

# **CITY OF LAKE WORTH, TEXAS**

**Annual Financial Report  
For the Fiscal Year Ended September 30, 2019**

**City of Lake Worth, Texas**  
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**For the Fiscal Year Ended September 30, 2019**

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## **City of Lake Worth, Texas Principal Officials**

### **2019 City Council**

Walter Bowen, Mayor

Jim Smith, Mayor Pro Tem

Geoffrey White

Sue Wenger

Ronny Parsley

Pat O. Hill

Gary Stuard

Clint Narmore

### **City Manager**

Stacey Almond

### **Assistant City Manager**

Debbie Whitley

## **FINANCIAL SECTION**



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Lake Worth, Texas

**Report on the Financial Statements**

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 the City of Lake Worth, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

## ***Emphasis of Matter***

### ***Change in Accounting Principle***

As discussed in Note A to the financial statements, in 2019 the City adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's net pension liability and related ratios, schedule of employer contributions and related ratios, the schedule of changes in total pension liability for volunteer firefighters, the schedule of total pension liability and related ratios for volunteer firefighters, the schedule of changes in the total OPEB liability and related ratios, the schedule of OPEB contributions and related ratios, and the schedule for governments using the modified approach for infrastructure be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, on our consideration of the City of Lake Worth, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lake Worth, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Worth, Texas' internal control over financial reporting and compliance.



Snow Garrett Williams  
March 3, 2020

## **City of Lake Worth, Texas**

### **Management's Discussion and Analysis**

The management's discussion and analysis (MD&A) of the City of Lake Worth (the "City") provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded liabilities at the close of fiscal year 2019 by \$51,143,522 (*net position*). Of this amount, \$3,772,340 is restricted for specific purposes and \$5,237,811 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB Statement No. 34, net position also reflects \$42,133,371 that is the net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a fund balance at year-end of \$12,314,260, of which \$3,749,271 represents restricted fund balance, \$1,377,620 represents committed fund balance, \$1,291,539 represents assigned fund balance, \$94,408 represents non-spendable fund balance, and \$5,801,422 represents unassigned fund balance.
- The general fund unassigned fund balance of \$5,801,422 equals 50% of total general fund expenditures.
- The City's total long-term liabilities increased by \$1,161,047 during the current fiscal year primarily as a result of changes in net pension liabilities, compensated absences obligation, and the implementation of OPEB liabilities, offset by scheduled annual debt service payments.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

**The 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 private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets and deferred outflows of resources of the City (excluding infrastructure purchased or donated in prior years) as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them 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.



## **City of Lake Worth, Texas**

### **Management's Discussion and Analysis**

The statement of activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. 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 in this statement for some items that will 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 business 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 mayor and council, general government, police, fire protection, streets, library, parks and recreation, maintenance, senior center, municipal court, animal control, emergency management, permits and inspections, and information technology. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government).

The government-wide financial statements can be found beginning on page 17 of this report.

**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 funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, 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 evaluating the City'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 the comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds, which includes three special revenue funds, one debt service fund, one capital projects fund, and the General Fund. 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 Street Maintenance Fund, and the Debt Service Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.



## **City of Lake Worth, Texas**

### **Management's Discussion and Analysis**

The City adopts an annual appropriated budget for its general fund, crime control district special revenue fund, street maintenance special revenue fund, and the debt service fund. A budgetary comparison statement (original versus final) has been provided in this report for the general fund and the street maintenance special revenue fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found beginning on page 19 of this report.

**Proprietary funds.** Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating department and accordingly does not account or report for any internal service funds.

The proprietary fund financial statements can be found beginning on page 22 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected 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 for proprietary funds. The City's fiduciary fund is used to report employer and employee contributions, and investment income, if any, as well as benefits paid for health, dental, and vision insurance.

The fiduciary fund statements can be found beginning on page 25 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 27 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information, information concerning pension and OPEB benefits, and the schedule for governments using the modified approach for infrastructure. The required supplementary information can be found beginning on page 60 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time 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 \$51,143,522 as of September 30, 2019.

# City of Lake Worth, Texas

## Management's Discussion and Analysis

### City of Lake Worth's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 13,654,467	\$ 14,825,896	\$ 2,290,688	\$ 2,399,615	\$ 15,945,155	\$ 17,225,511
Capital assets, net of depreciation	41,469,957	39,553,277	12,054,706	11,596,060	53,524,663	51,149,337
Total assets	55,124,424	54,379,173	14,345,394	13,995,675	69,469,818	68,374,848
Deferred outflows of resources	1,142,383	446,200	52,470	10,169	1,194,853	456,369
Long-term liabilities	17,060,705	15,916,257	534,348	517,749	17,595,053	16,434,006
Other liabilities	1,333,060	619,205	573,221	438,150	1,906,281	1,057,355
Total liabilities	18,393,765	16,535,462	1,107,569	955,899	19,501,334	17,491,361
Deferred inflows of resources	19,306	67,000	509	-	19,815	67,000
Net position:						
Net investment in capital assets	30,242,665	26,979,632	11,890,706	11,282,360	42,133,371	38,261,992
Restricted	3,772,340	4,222,730	-	-	3,772,340	4,222,730
Unrestricted	3,838,731	7,020,549	1,399,080	1,767,585	5,237,811	8,788,134
Total Net Position	\$ 37,853,736	\$ 38,222,911	\$ 13,289,786	\$ 13,049,945	\$ 51,143,522	\$ 51,272,856

The City's net investment in capital assets (e.g., land, building, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding is \$42,133,371. The City uses those assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$3,772,340 (or 7%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for the purposes established by state and local laws, for future construction, and for debt service requirements on the City's outstanding debt. The remaining portion of the City's net position is \$5,237,811 and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's total net position increased by \$77,338 during the current fiscal year. The City's governmental activities decreased net position by \$174,749. The total cost of all governmental activities this year was \$13,143,300. The amount that taxpayers paid for these activities through property taxes was \$2,161,533, or 16%. The City's business-type activities increased net position by \$252,087. The total cost of all business-type activities for fiscal year 2019 was \$2,862,252.

