,503	55,648,170	52,726,495	81,309,157	80,842,998
Total assets	39,549,809	41,550,243	75,309,954	66,188,158	114,859,763	107,738,401
Deferred outflows of resources	416,993	582,801	255,576	357,201	672,569	940,002
Current liabilities	814,062	1,700,539	2,603,715	709,764	3,417,777	2,410,303
Noncurrent liabilities	31,290,458	33,163,108	578,094	871,445	31,868,552	34,034,553
Total liabilities	32,104,520	34,863,647	3,181,809	1,581,209	35,286,329	36,444,856
Deferred inflows of resources	720,251	475,694	441,444	291,555	1,161,695	767,249
Net position:						
Net investment in capital assets	(4,937,890)	(4,115,523)	50,718,593	52,348,447	45,780,703	48,232,924
Restricted	4,897,714	2,237,267	7,264,645	7,264,645	12,162,359	9,501,912
Unrestricted	7,182,207	8,671,959	13,959,039	5,059,503	21,141,246	13,731,462
Total net position	\$ 7,142,031	\$ 6,793,703	\$ 71,942,277	\$ 64,672,595	\$ 79,084,308	\$ 71,466,298

By far, the largest portion of the City's net position (65.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (15.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21,141,246 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 both Governmental and Business-Type Activities.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

The City's overall net position increased by \$7,618,010 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 \$348,328 from the prior fiscal year for an ending balance of \$7,142,031. The increase in the overall net position of governmental activities is primarily due to revenues exceeding budgeted amounts and expenditures coming in under budget.

Condensed Statement of Activities
For the Years Ended September 30

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for services	\$ 4,172,007	\$ 3,079,155	\$ 14,651,777	\$ 13,203,121	\$ 18,823,784	\$ 16,282,276
Operating grants & contributions	209,657	381,353	-	-	209,657	381,353
Capital grants and contributions	-	-	-	32,542	-	32,542
General Revenues:						
Property taxes	7,874,729	7,486,850	-	-	7,874,729	7,486,850
Other taxes	1,873,203	1,653,998	-	-	1,873,203	1,653,998
Grants and contributions not restricted to specific programs	22,446	200	-	-	22,446	200
Other	79,099	164,805	151,456	117,801	230,555	282,606
Total revenue	14,231,141	12,766,361	14,803,233	13,353,464	29,034,374	26,119,825
Expenses:						
General government	2,728,216	2,831,465	-	-	2,728,216	2,831,465
Public safety	2,920,501	2,717,147	-	-	2,920,501	2,717,147
Highways and streets	1,246,199	1,256,449	-	-	1,246,199	1,256,449
Sanitation	1,169,561	1,096,201	-	-	1,169,561	1,096,201
Culture and recreation	882,842	697,427	-	-	882,842	697,427
Economic development and assistance	434,994	315,089	-	-	434,994	315,089
Interest and bank fees	1,039,721	1,139,642	-	-	1,039,721	1,139,642
Aviation	-	-	490,159	417,287	490,159	417,287
Golf Course	-	-	1,051,118	1,175,504	1,051,118	1,175,504
Utility	-	-	9,453,053	7,556,066	9,453,053	7,556,066
Total expenses	10,422,034	10,053,420	10,994,330	9,148,857	21,416,364	19,202,277
Increase (decrease) in net position before transfers	3,809,107	2,712,941	3,808,903	4,204,607	7,618,010	6,917,548
Transfers	(3,460,779)	3,729,642	3,460,779	(3,729,642)	-	-
Increase (decrease) in net position	348,328	6,442,583	7,269,682	474,965	7,618,010	6,917,548
Net position - beginning	6,793,703	93,457	64,672,595	64,197,630	71,466,298	64,291,087
Prior period adjustment	-	257,663	-	-	-	257,663
Net position - ending	\$ 7,142,031	\$ 6,793,703	\$ 71,942,277	\$ 64,672,595	\$ 79,084,308	\$ 71,466,298

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 \$71,942,277. The total increase in net position for business-type activities (Aviation, Golf, and Utility Funds) was \$7,269,682, a 11.2% increase in net position 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, 2022, the City's governmental funds reported combined fund balances of \$12,631,200, an increase of \$1,066,167 in comparison with the prior year. Approximately 54.3% of this amount, \$6,853,863, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted*, to indicate that it is restricted for particular purposes \$5,777,337.

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 \$6,853,863, while total fund balance increased to \$7,013,566. 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 68.3% of total general fund expenditures, while total fund balance represents approximately 70% of that same amount.

The fund balance of the City's general fund increased by \$1,796,928 during the current fiscal year. Based on 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 higher than budgeted revenues for licenses and permits and lower than budgeted transfers out.

The Hotel Fund, a major fund, had a \$159,412 increase in fund balance to end at \$926,836. The increase in fund balance was primarily due to hotel tax revenues outweighing expenditures. This trend has been consistent year over 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 \$22,556 to bring the year end fund balance to \$459,708. The increase in fund balance was primarily caused by property tax revenue being higher than the Debt Service Fund's expenditures. This fund uses the City's interest and sinking tax levy to service its existing, related debt.

The Capital Projects Fund, a major fund, had a \$912,729 decrease in fund balance during the current fiscal year which put the overall fund balance at \$4,231,090. The decrease in fund balance was primarily caused by a significant decrease in transfers in from the General Fund and Utility Fund than in prior year.

**CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 \$64,075, for the Golf Course Fund was \$225,303, and for the Utility Fund was \$13,669,661. The total change in net position for all three funds was (\$70,036), \$153,570, and \$7,186,148, respectively.

The Aviation Fund had a \$70,036 decrease in net position during the current fiscal year which put the overall net position at \$1,490,427.

The Golf Course Fund had a \$153,570 increase in net position which put the overall net position at \$2,338,123. The City strives to operate its proprietary activities to break even; however, the City did transfer \$438,694 to the Golf Course Fund during the year.

The Utility Fund had a \$7,186,148 increase in net position during the current fiscal year which put the overall net position at \$68,113,727. The City's Utility Fund ended the year with a unrestricted net position amount of \$13,669,661 which represents about 69.2% 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, some of the more significant budget amendments included amendments to general government and capital outlay.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, amounts to \$81,309,157 (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.