# City of Lake Worth, Texas

## Management's Discussion and Analysis

### City of Lake Worth's Changes in Net Position

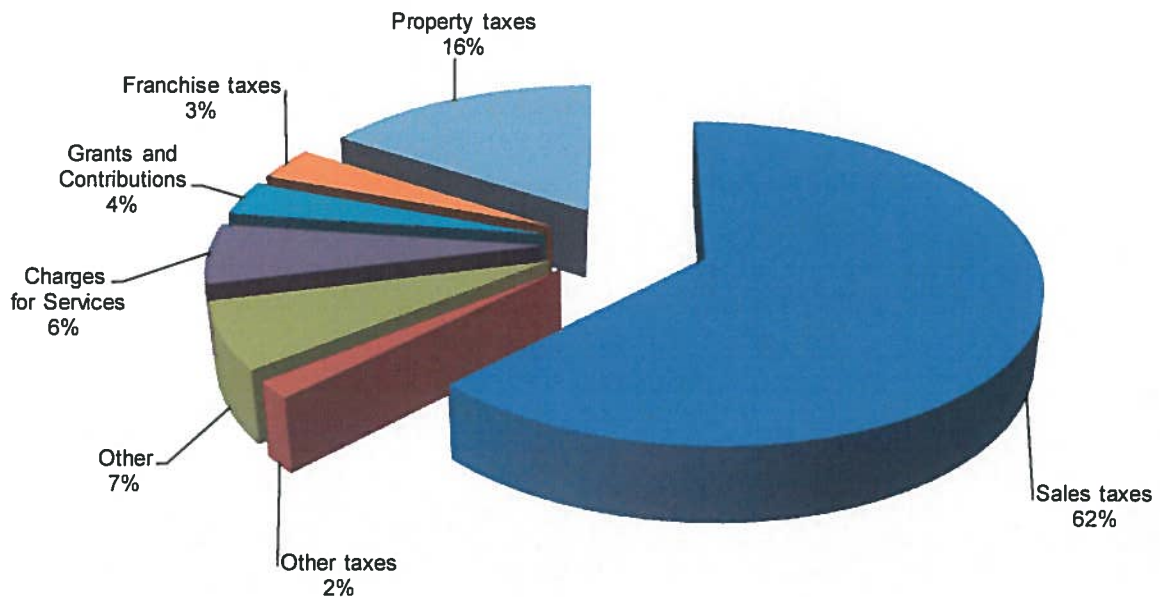
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 829,846	\$ 991,828	\$ 2,639,855	\$ 2,558,972	\$ 3,469,701	\$ 3,550,800
Operating grants and contributions	483,785	748,574	-	-	483,785	748,574
Capital grants and contributions	-	-	-	170,205	-	170,205
General revenues:						
Property taxes	2,161,533	2,118,345	-	-	2,161,533	2,118,345
Retail sales tax	8,502,636	8,449,410	-	-	8,502,636	8,449,410
Franchise taxes	467,256	451,260	-	-	467,256	451,260
Other taxes	241,486	253,782	-	-	241,486	253,782
Other	930,326	403,799	75,633	50,571	1,005,959	454,370
Gain (loss) on disposal of assets	(179,619)	(125,887)	3,700	20,500	(175,919)	(105,387)
<b>Total revenues</b>	<b>13,437,249</b>	<b>13,291,111</b>	<b>2,719,188</b>	<b>2,800,248</b>	<b>16,156,437</b>	<b>16,091,359</b>
<b>Expenses:</b>						
Mayor and council	14,543	20,796	-	-	14,543	20,796
General government	1,621,752	1,349,383	-	-	1,621,752	1,349,383
Police	4,186,055	3,234,915	-	-	4,186,055	3,234,915
Fire protection	2,808,672	2,030,957	-	-	2,808,672	2,030,957
Streets	1,456,288	1,109,782	-	-	1,456,288	1,109,782
Library	357,050	257,489	-	-	357,050	257,489
Parks and recreation	593,518	651,116	-	-	593,518	651,116
Maintenance	133,446	190,202	-	-	133,446	190,202
Senior center	129,606	133,275	-	-	129,606	133,275
Municipal court	293,430	240,750	-	-	293,430	240,750
Animal control	148,572	118,121	-	-	148,572	118,121
Emergency management	16,386	13,881	-	-	16,386	13,881
Permits and inspections	557,621	400,442	-	-	557,621	400,442
Information technology	532,053	519,802	-	-	532,053	519,802
Interest and fiscal charges	294,308	335,983	-	-	294,308	335,983
Water and sewer	-	-	2,862,252	2,354,369	2,862,252	2,354,369
<b>Total expenses</b>	<b>13,143,300</b>	<b>10,606,894</b>	<b>2,862,252</b>	<b>2,354,369</b>	<b>16,005,552</b>	<b>12,961,263</b>
<b>Increase (decrease) in net position before transfers</b>	<b>293,949</b>	<b>2,684,217</b>	<b>(143,064)</b>	<b>445,879</b>	<b>150,885</b>	<b>3,130,096</b>
<b>Transfers</b>	<b>(395,151)</b>	<b>(938,994)</b>	<b>395,151</b>	<b>938,994</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>(101,202)</b>	<b>1,745,223</b>	<b>252,087</b>	<b>1,384,873</b>	<b>150,885</b>	<b>3,130,096</b>
<b>Elimination of fund balance</b>	<b>(73,547)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73,547)</b>	<b>-</b>
<b>Total increase (decrease) in net position</b>	<b>(174,749)</b>	<b>1,745,223</b>	<b>252,087</b>	<b>1,384,873</b>	<b>77,338</b>	<b>3,130,096</b>
<b>Net position, beginning of year</b>	<b>38,222,911</b>	<b>36,477,688</b>	<b>13,049,945</b>	<b>11,665,072</b>	<b>51,272,856</b>	<b>48,142,760</b>
<b>Prior period adjustment</b>	<b>(194,426)</b>	<b>-</b>	<b>(12,246)</b>	<b>-</b>	<b>(206,672)</b>	<b>-</b>
<b>Net position, beginning of year, restated</b>	<b>38,028,485</b>	<b>36,477,688</b>	<b>13,037,699</b>	<b>11,665,072</b>	<b>51,066,184</b>	<b>48,142,760</b>
<b>Net position, end of year</b>	<b>\$ 37,853,736</b>	<b>\$ 38,222,911</b>	<b>\$ 13,289,786</b>	<b>\$ 13,049,945</b>	<b>\$ 51,143,522</b>	<b>\$ 51,272,856</b>

**Governmental activities.** Governmental activities decreased the City's net position by \$174,749. Key elements of this decrease are as follows:

- Increase in other general revenues due to insurance proceeds offset by decreases in program revenues of approximately 52%; and
- Increase of approximately 24% in expenses primarily due to increases in salaries and benefits.