Capital Assets, Net of Accumulated Depreciation

	Governmental	Governmental	Change
	Activities	Activities	
	2022	2021	
Land	\$ 1,495,408	\$ 1,495,408	\$ -
Buildings and improvements	28,015,955	28,003,455	12,500
Furniture and equipment	3,573,298	3,308,819	264,479
Construction in progress	2,651,136	3,984,409	(1,333,273)
Total	35,735,797	36,792,091	(1,056,294)
Less accumulated depreciation	(10,074,810)	(8,675,588)	(1,399,222)
Capital assets, net of depreciation	\$ 25,660,987	\$ 28,116,503	\$ (2,455,516)

	Business-Type	Business-Type	Change
	Activities	Activities	
	2022	2021	
Land	\$ 3,251,491	\$ 3,251,491	\$ -
Buildings & improvements	74,847,114	69,975,441	4,871,673
Furniture and equipment	5,900,970	5,546,125	354,845
Construction in progress	1,001,299	944,175	57,124
Total	85,000,874	79,717,232	5,283,642
Less accumulated depreciation	(29,352,704)	(26,990,737)	(2,361,967)
Capital assets, net of depreciation	\$ 55,648,170	\$ 52,726,495	\$ 2,921,675

Additional information on the City's capital assets can be found in Note III.D on pages 44-45 of this report.

CITY OF LAGO VISTA, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$30,598,877. The remainder of the City long-term obligations comprises pension related debt, compensated absences and right-to-use leases.

Outstanding Debt

	Governmental	Governmental	Change
	Activities	Activities	
	2022	2021	
General obligation bonds	\$ 30,598,877	\$ 32,232,026	\$ (1,633,149)
Compensated absences	481,346	393,018	88,328
Net pension liability	(226,712)	346,210	(572,922)
Other post-employment benefits	210,235	191,854	18,381
Total	\$ 31,063,746	\$ 33,163,108	\$ (2,099,362)

	Business-Type	Business-Type	Change
	Activities	Activities	
	2022	2021	
Right-to-use leases	\$ 278,018	\$ 378,049	\$ (100,031)
Compensated absences	171,224	163,614	7,610
Net pension liability	(138,952)	212,194	(351,146)
Other post-employment benefits	128,853	117,588	11,265
Total	\$ 439,143	\$ 871,445	\$ (432,302)

The City's total debt decreased by \$2,531,664 during the current fiscal year. The reason for the decrease was due to regularly scheduled principal payments reducing existing outstanding debt. Additional information on the City's long-term debt can be found in Note III.I on pages 54-55 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2022-2023 budget. The City's General Fund budget for fiscal year 2022-2023 includes expenditures of \$19,771,614 which is a \$7,482,952 increase from fiscal year 2021-2022 total adopted expenditures. The city decreased the tax rate for 2022-2023 to \$0.2959 for the General Fund and to \$0.1324 for the Interest and Sinking Fund. The overall total tax rate decreased to \$0.4283 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

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 48,962	\$ 615,982	\$ 664,944
Investments - current	8,261,111	21,650,489	29,911,600
Taxes receivable - delinquent	290,029	-	290,029
Accounts receivable, net	485,452	1,617,267	2,102,719
Intergovernmental receivable	182,752	-	182,752
Internal balances	4,393,804	(4,393,804)	-
Inventories	-	32,899	32,899
Net pension asset	226,712	138,951	365,663
Capital assets, not being depreciated:			
Land	1,495,408	3,251,491	4,746,899
Construction in progress	2,651,136	1,001,299	3,652,435
Capital assets, being depreciated:			
Buildings and improvements	12,500	1,536,130	1,548,630
Machinery, equipment, and vehicles	3,573,298	5,900,968	9,474,266
Other capital assets, depreciable	28,003,455	73,310,986	101,314,441
Accumulated depreciation	(10,074,810)	(29,352,704)	(39,427,514)
Total assets	<u>39,549,809</u>	<u>75,309,954</u>	<u>114,859,763</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	416,993	255,576	672,569
Total deferred outflows of resources	<u>416,993</u>	<u>255,576</u>	<u>672,569</u>
LIABILITIES			
Accounts payable	229,275	243,061	472,336
Accrued salaries and benefits	150,501	56,445	206,946
Intergovernmental payable	8,249	-	8,249
Accrued interest payable	143,182	-	143,182
Unearned revenue	-	1,874,121	1,874,121
Other current liabilities	282,855	87,298	370,153
Customer deposits	-	342,790	342,790
Noncurrent liabilities:			
Due within one year	1,585,000	127,789	1,712,789
Due in more than one year	29,705,458	450,305	30,155,763
Total liabilities	<u>32,104,520</u>	<u>3,181,809</u>	<u>35,286,329</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	720,251	441,444	1,161,695
Total deferred inflows of resources	<u>720,251</u>	<u>441,444</u>	<u>1,161,695</u>
NET POSITION			
Net investment in capital assets	(4,937,890)	50,718,593	45,780,703
Restricted for parks	159,703	7,264,645	7,424,348
Restricted for tourism	797,034	-	797,034
Restricted for debt service	109,886	-	109,886
Restricted for capital projects	3,831,091	-	3,831,091
Unrestricted	7,182,207	13,959,039	21,141,246
Total net position	<u>\$ 7,142,031</u>	<u>\$ 71,942,277</u>	<u>\$ 79,084,308</u>

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental activities:				
General government	\$ 2,728,216	\$ 57,671	\$ 209,657	
Public safety	2,920,501	2,809,849	-	
Highways and streets	1,246,199	21,626	-	
Sanitation	1,169,561	1,282,861	-	
Culture and recreation	882,842	-	-	
Economic development and assistance	434,994	-	-	
Interest and bank fees	1,039,721	-	-	
Total governmental activities:	<u>10,422,034</u>	<u>4,172,007</u>	<u>209,657</u>	
Business-type activities:				
Aviation Fund	490,159	420,123	-	
Golf Fund	1,051,118	765,994	-	
Utility Fund	9,453,053	13,465,660	-	
Total business-type activities:	<u>10,994,330</u>	<u>14,651,777</u>	<u>-</u>	
Total primary government	<u>\$ 21,416,364</u>	<u>\$ 18,823,784</u>	<u>\$ 209,657</u>	
General revenues:				
Property taxes				
Sales taxes				
Hotel/motel taxes				
Franchise taxes				
Contributions and donations				
Investment earnings				
Miscellaneous				
Total general revenues				
Transfers				
Total general revenues, contributed capital and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	
\$	\$	\$	\$
(2,460,888)	-	(2,460,888)	
(110,652)	-	(110,652)	
(1,224,573)	-	(1,224,573)	
113,300	-	113,300	
(882,842)	-	(882,842)	
(434,994)	-	(434,994)	
(1,039,721)	-	(1,039,721)	
<u>(6,040,370)</u>	<u>-</u>	<u>(6,040,370)</u>	
-	(70,036)	(70,036)	
-	(285,124)	(285,124)	
-	4,012,607	4,012,607	
<u>-</u>	<u>3,657,447</u>	<u>3,657,447</u>	
<u>(6,040,370)</u>	<u>3,657,447</u>	<u>(2,382,923)</u>	
7,874,729	-	7,874,729	
1,079,705	-	1,079,705	
236,652	-	236,652	
556,846	-	556,846	
22,446	-	22,446	
67,895	151,456	219,351	
11,204	-	11,204	
<u>9,849,477</u>	<u>151,456</u>	<u>10,000,933</u>	
<u>(3,460,779)</u>	<u>(1,397,306)</u>	<u>(4,858,085)</u>	
6,388,698	3,612,235	5,142,848	
348,328	7,269,682	7,618,010	
6,793,703	64,672,595	71,466,298	
\$ 7,142,031	\$ 71,942,277	\$ 79,084,308	

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FUND BASIS FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Hotel Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 48,962	\$ -	\$ -	\$ -	\$ 48,962	
Investments - current	5,191,030	869,613	459,394	1,741,074	8,261,111	
Taxes receivable - delinquent	190,201	-	99,828	-	290,029	
Accounts receivable	360,369	74,944	-	-	435,313	
Allowance for uncollectible accounts receivable	(19,861)	-	-	-	(19,861)	
Intergovernmental receivable	182,752	-	-	-	182,752	
Due from other funds	2,469,926	-	815	2,508,785	4,979,526	
Total assets	\$ 8,423,379	\$ 944,557	\$ 560,037	\$ 4,249,859	\$ 14,177,832	
LIABILITIES						
Accounts payable	\$ 198,006	\$ 11,999	\$ 501	\$ 18,769	\$ 229,275	
Accrued payroll	150,501	-	-	-	150,501	
Intergovernmental payable	8,249	-	-	-	8,249	
Due to other funds	580,000	5,722	-	-	585,722	
Other current liabilities	282,855	-	-	-	282,855	
Total liabilities	1,219,611	17,721	501	18,769	1,256,602	
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	190,202	-	99,828	-	290,030	
Total deferred inflows of resources	190,202	-	99,828	-	290,030	
FUND BALANCES						
Restricted:						
Restricted for parks	159,703	-	-	-	159,703	
Restricted for tourism	-	926,836	-	-	926,836	
Restricted for debt service	-	-	459,708	-	459,708	
Restricted for capital projects	-	-	-	4,231,090	4,231,090	
Unassigned	6,853,863	-	-	-	6,853,863	
Total fund balances	7,013,566	926,836	459,708	4,231,090	12,631,200	
Total liabilities, deferred inflows, and fund balances	\$ 8,423,379	\$ 944,557	\$ 560,037	\$ 4,249,859	\$ 14,177,832	

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

CITY OF LAGO VISTA, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

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

Total fund balance of all governmental funds	\$ 12,631,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,660,987
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.	290,030
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(31,223,405)
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.	(286,781)
Net position of governmental activities	<u>\$ 7,142,031</u>

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Hotel Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 5,091,424	\$ -	\$ 2,675,754	\$ -	\$ 7,767,178
Sales taxes	1,079,705	-	-	-	1,079,705
Hotel/motel taxes	-	236,652	-	-	236,652
Franchise taxes	556,846	-	-	-	556,846
Penalties and interest on taxes	45,102	-	20,178	-	65,280
Licenses and permits	2,624,906	-	-	-	2,624,906
Intergovernmental revenues	209,657	-	-	-	209,657
Charges for services	1,282,861	-	-	-	1,282,861
Fines	120,064	-	-	-	120,064
Investment earnings	34,961	6,353	5,903	20,678	67,895
Grants and contributions	22,446	-	-	-	22,446
Miscellaneous revenue	11,204	-	-	-	11,204
Total revenues	<u>11,079,176</u>	<u>243,005</u>	<u>2,701,835</u>	<u>20,678</u>	<u>14,044,694</u>
EXPENDITURES					
Current:					
General government	2,242,449	-	-	-	2,242,449
Public safety	2,480,816	-	-	-	2,480,816
Highways and streets	1,058,582	-	-	-	1,058,582
Sanitation	993,482	-	-	-	993,482
Culture and recreation	749,929	-	-	-	749,929
Economic development and assistance	285,912	83,593	-	-	369,505
Debt service:					
Bond principal	-	-	1,531,000	-	1,531,000
Interest - bonds	-	-	1,145,629	-	1,145,629
Interest - other debt	-	-	2,650	-	2,650
Capital outlay	2,225,384	-	-	1,576,407	3,801,791
Total expenditures	<u>10,036,554</u>	<u>83,593</u>	<u>2,679,279</u>	<u>1,576,407</u>	<u>14,375,833</u>
Excess (deficiency) of revenues over	<u>1,042,622</u>	<u>159,412</u>	<u>22,556</u>	<u>(1,555,729)</u>	<u>(331,139)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,600,000	-	-	643,000	2,243,000
Transfers out	(845,694)	-	-	-	(845,694)
Total other financing sources (uses)	<u>754,306</u>	<u>-</u>	<u>-</u>	<u>643,000</u>	<u>1,397,306</u>
Net change in fund balance	1,796,928	159,412	22,556	(912,729)	1,066,167
Fund balance - beginning	5,216,638	767,424	437,152	5,143,819	11,565,033
Fund balance - ending	<u>\$ 7,013,566</u>	<u>\$ 926,836</u>	<u>\$ 459,708</u>	<u>\$ 4,231,090</u>	<u>\$ 12,631,200</u>

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

CITY OF LAGO VISTA, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

Net change in fund balances for total governmental funds	\$ 1,066,167
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.	(2,455,516)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	42,271
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.	1,551,230
The net effect of various transactions involving the net pension liability and/or the net OPEB liability is to decrease net position.	144,176
Change in net position for governmental activities	<u><u>\$ 348,328</u></u>