## City of Lake Worth, Texas Management's Discussion and Analysis

### *Revenues by Source - Governmental Activities*



**Business-type activities.** Business-type activities increased the City's net position by \$252,087.

Operating revenue increased by \$80,883 from the prior year primarily due to an increase in water and sewer sales. Operating expenses increased by \$513,173 from the prior year primarily due to an increase in water purchases and sewer disposal charges. Transfers in from governmental activities decreased by \$543,843 from the prior 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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$12,314,260, which is a decrease of \$1,827,893 in comparison with the prior year. \$5,801,422 or 47% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. Assigned fund balance is \$1,291,539, committed fund balance is \$1,377,620 and non-spendable fund balance is \$94,408. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to pay debt service (\$92,627), and to fund capital projects (\$4,196), street maintenance (\$1,600,908), crime control (\$459,960), public educational government channel (\$87,721), parks and recreation (\$219,523), hotels/motels (\$1,049,499) and other City related expenditures (\$234,837).



## **City of Lake Worth, Texas**

### **Management's Discussion and Analysis**

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$9,972,298, of which \$5,801,422 represented unassigned fund balance, or 58% of the total general fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 50%, or slightly more than 181 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$1,232,519 during the current fiscal year.

- Total revenues in the general fund increased by \$324,366, or 3.0%. The increase is primarily due to an increase in miscellaneous revenues related to the sale/disposal of fixed assets and an increase in insurance proceeds related to building damage from storms.
- Total expenditures in the general fund increased by \$1,126,755, or 10.7%. Increase is primarily due to an increase in salaries and benefits and an increase in budgeted capital outlay expenditures.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Comparing budget to actual amounts, the City came in above the final budgeted revenue estimate by \$359,732, or 3.3%. The primary revenue that came in above estimated budget amounts was miscellaneous revenue related to the sale/disposal of fixed assets and property tax revenue due to substantial adjustments increasing the tax levy by \$100,000.

Total expenditures were 14.5% less than the final budgeted amounts. The primary expenditures that came in below estimated budget were capital outlay expenditures due to many of the capital purchases and projects were not completed prior to the end of the budget year. Unspent amounts were recorded as assigned or committed fund balances as of fiscal year end so that the funding would be available for use in fiscal year 2020 to complete all approved purchases and projects. In addition, the cost of employee health insurance was substantially lower than budgeted. The budget included a 25% increase in premiums and actual renewal rates had an increase of just under 9%.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$53,524,663 (net of accumulated depreciation). Investments in capital assets related to governmental activities (\$41,469,957) include land, construction in progress, infrastructure, buildings and improvements, equipment and vehicles, and office furniture and fixtures. The City's investments in capital assets related to business-type activities (\$12,054,706) include land, the water and sewer system, construction in progress, buildings and improvements, and machinery and equipment.

Major capital asset events during the current fiscal year include the following:

##### **Fire Department**

- Completion of 2018 Pierce Fire truck
- Thermal imaging camera
- Motorola portable radios (3)
- Emergency warning sirens
- Fencing for employee parking area
- Day room remodel

## **City of Lake Worth, Texas Management's Discussion and Analysis**

### **Police Department**

Automatic ticket writers  
Speed awareness monitor

### **Administration & Information Technology**

Door access control system  
Plat scanner

### **Street Department**

2018 John Deere Backhoe  
2018 Equipment trailer  
Portable compressor  
Numerous concrete replacement projects  
Land for the expansion of the Public Works facilities

### **Water Sewer Fund**

Marina Lift Station roof  
Chloramine conversion program  
Shawnee Trail sewer line improvements  
VACTOR truck

### **Parks**

Ballfield paint sprayer  
Ground surfaces at Charbonneau Park  
Restrooms and sidewalks at Hodgkins Park

### **Vehicles – Enterprise Fleet Management**

In order to improve the City's ability to budget for future fleet replacements, the City Council approved utilizing funding for an equity lease agreement with Enterprise Fleet Management for vehicle replacement and maintenance services. This program allows the City to replace vehicles in a more timely manner which reduces maintenance and fuel costs and allows the city to receive a larger amount of equity out of the sale of vehicles. Enterprise Fleet Management is a turn-key program designed for municipalities to finance and manage the replacement and maintenance of the City's fleet.

Capital projects budgeted and under way, but not completed as of September 30, 2019 include a records storage building, foundation improvements for the animal control facility, remodel of the police department dispatch building, replacement of a 16" force main, phase one of Hiawatha Trail utilities, development and installation of National Incident Based Reporting System (NIBRS) for the police department, and roof and gutters for the municipal complex buildings.



# City of Lake Worth, Texas

## Management's Discussion and Analysis

### City of Lake Worth's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,729,334	\$ 1,685,569	\$ 46,240	\$ 46,240	\$ 1,775,574	\$ 1,731,809
Construction in progress	2,605,427	1,155,593	312,388	15,040	2,917,815	1,170,633
Buildings and improvements	9,242,400	9,420,973	107,215	86,676	9,349,615	9,507,649
Infrastructure	24,457,518	24,281,497	-	-	24,457,518	24,281,497
Water and sewer system	-	-	10,857,044	11,043,097	10,857,044	11,043,097
Equipment and vehicles	3,236,722	2,771,600	731,819	405,007	3,968,541	3,176,607
Office furniture and fixtures	198,556	238,045	-	-	198,556	238,045
Total	<u>\$ 41,469,957</u>	<u>\$ 39,553,277</u>	<u>\$ 12,054,706</u>	<u>\$ 11,596,060</u>	<u>\$ 53,524,663</u>	<u>\$ 51,149,337</u>

Additional information on the City's capital assets can be found in Note G on pages 41 and 42 of this report.