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

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Budgeted Amounts</u>			Variance With Final Budget	
	Original	Final	Actual		
REVENUES					
Property taxes	\$ 5,100,539	\$ 5,100,539	\$ 5,091,424	\$ (9,115)	
Sales taxes	866,884	866,884	1,079,705	212,821	
Franchise taxes	540,500	540,500	556,846	16,346	
Penalties and interest on taxes	-	-	45,102	45,102	
Licenses and permits	1,844,531	1,844,531	2,624,906	780,375	
Intergovernmental revenues	42,000	42,000	209,657	167,657	
Charges for services	1,152,324	1,152,324	1,282,861	130,537	
Fines	139,047	139,047	120,064	(18,983)	
Investment earnings	4,954	4,954	34,961	30,007	
Grants and contributions	40,000	40,000	22,446	(17,554)	
Miscellaneous revenue	11,965	11,965	11,204	(761)	
Total revenues	<u>9,742,744</u>	<u>9,742,744</u>	<u>11,079,176</u>	<u>1,336,432</u>	
EXPENDITURES					
Current:					
General government	2,635,752	2,635,754	2,242,449	393,305	
Public safety	2,803,225	2,953,226	2,480,816	472,410	
Highways and streets	1,345,814	1,345,813	1,058,582	287,231	
Sanitation	1,104,611	1,104,611	993,482	111,129	
Culture and recreation	728,535	777,536	749,929	27,607	
Economic development and assistance	284,853	313,346	285,912	27,434	
Capital outlay	302,443	4,078,597	2,225,384	1,853,213	
Total Expenditures	<u>9,205,233</u>	<u>13,208,883</u>	<u>10,036,554</u>	<u>3,172,329</u>	
Excess (deficiency) of revenues over expenditures	<u>537,511</u>	<u>(3,466,139)</u>	<u>1,042,622</u>	<u>4,508,761</u>	
OTHER FINANCING SOURCES (USES)					
Transfers in	1,600,000	1,600,000	1,600,000	-	
Transfers out	(3,083,429)	(1,081,429)	(845,694)	235,735	
Sale of general capital assets	100,000	100,000	-	(100,000)	
Total other financing sources (uses)	<u>(1,383,429)</u>	<u>618,571</u>	<u>754,306</u>	<u>135,735</u>	
Net change in fund balances	(845,918)	(2,847,568)	1,796,928	4,644,496	
Fund balance - beginning	5,216,638	5,216,638	5,216,638	-	
Fund balance - ending	<u>\$ 4,370,720</u>	<u>\$ 2,369,070</u>	<u>\$ 7,013,566</u>	<u>\$ 4,644,496</u>	

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities			
	Aviation Fund	Golf Course Fund	Utility Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 1,300	\$ 614,682	\$ 615,982
Investments - current	-	-	21,650,489	21,650,489
Accounts receivable, net	-	22,011	1,595,256	1,617,267
Due from other funds	98,517	241,731	-	340,248
Inventories	-	32,899	-	32,899
Net pension asset	-	22,148	116,803	138,951
Total current assets	<u>98,517</u>	<u>320,089</u>	<u>23,977,230</u>	<u>24,395,836</u>
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	1,578,241	70,816,077	73,310,986
Furnishings and equipment	-	2,251,804	3,649,164	5,900,968
Accumulated depreciation	(344,691)	(2,804,140)	(26,203,873)	(29,352,704)
Construction/development in progress	253,122	-	748,177	1,001,299
Total noncurrent assets	<u>1,426,352</u>	<u>2,388,119</u>	<u>51,833,699</u>	<u>55,648,170</u>
Total assets	<u>1,524,869</u>	<u>2,708,208</u>	<u>75,810,929</u>	<u>80,044,006</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	-	37,379	218,197	255,576
Total deferred outflows of resources	<u>-</u>	<u>37,379</u>	<u>218,197</u>	<u>255,576</u>
LIABILITIES				
Current liabilities:				
Accounts payable	34,442	11,276	197,343	243,061
Compensated absences payable	-	12,788	43,657	56,445
Due to other funds	-	-	4,734,052	4,734,052
Unearned revenue	-	-	1,874,121	1,874,121
Bonds and notes payable - current	-	127,789	-	127,789
Other current liabilities	-	-	87,298	87,298
Customer deposits	-	-	342,790	342,790
Total current liabilities	<u>34,442</u>	<u>151,853</u>	<u>7,279,261</u>	<u>7,465,556</u>
Noncurrent Liabilities:				
Lease payables	-	150,228	-	150,228
OPEB liability	-	19,151	109,702	128,853
Other noncurrent liabilities	-	20,052	151,172	171,224
Total noncurrent liabilities	<u>-</u>	<u>189,431</u>	<u>260,874</u>	<u>450,305</u>
Total liabilities	<u>34,442</u>	<u>341,284</u>	<u>7,540,135</u>	<u>7,915,861</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	-	66,180	375,264	441,444
Total deferred inflows of resources	<u>-</u>	<u>66,180</u>	<u>375,264</u>	<u>441,444</u>
NET POSITION				
Net investment in capital assets	1,426,352	2,112,820	47,179,421	50,718,593
Restricted for capital improvements	-	-	7,264,645	7,264,645
Unrestricted	64,075	225,303	13,669,661	13,959,039
Total net position	<u>\$ 1,490,427</u>	<u>\$ 2,338,123</u>	<u>\$ 68,113,727</u>	<u>\$ 71,942,277</u>

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

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-Type Activities				Total Proprietary Funds	
	Aviation Fund	Golf Course Fund	Utility Fund	Proprietary Funds		
	Aviation Fund	Golf Course Fund	Utility Fund			
REVENUES						
Operating revenues:						
Charges for services:						
Water	\$ -	\$ -	\$ 7,638,526	\$ 7,638,526		
Wastewater/sewer	- -	- -	5,558,252	5,558,252		
Other charges	411,781	765,994	- -	1,177,775		
Miscellaneous revenue	8,342	- -	268,882	277,224		
Total operating revenues	<u>420,123</u>	<u>765,994</u>	<u>13,465,660</u>	<u>14,651,777</u>		
EXPENSES						
Operating expenses:						
Salaries and wages	8,505	477,813	2,356,156	2,842,474		
Purchased services	20,962	105,195	602,380	728,537		
Purchased property services	17,957	125,979	2,501,616	2,645,552		
Materials and supplies	367,591	99,966	549,764	1,017,321		
Other operating expenses	12,333	33,689	1,315,153	1,361,175		
Depreciation	60,812	181,731	2,119,424	2,361,967		
Miscellaneous	1,999	12,861	8,560	23,420		
Total operating expenses	<u>490,159</u>	<u>1,037,234</u>	<u>9,453,053</u>	<u>10,980,446</u>		
Operating income (loss)	(70,036)	(271,240)	4,012,607	3,671,331		
Nonoperating revenues (expenses)						
Investment earnings	- -	- -	151,456	151,456		
Capital contributions	- -	- -	4,858,085	4,858,085		
Interest expense	- -	(13,884)	- -	(13,884)		
Total nonoperating revenues (expenses)	<u>- -</u>	<u>(13,884)</u>	<u>5,009,541</u>	<u>4,995,657</u>		
Income before transfers in (out)	(70,036)	(285,124)	9,022,148	8,666,988		
Transfers in	- -	438,694	1,677,000	2,115,694		
Transfers out	- -	- -	(3,513,000)	(3,513,000)		
Change in net position	<u>(70,036)</u>	<u>153,570</u>	<u>7,186,148</u>	<u>7,269,682</u>		
Net position-beginning	1,560,463	2,184,553	60,927,579	64,672,595		
Net position-ending	<u>\$ 1,490,427</u>	<u>\$ 2,338,123</u>	<u>\$ 68,113,727</u>	<u>\$ 71,942,277</u>		