**Infrastructure.** The City has elected to use the "Modified Approach," as defined by Governmental Accounting Standards Board (GASB) Statement No. 34 for infrastructure reporting, for its roads. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City uses an asset management system with the following characteristics: 1) an up-to-date inventory; 2) performs condition assessments and summarizes the results using a measurement scale; and 3) estimates the annual amount to maintain and preserve the assets at an established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at the established and disclosed condition assessment level.

The City manages its road network using its pavement management system and accounts for roads using the modified approach. The City adopted a new road condition rating in fiscal year 2019. The road condition rating is a numerical scale ranging from 0 (New) to 5 (Failed). The City's goal is to maintain roads at or above a rating of 3 (OK - Average). The City is required to perform an examination of the roads and rate the status of their roads at least every three years. Conditions as of September 30<sup>th</sup> for the last time that the roads were rated are as follows:

<u>Condition rating</u>	<u>2019</u>
At least 0-1	0.00%
At least 2-3	67.85%
At least 3-4	25.84%
At least 4	6.31%

The previously used road condition rating was a numerical scale ranging from 1 (Failed) to 10 (New). The City's goal under the old road condition rating was to maintain roads at or above a rating of 5 (Fair). Conditions as of September 30<sup>th</sup> for the last two times that the roads were rated are as follows:

<u>Condition rating</u>	<u>2017</u>	<u>2014</u>
At least 1	9.12%	3.29%
At least 2-4	19.33%	7.60%
At least 5-7	39.52%	41.24%
At least 8-10	32.03%	47.87%

## City of Lake Worth, Texas Management's Discussion and Analysis

For fiscal year 2019, the City estimated that \$1,488,570 was needed to meet this goal. The actual amount used for maintenance and preservation of the City's roads was \$1,248,476.

Additional information on road condition data is included in the schedule on pages 67 and 68 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$17,595,053. Total debt outstanding consists of the following:

### City of Lake Worth's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 10,710,000	\$ -	\$ 10,710,000
Utility system revenue bonds	-	164,000	164,000
Premium on bonds issued	514,773	-	514,773
Capital leases	6,715	-	6,715
Net pension liability	5,249,850	338,976	5,588,826
Compensated absences	378,432	18,559	396,991
Total OPEB liability	200,935	12,813	213,748
<b>Total</b>	<b>\$ 17,060,705</b>	<b>\$ 534,348</b>	<b>\$ 17,595,053</b>

The City's total long-term debt increased by a net amount of \$1,161,047 during the current fiscal year. Long-term debt related to governmental activities increased by \$1,144,448 primarily as a result of the net increase in net pension liability offset by scheduled debt service payments. Long-term debt related to business-type activities increased by \$16,599 primarily as a result of increases in net pension liability offset by scheduled debt service payments.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2018-2019 was \$0.434806 per \$100 assessed valuation, of which \$0.190877 was for maintenance and operations and \$0.243929 was for debt service.

Additional information on the City's long-term debt can be found in Note H on pages 43 through 46 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective, and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources, and establishes its priorities. In considering the City budget for fiscal year 2020, the City Council and administration considered the following factors:

With a stable economy but very few new retailers in the City, sales tax budgets are projected at a minimal increase of approximately 2% over actual amounts received in fiscal year 2019.

## **City of Lake Worth, Texas Management's Discussion and Analysis**

Property tax revenues are budgeted to increase by 6.5% in the General Fund, mostly attributable to increased property values. For the budget year ended September 30, 2019, the property tax revenue was based on net taxable values totaling \$481,843,670 and a Maintenance and Operations tax rate of 0.190877 per \$100 valuation. For the 2020 budget year the property tax revenue budget was based on net taxable values totaling \$526,376,347 and a Maintenance and Operations tax rate of 0.191615 per \$100 valuation.

General Fund budgeted expenses for fiscal year 2020 are approximately 22.6%, or \$3.3 million, less than estimated totals for the previous budget year. Most of the decrease is due to reduced capital expenses budgeted for fiscal year 2020 as compared to the fiscal year 2019 estimated totals.

Compared to estimated totals for the fiscal year ended September 30, 2019, the fiscal year 2020 budget for the Water and Sewer Fund reflects a 16.7% decrease in revenues and a 36% decrease in expenses. The decrease in revenue is due to decreased transfers from the General Fund for capital purchases and the economic activities department to assist with the upkeep of commercial service lines. The decrease in expenses is due to a decrease in budgeted capital expenses.

City staff undertook a long overdue evaluation of all fees for services. Many fees had not been changed in over a decade. The result was a new fee schedule with increases in most areas. During development of the budget, the increased fees were not considered as they were not approved by City Council until August 2019. It is anticipated that increases to numerous revenue budgets will be identified and amended during the mid-year budget review.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City of Lake Worth's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant City Manager at 3805 Adam Grubb, Lake Worth, Texas 76135.

## **BASIC FINANCIAL STATEMENTS**

**City of Lake Worth, Texas**  
**Statement of Net Position**  
**September 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 191,655	\$ 113,327	\$ 304,982
Investments	12,860,202	1,320,619	14,180,821
Receivables (net of allowances for uncollectibles of \$33,263)			
Accounts	2,180	375,206	377,386
Property taxes	42,402	-	42,402
Other	131,445	2,966	134,411
Due from other governments	612,760	-	612,760
Internal balances	(282,143)	282,143	-
Prepaid expenses	94,408	1,047	95,455
Restricted investments	1,558	195,380	196,938
Capital assets			
Infrastructure using modified approach	24,457,518	-	24,457,518
Land and construction in progress	4,334,761	358,628	4,693,389
Other capital assets, net of depreciation	12,677,678	11,696,078	24,373,756
Total capital assets	41,469,957	12,054,706	53,524,663
Total assets	55,124,424	14,345,394	69,469,818
<b>Deferred outflows of resources</b>			
Deferred loss on refunding	266,077	-	266,077
Deferred outflows of resources - pension	876,306	52,470	928,776
Total deferred outflows of resources	1,142,383	52,470	1,194,853
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,248,198	371,746	1,619,944
Interest payable	44,205	-	44,205
Payable from restricted funds:			
Customer deposits	1,558	195,380	196,938
Due to other governments	39,099	6,095	45,194
Long-term liabilities			
Due within one year	1,730,010	32,559	1,762,569
Due in more than one year	15,330,695	501,789	15,832,484
Total liabilities	18,393,765	1,107,569	19,501,334
<b>Deferred inflows of resources</b>			
Deferred inflows of resources - OPEB	10,356	509	10,865
Deferred inflows of resources - other	8,950	-	8,950
Total deferred inflows of resources	19,306	509	19,815
<b>Net position</b>			
Net investment in capital assets	30,242,665	11,890,706	42,133,371
Restricted for:			
Debt service	116,415	-	116,415
Street maintenance	1,600,908	-	1,600,908
Crime control	463,437	-	463,437
Public educational government channel	87,721	-	87,721
Parks and recreation	219,523	-	219,523
Hotel/motel	1,049,499	-	1,049,499
Other	234,837	-	234,837
Unrestricted	3,838,731	1,399,080	5,237,811
Total net position	\$ 37,853,736	\$ 13,289,786	\$ 51,143,522

The accompanying notes are an integral part of these financial statements.

**City of Lake Worth, Texas**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2019**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>						
Governmental activities						
Mayor and council	\$ 14,543	\$ -	\$ -	\$ (14,543)	\$ -	\$ (14,543)
General government	1,621,752	67,452	-	(1,554,300)	-	(1,554,300)
Police	4,186,055	380,142	162,007	(3,643,906)	-	(3,643,906)
Fire protection	2,808,672	-	301,612	(2,507,060)	-	(2,507,060)
Streets	1,456,288	-	-	(1,456,288)	-	(1,456,288)
Library	357,050	2,864	5,000	(349,186)	-	(349,186)
Parks and recreation	593,518	40,426	14,675	(538,417)	-	(538,417)
Maintenance	133,446	198,382	-	64,936	-	64,936
Senior center	129,606	-	-	(129,606)	-	(129,606)
Municipal court	293,430	14,223	356	(278,851)	-	(278,851)
Animal control	148,572	8,699	135	(139,738)	-	(139,738)
Emergency management	16,386	-	-	(16,386)	-	(16,386)
Permits and inspections	557,621	117,658	-	(439,963)	-	(439,963)
Informational technology	532,053	-	-	(532,053)	-	(532,053)
Interest and fiscal charges	294,308	-	-	(294,308)	-	(294,308)
Total governmental activities	13,143,300	829,846	483,785	(11,829,669)	-	(11,829,669)
Business-type activities						
Water and sewer	2,862,252	2,639,855	-	-	(222,397)	(222,397)
Total business-type activities	2,862,252	2,639,855	-	-	(222,397)	(222,397)
Total primary government	\$ 16,005,552	\$ 3,469,701	\$ 483,785	(11,829,669)	(222,397)	(12,052,066)
General revenues and transfers:						
Taxes						
Property				2,161,533	-	2,161,533
Retail sales				8,502,636	-	8,502,636
Franchise				467,256	-	467,256
Hotel				208,228	-	208,228
Mixed beverage				33,258	-	33,258
Interest				334,104	42,568	376,672
Gain (loss) on sale of assets				(179,619)	3,700	(175,919)
Other				596,222	33,065	629,287
Transfers				(395,151)	395,151	-
Total general revenues and transfers				11,728,467	474,484	12,202,951
Change in net position				(101,202)	252,087	150,885
Elimination of fund balance for fire protection (Note M)				(73,547)	-	(73,547)
Total changes in net position				(174,749)	252,087	77,338
Net position, beginning of year				38,222,911	13,049,945	51,272,856
Prior period adjustment (Note A)				(194,426)	(12,246)	(206,672)
Net position, beginning of year, restated				38,028,485	13,037,699	51,066,184
Net position, end of year				\$ 37,853,736	\$ 13,289,786	\$ 51,143,522