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

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CITY OF LAGO VISTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Business-Type Activities			
	Aviation Fund	Golf Course Fund	Utility Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 420,123	\$ 765,908	\$ 12,331,970	\$13,518,001
Receipt (return) of customer deposits	-	-	29,720	29,720
Payments to suppliers and service providers	(411,618)	(560,560)	(315,532)	(1,287,710)
Payments to employees for salaries and benefits	(8,505)	(502,504)	(2,475,176)	(2,986,185)
Net cash provided by (used for) operating activities	<u>-</u>	<u>(297,156)</u>	<u>9,570,982</u>	<u>9,273,826</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to/from other funds	-	438,694	(1,836,000)	(1,397,306)
Net cash provided by (used for) capital and financing activities	<u>-</u>	<u>438,694</u>	<u>(1,836,000)</u>	<u>(1,397,306)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(13,589)	(5,270,053)	(5,283,642)
Principal paid on capital debt	-	(93,864)	-	(93,864)
Long-term employee costs	-	(34,085)	72,228	38,143
Net cash provided by (used for) capital and related financing activities	<u>-</u>	<u>(141,538)</u>	<u>(339,740)</u>	<u>(481,278)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	-	-	(15,040,614)	(15,040,614)
Interest on investments	-	-	151,456	151,456
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>(14,889,158)</u>	<u>(14,889,158)</u>
Net increase (decrease) in cash and cash equivalents	-	-	(7,493,916)	(7,493,916)
Cash and cash equivalents-beginning	<u>-</u>	<u>1,300</u>	<u>8,108,598</u>	<u>8,109,898</u>
Cash and cash equivalents-ending	<u>\$ -</u>	<u>\$ 1,300</u>	<u>\$ 614,682</u>	<u>\$ 615,982</u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:				
Operating income (loss)	<u>(70,036)</u>	<u>(271,240)</u>	<u>4,012,607</u>	<u>3,671,331</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	60,812	179,013	2,119,424	2,359,249
(Increase) decrease in accounts receivable	-	(86)	(110,381)	(110,467)
(Increase) decrease in due from other funds	-	(144,247)	-	(144,247)
(Increase) decrease in inventories	-	(12,060)	-	(12,060)
(Increase) decrease in net pension asset	-	(22,148)	(116,803)	(138,951)
(Decrease) increase in deposits payable	-	-	29,720	29,720
(Decrease) increase in accounts payable	3,527	(23,845)	(72,111)	(92,429)
(Decrease) increase in accrued liabilities	-	(2,543)	(2,217)	(4,760)
(Decrease) increase in due to other funds	5,697	-	4,734,052	4,739,749
(Decrease) increase in other current liabilities	-	-	(1,023,309)	(1,023,309)
Total adjustments	<u>70,036</u>	<u>(25,916)</u>	<u>5,558,375</u>	<u>5,602,495</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ (297,156)</u>	<u>\$ 9,570,982</u>	<u>\$ 9,273,826</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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**CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 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, 2022

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 right-to-use leases are reported as other financing sources.

**CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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*. Trust 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, 2022, 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, 2022**

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:

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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 postemployment 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, 2022**

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, 2021, upon which the levy for the 2021-2022 fiscal year was based, was \$1,300,919,451. 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, 2022, to finance General Fund and Debt Service Fund operations were \$0.3981 and \$0.2089, respectively, for a total tax rate of \$0.6070 per \$100 valuation. The total tax levy for the General Fund and Debt Service Fund for the 2021-2022 fiscal year was \$7,896,581. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2022, were 98.2% 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, 2022**

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 utility fund are charges to customers for sales and services. 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, 2022 there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2022, the government's bank balance was \$30,844,642 and \$0 of that amount was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the government's name.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, the government had the following investments:

Investment Type	Maturity Time in Years	
	Less than	1
Logic (local government investment pool)	\$ 29,911,600	
Total investments	\$ 29,911,600	

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, 2022

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. 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:

Receivables	General Fund	Hotel Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Property taxes	\$ 190,201	\$ -	\$ 99,828	\$ -	\$ 290,029
Accounts receivable	214,631	-	-	176,866	391,497
Sales taxes	182,752	-	-	-	182,752
Franchise Taxes	145,738	74,944	-	-	220,682
Gross receivables	733,322	74,944	99,828	176,866	1,084,960
Less: Allowance for uncollectibles	(19,861)	-	-	-	(19,861)
Net receivables	<u>\$ 713,461</u>	<u>\$ 74,944</u>	<u>\$ 99,828</u>	<u>\$ 176,866</u>	<u>\$ 1,065,099</u>

Proprietary Funds:

Receivables	Golf Fund	Utility Fund	Total Proprietary Funds
Accounts receivable	\$ 22,011	\$ 1,794,108	\$ 1,816,119
Gross receivables	22,011	1,794,108	1,816,119
Less: Allowance for uncollectibles	-	(198,852)	(198,852)
Net receivables	<u>\$ 22,011</u>	<u>\$ 1,595,256</u>	<u>\$ 1,617,267</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

D. Capital Assets

Capital assets activity for the year ended September 30, 2022, was as follows:

Governmental Activities:

	Balance 10/1/21	Increases	Decreases	Adjustments	Balance 9/30/22
Capital assets, not being depreciated:					
Land	\$ 1,495,408	\$ -	\$ -	\$ -	\$ 1,495,408
Construction in progress	3,984,409	3,524,812	-	(4,858,085)	2,651,136
Total capital assets, not being depreciated	5,479,817	3,524,812	-	(4,858,085)	4,146,544
Capital assets, being depreciated:					
Autos and trucks	1,177,441	-	-	-	1,177,441
Buildings and streets	20,636,309	-	-	-	20,636,309
Furniture and fixtures	98,623	11,004	-	-	109,627
Improvements	7,367,146	12,500	-	-	7,379,646
Machinery and equipment	2,032,755	253,475	-	-	2,286,230
Total capital assets, being depreciated	31,312,274	276,979	-	-	31,589,253
Less accumulated depreciation for:					
Autos and trucks	(1,159,121)	(18,320)	-	-	(1,177,441)
Buildings and streets	(3,782,619)	(845,753)	-	-	(4,628,372)
Furniture and fixtures	(98,623)	(734)	-	-	(99,357)
Improvements	(2,351,741)	(348,364)	-	-	(2,700,105)
Machinery and equipment	(1,283,484)	(186,051)	-	-	(1,469,535)
Total accumulated depreciation	(8,675,588)	(1,399,222)	-	-	(10,074,810)
Total capital assets being depreciated, net	22,636,686	(1,122,243)	-	-	21,514,443
Governmental activities capital assets, net	\$ 28,116,503	\$ 2,402,569	\$ -	\$ (4,858,085)	\$ 25,660,987