**City of Lake Worth, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	General Fund	Street Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 150,180	\$ -	\$ 7,423	\$ 34,052	\$ 191,655
Investments	10,549,777	1,602,888	97,052	612,044	12,861,761
Receivables					
Property taxes (net of allowances for uncollectibles of \$30,824)	18,614	-	23,788	-	42,402
Accounts	-	-	-	2,180	2,180
Other	131,071	-	374	-	131,445
Due from other governments	536,870	-	-	75,890	612,760
Due from other funds	35,806	-	-	-	35,806
Prepaid expenses	90,481	-	450	3,477	94,408
<b>Total assets</b>	<b>\$ 11,512,799</b>	<b>\$ 1,602,888</b>	<b>\$ 129,087</b>	<b>\$ 727,643</b>	<b>\$ 13,972,417</b>
<b>Liabilities</b>					
Accounts payable	\$ 858,536	\$ 1,980	\$ -	\$ 42,204	\$ 902,720
Accrued liabilities	311,564	-	-	33,914	345,478
Due to other governments	39,099	-	-	-	39,099
Due to other funds	302,180	-	12,222	3,548	317,950
Deposits	1,558	-	-	-	1,558
<b>Total liabilities</b>	<b>1,512,937</b>	<b>1,980</b>	<b>12,222</b>	<b>79,666</b>	<b>1,606,805</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - property taxes	18,614	-	23,788	-	42,402
Unavailable revenue - other	8,950	-	-	-	8,950
<b>Total deferred inflows of resources</b>	<b>27,564</b>	<b>-</b>	<b>23,788</b>	<b>-</b>	<b>51,352</b>
<b>Fund balances</b>					
Non-spendable for:					
Prepaid expenses	90,481	-	450	3,477	94,408
Restricted for:					
Debt service	-	-	92,627	-	92,627
Capital projects	-	-	-	4,196	4,196
Street maintenance	-	1,600,908	-	-	1,600,908
Crime control	-	-	-	459,960	459,960
Public educational government channel	-	-	-	87,721	87,721
Parks and recreation	219,523	-	-	-	219,523
Hotel/motel	1,049,499	-	-	-	1,049,499
Other	234,837	-	-	-	234,837
Committed for:					
Fire protection / truck maintenance	38,517	-	-	-	38,517
Animal control equipment and facilities	6,119	-	-	-	6,119
Storage building	272,041	-	-	83,512	355,553
Pipeline project	970,731	-	-	-	970,731
Zoning ordinance updates	6,700	-	-	-	6,700
Assigned for:					
Crime control	-	-	-	9,111	9,111
Building improvements	330,302	-	-	-	330,302
Firewall and server	20,000	-	-	-	20,000
Utility project	387,797	-	-	-	387,797
Parks and recreation	187,061	-	-	-	187,061
Vehicle replacement	357,268	-	-	-	357,268
Unassigned	5,801,422	-	-	-	5,801,422
<b>Total fund balances</b>	<b>9,972,298</b>	<b>1,600,908</b>	<b>93,077</b>	<b>647,977</b>	<b>12,314,260</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,512,799</b>	<b>\$ 1,602,888</b>	<b>\$ 129,087</b>	<b>\$ 727,643</b>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					41,469,957
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.					1,142,383
Deferred inflows of resources are not financial resources and, therefore, are not reported in the funds.					(10,356)
Property taxes receivable, net of allowance, are not available to pay for current period expenditures and, therefore, are deferred in the funds.					42,402
Some liabilities, including general obligation bonds, capital leases payable, accrued interest payable, net pension liability, total OPEB liability, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.					(17,104,910)
Net position of governmental activities - statement of net position					<b>\$ 37,853,736</b>

**City of Lake Worth, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**September 30, 2019**

	General Fund	Street Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 9,108,042	\$ -	\$ 1,214,451	\$ 1,051,547	\$ 11,374,040
Fines	383,006	-	-	-	383,006
Permits and fees	184,227	-	-	-	184,227
Intergovernmental	104,781	-	-	-	104,781
Charges for services	238,808	-	-	-	238,808
Investment earnings	260,470	43,807	13,841	15,986	334,104
Miscellaneous	877,265	85	-	121,681	999,031
<b>Total revenues</b>	<b>11,156,599</b>	<b>43,892</b>	<b>1,228,292</b>	<b>1,189,214</b>	<b>13,617,997</b>
<b>Expenditures</b>					
Current					
Mayor and council	10,883	-	-	-	10,883
General government	1,244,250	-	-	-	1,244,250
Police	2,291,694	-	-	1,053,806	3,345,500
Fire protection	2,387,434	-	-	-	2,387,434
Streets	951,191	297,285	-	-	1,248,476
Library	290,446	-	-	-	290,446
Parks and recreation	374,248	-	-	-	374,248
Maintenance	96,107	-	-	-	96,107
Senior center	102,322	-	-	-	102,322
Municipal court	252,144	-	-	-	252,144
Animal control	108,083	-	-	-	108,083
Emergency management	16,386	-	-	-	16,386
Permits and inspections	470,359	-	-	-	470,359
Informational technology	459,095	-	-	-	459,095
Capital outlay	2,632,081	176,021	-	98,988	2,907,090
Debt service					
Principal	6,171	-	1,299,300	-	1,305,471
Interest	766	-	358,132	-	358,898
<b>Total expenditures</b>	<b>11,693,660</b>	<b>473,306</b>	<b>1,657,432</b>	<b>1,152,794</b>	<b>14,977,192</b>
Excess (deficiency) of revenues over (under) expenditures	(537,061)	(429,414)	(429,140)	36,420	(1,359,195)
Other financing sources (uses)					
Transfers in	516,389	-	423,943	6,240	946,572
Transfers out	(1,138,300)	-	-	(203,423)	(1,341,723)
<b>Total other financing sources (uses)</b>	<b>(621,911)</b>	<b>-</b>	<b>423,943</b>	<b>(197,183)</b>	<b>(395,151)</b>
Changes in fund balances	(1,158,972)	(429,414)	(5,197)	(160,763)	(1,754,346)
Elimination of fund balance for fire protection (see Note M)	(73,547)	-	-	-	(73,547)
<b>Total changes in fund balances</b>	<b>(1,232,519)</b>	<b>(429,414)</b>	<b>(5,197)</b>	<b>(160,763)</b>	<b>(1,827,893)</b>
Fund balances, beginning of year	11,204,817	2,030,322	98,274	808,740	14,142,153
<b>Fund balances, end of year</b>	<b>\$ 9,972,298</b>	<b>\$ 1,600,908</b>	<b>\$ 93,077</b>	<b>\$ 647,977</b>	<b>\$ 12,314,260</b>

**City of Lake Worth, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of the Governmental Funds to the Change in**  
**Net Position of Governmental Activities in the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2019**

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

Net change in fund balances - total governmental funds	\$ (1,827,893)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,907,090	
Depreciation expense	<u>(810,791)</u>	2,096,299

Governmental capital assets sold have the full proceeds reported as revenue instead of applying the basis of the assets sold.

Loss on sales of assets	(179,619)
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The change in property tax receivable, net of allowance, is reported as revenue in the statement of activities; however, this change does not provide current financial resources and is, therefore, not reported as revenue in the funds.

(1,129)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Compensated absences	\$ 30,845	
Volunteer firefighter pension expense	73,547	
Accrued interest	1,787	
Amortization of premium on debt	89,863	
Amortization of deferred loss on refunding	<u>(27,059)</u>	168,983

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense in governmental activities is recorded as the TMRS plan's pension expense for the measurement period. This is the effect of the difference between the two statements.