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Business-Type Activities:

	Balance				Balance
	10/1/21	Increases	Decreases	Adjustments	9/30/22
Capital assets, not being depreciated:					
Land	\$ 3,251,491	\$ -	\$ -	\$ -	\$ 3,251,491
Construction in progress	944,175	57,124	-	-	1,001,299
Total capital assets, not being depreciated	<u>4,195,666</u>	<u>57,124</u>	<u>-</u>	<u>-</u>	<u>4,252,790</u>
Capital assets, being depreciated:					
Buildings	1,536,130	-	-	-	1,536,130
Improvements	68,439,311	13,588	-	4,858,085	73,310,984
Furniture and equipment	5,546,125	354,845	-	-	5,900,970
Total capital assets, being depreciated	<u>75,521,566</u>	<u>368,433</u>	<u>-</u>	<u>4,858,085</u>	<u>80,748,084</u>
Less accumulated depreciation for:					
Buildings	(503,668)	(44,905)	-	-	(548,573)
Improvements	(21,960,498)	(1,957,334)	-	-	(23,917,832)
Furniture and equipment	(4,526,571)	(359,728)	-	-	(4,886,299)
Total accumulated depreciation	<u>(26,990,737)</u>	<u>(2,361,967)</u>	<u>-</u>	<u>-</u>	<u>(29,352,704)</u>
Total capital assets being depreciated, net	<u>48,530,829</u>	<u>(1,993,534)</u>	<u>-</u>	<u>4,858,085</u>	<u>51,395,380</u>
Business-type activities capital assets, net	<u><u>\$ 52,726,495</u></u>	<u><u>\$(1,936,410)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,858,085</u></u>	<u><u>\$55,648,170</u></u>

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

Governmental activities:

General government	\$ 397,439
Public safety	439,685
Highways and streets	187,617
Sanitation	176,079
Culture and recreation	132,913
Economic development and assistance	65,489
Total depreciation expense - governmental activities	<u><u>\$ 1,399,222</u></u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of 920 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	62
Active employees	98
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Contributions

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

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista were 7.86% and 8.16% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$442,626, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used 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.

For calculating the actuarial liability and the retirement contribution rates, the 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 by Scale UMP to account for future mortality improvements.

These 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, 2019 actuarial valuation. Annuity Increase – The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Lago Vista annual annuity increases of 0.00% are assumed when calculating the TPL. To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public & Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100%	

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 1.84% (based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index). A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2021. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 12/31/2020	\$ 13,135,522	\$ 12,577,118	\$ 558,404
Changes for the year:			
Service cost	682,299	-	682,299
Interest	896,817	-	896,817
Difference between expected and actual experience	(120,024)	-	(120,024)
Contributions - employer	-	425,964	(425,964)
Contributions - employee	-	325,162	(325,162)
Net investment income	-	1,639,567	(1,639,567)
Benefit payments, including refunds of employee contr.	(380,988)	(380,988)	-
Administrative expense	-	(7,586)	7,586
Other changes	-	52	(52)
Net changes	<u>1,078,104</u>	<u>2,002,171</u>	<u>(924,067)</u>
Balance at 12/31/2021	<u><u>\$ 14,213,626</u></u>	<u><u>\$ 14,579,289</u></u>	<u><u>\$ (365,663)</u></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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
City's net pension liability/(asset)	\$ 1,559,917	\$ (365,663)	\$ (1,962,905)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the city recognized pension expense of (\$271,920).

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

At September 30, 2022, 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	\$ 191,186	\$ 1,032,047
Differences between expected and actual economic experience	79,647	109,159
Difference in assumption changes	9,977	-
Contributions subsequent to the measurement date	320,521	-
Total	\$ 601,331	\$ 1,141,206

\$320,521 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Ended Dec 31st:	Resources
2022	\$ (156,473)
2023	(339,695)
2024	(206,109)
2025	(158,119)
Total	\$ (860,396)

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, 2022

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	12
Active employees	98
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	141
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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, 2022 and 2021 were \$12,143 and \$11,587 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2021 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50%-11.50% including inflation per year
Discount rate	1.84% 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, 2022

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 12/31/2020	\$ 309,442	\$ -	\$ 309,442
Changes for the year:			
Service cost	26,013	-	26,013
Interest	6,406	-	6,406
Change of benefit terms	-	-	-
Difference between expected and actual experience	(7,961)	-	(7,961)
Changes of assumptions	9,523	-	9,523
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(4,335)	-	(4,335)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	<u>29,646</u>	<u>-</u>	<u>29,646</u>
Balance at 12/31/2021	<u><u>\$ 339,088</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 339,088</u></u>

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 1.84%, 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 0.84% or 1-percentage-point higher 2.84% than the current rate:

	1% Decrease in		Current	1% Increase in	
	Discount Rate 0.84%	Discount Rate 1.84%	Discount Rate 1.84%	Discount Rate 2.84%	
City's net OPEB liability	\$ 408,109	\$ 339,088	\$ 339,088	\$ 284,721	

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, 2022, the city recognized OPEB expense of \$39,378.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

At September 30, 2022, 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	\$ 7,732	\$ 16,295
Difference in assumption changes	54,625	4,194
Contributions subsequent to the measurement date	8,881	-
Total	\$ 71,238	\$ 20,489

\$8,881 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

	Ended Dec 31st: Resources
2022	\$ 11,912
2023	9,856
2024	13,430
2025	6,543
2026	127
Total	\$ 41,868

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. Right-to-Use Lease

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2022, were as follows:

Year Ending September 30,	Business-type Activities
2023	\$ 114,544
2024	86,205
2025	76,758
2026	209,733
2027	9,170
2028	1
Total minimum lease payments	496,411
Less: amount representing interest	(43,986)
Present value of minimum lease payments	\$ 452,425

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022 are as follows:

Governmental Activities:

Type	Sale Date	Original Borrowing	Interest		Outstanding 9/30/22
			Rates to Maturity	Final Maturity	
Bonds Payable					
Certificates of Obligation, Series 2006	2006	\$ 6,515,000	4.13%	2027	\$ 2,175,000
Certificates of Obligation, Series 2008	2008	2,000,000	3.87%	2028	760,000
General Obligation Refunding Bond, Series 2011	2011	4,535,000	2.00%	2023	465,000
Certificates of Obligation, Series 2014	2014	7,655,000	2-4.5%	2035	7,455,000
General Obligation Refunding Bond, Series 2015	2015	6,955,000	2-4%	2035	6,575,000
General Obligation Refunding Bond, Series 2016A	2016	1,810,000	2-4%	2037	1,645,000
General Obligation Refunding Bond, Series 2016B	2016	3,875,000	1.22-3.739%	2037	3,570,000
Certificates of Obligation, Series 2017	2017	7,725,000	3-4%	2047	6,680,000
Aggregate premium on bonds payable	2011	1,980,878	N/A	2047	1,273,877
Total Bonds Payable					<u>\$ 30,598,877</u>

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest		Outstanding 9/30/22
			Rates to Maturity	Final Maturity	
Right-to-Use Leases Payable					
Wells Fargo, Mowers	2019	\$ 96,450	4.32%	2025	\$ 51,325
Yamaha, Golf Carts	2019	309,474	4.20%	2023	127,789
John Deere, Maintenance Equipment and Vehicles	2019	204,010	3.75%	2023	45,950
John Deere, Maintenance Vehicles	2021	65,598	3.75%	2027	52,954
Total Right-to-Use Leases					<u>\$ 278,018</u>

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2022 are as follows:

Governmental Activities:

Description	Balance 10/1/21	Additions	Deletions	Balance 9/30/22	Due in One Year
Bonds Payable					
General obligation bonds	\$ 13,020,000	\$ -	\$ (765,000)	\$ 12,255,000	\$ 790,000
Certificates of obligation	17,836,000	-	(766,000)	17,070,000	795,000
Premium	1,376,026	-	(102,149)	1,273,877	-
Total bonds payable	32,232,026	-	(1,633,149)	30,598,877	1,585,000
Compensated absences	393,018	88,328	-	481,346	-
Net pension liability/(asset)	346,210	-	(572,921)	(226,712)	-
Net other postemployment benefit obligation	191,854	18,381	-	210,235	-
Governmental activities long-term liabilities	\$ 33,163,108	\$ 106,709	\$ (2,206,070)	\$ 31,063,746	\$ 1,585,000

Business-type Activities:

Description	Balance 10/1/21	Additions	Deletions	Balance 9/30/22	Due in One Year
Capital leases					
Capital leases	\$ 378,049	\$ (6,573)	\$ (93,458)	\$ 278,018	\$ 127,789
Compensated absences	163,614	7,610	-	171,224	-
Net pension liability/(asset)	212,194	-	(351,146)	(138,952)	-
Net other postemployment benefit obligation	117,588	11,265	-	128,853	-
Governmental activities long-term liabilities	\$ 871,445	\$ 12,302	\$ (444,604)	\$ 439,143	\$ 127,789

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

Governmental Activities:

Year Ended September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
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	1,839,000	837,680
2028-2032	9,884,000	3,102,552
2033-2037	8,175,000	1,138,261
2038-2042	1,240,000	416,000
2043-2047	1,500,000	154,456
Totals	\$ 29,325,000	\$ 9,662,218

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund (Parkland)	\$ 580,000
General Fund	General Fund	10,403
General Fund	Hotel Fund	5,722
General Fund	Utility Fund	1,873,801
Debt Service Fund	Utility Fund	815
Capital Projects Fund	General Fund	2,508,785
Aviation Fund	General Fund	98,517
Golf Fund	General Fund	241,731
Total		<u><u>\$ 5,319,774</u></u>

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

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, 2022 is as follows:

	Transfer in to:				
	Governmental Funds		Enterprise Funds		
	General Fund	Capital Projects Fund	Golf Course Fund	Utility Fund	Total
Transfer out from:					
General Fund	\$ -	\$ 407,000	\$ 438,694	\$ -	\$ 845,694
Capital Projects Fund	-	19,000	-	1,677,000	1,696,000
Utility Fund	1,600,000	217,000	-	-	1,817,000
Total	<u><u>\$ 1,600,000</u></u>	<u><u>\$ 643,000</u></u>	<u><u>\$ 438,694</u></u>	<u><u>\$ 1,677,000</u></u>	<u><u>\$ 4,358,694</u></u>

**CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 electric 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 January 20, 2023, there were no items noted requiring recording and/or disclosure.

O. IMPLEMENTATION OF GASB 87

The objective of Governmental Accounting Standards Board Statement No. 87 – Leases (GASB 87) is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the foundational principle that leases are financing the right to use an underlying asset. Under this Statement, a lessee is required to recognize lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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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, 2022

	Measurement Year 2021	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018
A. Total pension liability				
1. Service cost	\$ 682,299	\$ 663,096	\$ 595,954	\$ 557,697
2. Interest (on the Total Pension Liability)	896,817	817,904	759,830	687,882
3. Changes of benefit terms	-	-	-	-
4. Difference between exptd. and actual	(120,024)	159,695	(74,546)	160,240
5. Changes of assumptions	-	-	37,949	-
6. Benefit payments, including refunds of employee contributions	(380,988)	(581,439)	(403,363)	(314,744)
7. Net change in total pension liability	\$ 1,078,104	\$ 1,059,256	\$ 915,824	\$ 1,091,075
8. Total pension liability - beginning	13,135,522	12,076,266	11,160,442	10,069,367
9. Total pension liability - ending	\$ 14,213,626	\$ 13,135,522	\$ 12,076,266	\$ 11,160,442
B. Plan fiduciary net position				
1. Contributions - employer	\$ 425,964	\$ 427,060	\$ 361,957	\$ 344,782
2. Contributions - employee	325,162	315,600	279,353	262,858
3. Net investment income	1,639,567	876,098	1,515,340	(293,885)
4. Benefit payments, including refunds of employee contributions	(380,988)	(581,439)	(403,363)	(314,744)
5. Administrative expense	(7,586)	(5,671)	(8,562)	(5,678)
6. Other changes	52	(222)	(257)	(297)
7. Net change in plan fiduciary net position	\$ 2,002,171	\$ 1,031,426	\$ 1,744,468	\$ (6,964)
8. Plan fiduciary net position - beginning	12,577,118	11,545,692	9,801,224	9,808,188
9. Plan fiduciary net position - ending	\$ 14,579,289	\$ 12,577,118	\$ 11,545,692	\$ 9,801,224
C. Net pension liability [A.9 - B.9]	\$ (365,663)	\$ 558,404	\$ 530,574	\$ 1,359,218
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	102.57%	95.75%	95.61%	87.82%
E. Covered-employee payroll	\$ 5,419,370	\$ 5,258,495	\$ 4,655,888	\$ 4,380,966
F. Net position as a percentage of covered employee payroll [C / E]	-6.75%	10.62%	11.40%	31.03%

Measurement Year 2017	Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
\$ 530,359	\$ 498,365	\$ 431,114	\$ 362,015
623,948	569,842	527,056	489,774
-	-	-	-
101,262	43,293	20,443	(73,396)
-	-	212,906	-
<u>(329,404)</u>	<u>(322,425)</u>	<u>(302,417)</u>	<u>(258,266)</u>
\$ 926,165	\$ 789,075	\$ 889,102	\$ 520,127
9,143,202	8,354,127	7,465,025	6,944,898
<u>\$ 10,069,367</u>	<u>\$ 9,143,202</u>	<u>\$ 8,354,127</u>	<u>\$ 7,465,025</u>

\$ 316,030	\$ 249,566	\$ 234,864	\$ 215,450
245,916	231,081	212,546	203,575
1,166,782	523,318	11,202	402,356
(329,404)	(322,425)	(302,417)	(258,266)
(6,044)	(5,907)	(6,822)	(4,200)
<u>(306)</u>	<u>(318)</u>	<u>(338)</u>	<u>(345)</u>
\$ 1,392,974	\$ 675,315	\$ 149,035	\$ 558,570
8,415,215	7,739,900	7,590,865	7,032,295
<u>\$ 9,808,189</u>	<u>\$ 8,415,215</u>	<u>\$ 7,739,900</u>	<u>\$ 7,590,865</u>
<u>\$ 261,178</u>	<u>\$ 727,987</u>	<u>\$ 614,227</u>	<u>\$ (125,840)</u>

97.41% 92.04% 92.65% 101.69%

\$ 4,098,600 \$ 3,851,351 \$ 3,542,430 \$ 3,392,918

6.37% 18.90% 17.34% -3.71%

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially Determined Contribution	\$ 442,626	\$ 421,203	\$ 401,349	\$ 357,036
Contributions in relation to the actuarially determined contribution	<u>(442,626)</u>	<u>(421,203)</u>	<u>(401,349)</u>	<u>(357,036)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 5,590,282	 \$ 5,311,019	 \$ 4,993,558	 \$ 4,580,879
 Contributions as a percentage of covered employee payroll	 7.92%	 7.93%	 8.04%	 7.79%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 334,163	\$ 300,205	\$ 254,860	\$ 235,583
<u>(334,163)</u>	<u>(300,205)</u>	<u>(254,860)</u>	<u>(235,583)</u>
\$ -	\$ -	\$ -	\$ -

\$ 4,266,109 \$ 4,042,094 \$ 3,911,628 \$ 3,491,490

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, 2022

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	23 years (longest amortization ladder)
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.5% per year
Salary increases	3.50% to 11.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 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, 2022

		Measurement Year 2021	Measurement Year 2020
A. Total pension liability			
1. Service cost		\$ 26,013	\$ 23,137
2. Interest on Total OPEB Liability		6,406	6,645
3. Changes of benefit terms		-	-
4. Difference between expected and actual experience		(7,961)	11,968
5. Changes of assumptions		9,523	38,398
6. Benefit payments		(4,335)	(1,578)
7. Net changes		\$ 29,646	\$ 78,570
8. Total OPEB Liability - beginning of the year		309,442	230,872
9. Total OPEB Liability - end of the year		\$ 339,088	\$ 309,442
E. Covered-employee payroll		\$ 5,419,371	\$ 5,258,495
F. Total OPEB Liability as a Percentage of Covered Payroll		6.26%	5.88%

Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
\$ 14,899	\$ 16,210	\$ 13,116
7,093	6,388	6,000
-	-	-
(12,980)	(9,763)	-
38,814	(12,846)	14,459
(1,397)	(876)	(820)
\$ 46,429	\$ (887)	\$ 32,755
<u>184,443</u>	<u>185,330</u>	<u>152,575</u>
\$ 230,872	\$ 184,443	\$ 185,330
 \$ 4,655,888	 \$ 4,380,966	 \$ 4,098,600
 4.96%	 4.21%	 4.52%

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year				
	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 12,143	\$ 11,587	\$ 11,867	\$ 10,994	\$ 9,385
Contributions in relation to the actuarially determined contribution	(12,143)	(11,587)	(11,867)	(10,994)	(9,385)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 5,590,282	\$ 5,311,019	\$ 4,993,558	\$ 4,580,879	\$ 4,266,109
Contributions as a percentage of covered employee payroll	0.22%	0.22%	0.24%	0.24%	0.22%

CITY OF LAGO VISTA, TEXAS
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50%; including inflation
Discount rate*	1.84%
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	*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.
	The Actuarial assumptions used in the December 31, 2021 valuation

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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, 2022

	Budgeted Amounts		Variance With Final Budget	
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 2,676,469	\$ 2,676,469	\$ 2,675,754	\$ (715)
Penalties and interest on taxes	-	-	20,178	20,178
Investment earnings	8,160	8,160	5,903	(2,257)
Total revenues	<u>2,684,629</u>	<u>2,684,629</u>	<u>2,701,835</u>	<u>17,206</u>
EXPENDITURES				
Current:				
Debt service:				
Bond principal	1,531,000	1,531,000	1,531,000	-
Interest - bonds	1,145,629	1,145,629	1,145,629	-
Bank Charges	8,000	8,000	2,650	5,350
Total Expenditures	<u>2,684,629</u>	<u>2,684,629</u>	<u>2,679,279</u>	<u>5,350</u>
Excess (deficiency) of revenues over expenditures	-	-	22,556	22,556
Net Change in Fund Balances	-	-	22,556	22,556
Fund balance - beginning	437,152	437,152	437,152	-
Fund balance - ending	<u>\$ 437,152</u>	<u>\$ 437,152</u>	<u>\$ 459,708</u>	<u>\$ 22,556</u>

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INDEPENDENT AUDITOR'S 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, 2022, and the related notes to the financial statements, which collectively comprise City of Lago Vista, Texas's basic financial statements and have issued our report thereon dated January 20, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lago Vista, Texas's internal control over financial reporting (internal control) as a basis for designing 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 City of Lago Vista, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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.

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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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

January 20, 2023

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CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No
• Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> No

SECTION II – FINANCIAL STATEMENT FINDINGS

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

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended September 30, 2022.

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

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.

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

2021-001

Accounting Procedures (Continued)

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).

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.

**CITY OF LAGO VISTA, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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.

Current Status: We noted the city has modified its procedures and is compliant with generally accepted accounting principles, GASB, and/or best practices.

SECTION III – FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Not applicable.