(1,719,997)

OPEB expense in the funds is recorded as contributions when made to the TMRS plan. OPEB expense in governmental activities is recorded as the TMRS plan's OPEB expense for the measurement period. This is the effect of the difference between the two statements.

(16,865)

The issuance of long-term debt (e.g. bonds payable, notes payable, and capital 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments		
Bonds	1,299,300	
Capital leases	<u>6,172</u>	<u>1,305,472</u>

Change in net position of governmental activities - statement of activities	<u>\$ (174,749)</u>
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**City of Lake Worth, Texas**  
**Statement of Net Position**  
**Enterprise Fund**  
**September 30, 2019**

	<b>Water and Sewer Fund</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 113,327
Investments	1,320,619
Receivables	
Accounts (net of allowances for uncollectible accounts of \$2,439)	375,206
Other	2,966
Prepaid expenses	1,047
Due from other funds	302,180
Total current assets	<u>2,115,345</u>
Noncurrent assets	
Restricted assets	
Investments	195,380
Capital assets	
Land	46,240
Construction in progress	312,388
Buildings and improvements	165,751
Water and sewer system	15,869,944
Machinery and equipment	2,419,525
Less accumulated depreciation	<u>(6,759,142)</u>
Total noncurrent assets	<u>12,250,086</u>
Total assets	<u>14,365,431</u>
<b>Deferred outflows of resources</b>	
Deferred outflows of resources - pension	52,470
<b>Liabilities</b>	
Current liabilities	
Payable from current assets	
Accounts payable	351,414
Accrued liabilities	20,332
Due to other funds	20,037
Due to other governments	6,095
Compensated absences	18,559
Current portion of bonds payable	<u>14,000</u>
Total current liabilities	430,437
Noncurrent liabilities	
Payable from restricted assets	
Customer deposits	195,380
Net pension liability	338,976
Total OPEB liability	12,813
Bonds payable	<u>150,000</u>
Total noncurrent liabilities	<u>697,169</u>
Total liabilities	<u>1,127,606</u>
<b>Deferred inflows of resources</b>	
Deferred inflows of resources - OPEB	509
<b>Net Position</b>	
Net investment in capital assets	11,890,706
Unrestricted	<u>1,399,080</u>
Total net position	<u><u>\$ 13,289,786</u></u>

**City of Lake Worth, Texas**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2019**

	<u><b>Water and Sewer Fund</b></u>
Operating revenues	
Water services	\$ 1,355,870
Sewer services	1,274,123
Other operating revenues	<u>9,862</u>
Total operating revenues	<u>2,639,855</u>
Operating expenses	
Personnel services	615,667
Contractual services	218,257
Water purchases	583,511
Disposal charge - sewer	806,833
Supplies and maintenance	213,215
Other operating expenses	2,688
Depreciation	<u>419,367</u>
Total operating expenses	<u>2,859,538</u>
Operating loss	<u>(219,683)</u>
Nonoperating revenues (expenses)	
Gain on disposal of assets	3,700
Interest income	42,568
Miscellaneous	33,065
Interest expense	<u>(2,714)</u>
Total non-operating revenues (expenses)	<u>76,619</u>
Loss before transfers	(143,064)
Transfers in	668,220
Transfers out	<u>(273,069)</u>
Total transfers	<u>395,151</u>
Change in net position	252,087
Net position, beginning of year	13,049,945
Prior period adjustment (Note A)	<u>(12,246)</u>
Net position, beginning of year, restated	<u>13,037,699</u>
Net position, end of year	<u><u>\$ 13,289,786</u></u>

**City of Lake Worth, Texas**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2019**

	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 2,645,123
Cash paid to suppliers	(1,700,253)
Cash paid to employees	(500,518)
Net cash provided by operating activities	<u>444,352</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from other funds	367,750
Cash paid to other funds	(273,148)
Net cash provided by noncapital financing activities	<u>94,602</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(877,014)
Proceeds from disposal of capital assets	2,700
Principal payments on long-term debt	(149,700)
Interest paid	(2,714)
Net cash used in capital and related financing activities	<u>(1,026,728)</u>
<b>Cash flows from investing activities:</b>	
Change in investments	463,780
Interest income	42,568
Net cash provided by investing activities	<u>506,348</u>
Net increase in cash	18,574
Cash and cash equivalents at beginning of year	<u>94,753</u>
Cash and cash equivalents at end of year	<u><u>\$ 113,327</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (219,683)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	419,367
Miscellaneous revenue	33,065
(Increase) decrease in:	
Accounts receivable	(37,842)
Prepaid expenses	2,113
Deferred outflows of resources	(42,301)
Increase (decrease) in:	
Accounts payable and accrued liabilities	125,026
Compensated absences	(3,356)
Net pension liability	156,842
Total OPEB liability	567
Deferred inflows of resources	509
Customer deposits	10,045
Net cash provided by operating activities	<u><u>\$ 444,352</u></u>



**City of Lake Worth, Texas**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**September 30, 2019**

	<u><b>Insurance Trust Fund</b></u>
<b>Assets</b>	
Total assets	<u>\$ -</u>
<b>Liabilities</b>	
Total liabilities	<u>-</u>
<b>Net position</b>	
Held in Trust for employee insurance benefits	<u><u>\$ -</u></u>

**City of Lake Worth, Texas**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Fiscal Year Ended September 30, 2019**

	<u>Insurance Trust Fund</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 873,955
Employee	<u>202,600</u>
Total additions	<u>1,076,555</u>
<b>Deductions</b>	
Insurance benefit payments	<u>1,076,555</u>
Total deductions	<u>1,076,555</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note A. Summary of Significant Accounting Policies**

The accounting policies of the City of Lake Worth, Texas (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governments, except where specifically noted. The following are the most significant accounting policies.

**Financial Reporting Entity**

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the City's operation and so data from this unit is combined with the data of the primary government. The blended component unit has a September 30th year-end.

**Blended Component Unit**

*Lake Worth Crime Control & Prevention District* – The City created this entity to provide supplemental funding to the police department in order to provide funding for law enforcement. Funding for the Crime Control & Prevention District is generated from 0.25% sales tax. The governing body is currently made up of eight directors appointed by the City Council. The entity was subject to a five-year sunset provision in November 2008, in which it could be reinstated for a maximum of an additional 20 years. In November 2008, the citizenry voted to extend the Crime Control & Prevention District and related tax for an additional 10 years. In November 2018, the citizenry voted again to extend the Crime Control & Prevention District and related tax for an additional 10 years. The Crime Control & Prevention District provides all of its services to the City and upon its dissolution all assets shall be distributed to the City. The District is considered to be a component unit of the City and is treated as a special revenue fund of the City. The expenditures of the additional sales tax can only be used to provide supplemental funding to the police department in order to provide funding for law enforcement.

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. The effects of interfund transfers have been removed from the government-wide statements but continue to be reflected on the fund statements. Governmental activities are supported mainly by tax revenues.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note A. Summary of Significant Accounting Policies (Continued)**

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General Fund, the Street Maintenance Fund, and the Debt Service Fund meet the criteria as major governmental funds. The major funds are reported in separate columns in the fund financial statements. Nonmajor funds include the Crime Control District Fund, the Public Educational Government Channel Fund, and the Capital Projects Fund. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within the Supplemental Information section.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and various other revenues.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, net pension liabilities, total other post-employment benefits, and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

**The General Fund** is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**The Street Maintenance Fund** is reported as a special revenue fund of the City and is utilized for street improvements or maintenance expenditures within the City.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note A. Summary of Significant Accounting Policies (Continued)**

**The Debt Service Fund** accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on long-term obligations paid primarily from taxes levied or collected by the City.

The City reports the following major proprietary fund:

**The Water and Sewer Fund** is used to account for operations that are financed and operated in a manner similar to a private business enterprise - where the intent of the City is that the cost (expenses) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected 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 for proprietary funds. The City's fiduciary fund is used to report employer and employee contributions, and investment income, if any, as well as benefits paid for health, dental, and vision insurance.

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.
5. Annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund are adopted on a basis consistent with GAAP.
6. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
7. The City Council may authorize additional appropriations during the year.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note A. Summary of Significant Accounting Policies (Continued)**

8. During the fiscal year, the Council authorized and approved amendments to the budget which provided for and approved all expenditures and transfers.

**Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Water and sewer mains and extensions	40-50 years
Drainage systems	10-40 years
Autos and equipment	5-15 years
Furniture and fixtures	7-10 years
Capital leases	Lease term

The City has elected to use the modified approach for its infrastructure reporting in the government-wide statements. General infrastructure assets acquired before September 30, 2003 consisting of the road network assets acquired, or that received substantial improvements subsequent to October 1, 1980 are reported at estimated historical cost using the deflated replacement cost. Under the modified approach, the City does not record depreciation on this infrastructure. However, it must meet the following criteria: (1) keep a listing of all infrastructure assets, (2) establish and document the condition and levels at which the assets are being preserved, (3) make annual estimates necessary to maintain and preserve the eligible infrastructure at the conditions levels, (4) perform and summarize results of condition assessments for the eligible infrastructure every three years, (5) provide reasonable assurance that eligible infrastructure is being preserved approximately at or above the condition levels established. In addition to maintenance costs (expenditures which allow an asset to continue to be used during its originally established useful life), preservation costs (expenditures made to extend the original estimated useful life) are allowed under the modified approach to be expensed.



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note A. Summary of Significant Accounting Policies (Continued)**

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On certificates of obligation and bonds payable, premiums and discounts are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, and the debt repayment are reported as expenditures.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and balance sheet 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. The City currently has deferred outflows of resources related to the loss on refunding and the pension plan reported in the Statement of Net Position. See additional information in Note K related to the pension plan.

In addition to liabilities, the statement of net position and balance sheet includes 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 City currently has deferred inflows of resources related to Other Post-Employment Benefits (OPEB) and other deferred revenue reported in the Statement of Net Position. The City currently has deferred inflows of resources related to unavailable revenue from property taxes reported in the governmental balance sheet. See additional information in Note L related to the OPEB plan.

**Fund Balance**

The City adopted a fund balance policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Manager.

Except when expenditures are specifically budgeted and when multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds but will have the option to spend budgeted funds first.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note A. Summary of Significant Accounting Policies (Continued)**

**Net Position**

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets—This category consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position—This category consists of external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position—This category represents net position, not restricted for any project or other purpose.

When both restricted and unrestricted net position is available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

**Minimum Fund Balance Policy**

The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 25% of expenditures.

**Concentration of Credit Risk**

The City has property taxes receivable from residents and businesses all of whom are located in the City. Also, the City has utility charges receivable from residents and businesses located in the City and surrounding areas.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post-Employment Benefits**

The total OPEB liability has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from these amounts.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note A. Summary of Significant Accounting Policies (Continued)**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The City retains no risk except for deductible amounts ranging from \$1,000 to \$10,000.

There have been no significant reductions in coverage in the past fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Prior Period Adjustment**

During fiscal year 2019, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. With GASB 75, the City must assume their total OPEB liability of the OPEB plan administered by TCDRS. Adoption of GASB 75 required a prior period adjustment to report the effect of implementation of GASB 75 retroactively. The prior period adjustment in the government-wide financial statements totaled (\$194,426), which resulted in a restated beginning net position balance of \$38,028,485. The prior period adjustment in the Water and Sewer Enterprise Fund totaled (\$12,246), which resulted in a restated beginning net position balance of \$13,037,699.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Beginning net position	\$ 38,222,911	\$ 13,049,945
Prior period adjustment - implementation of GASB No. 75:		
Total OPEB liability (measurement date as of December 31, 2017)	(212,468)	(13,563)
Deferred inflows - changes in actuarial assumptions	16,594	1,210
Deferred outflows - City contributions made during fiscal year 2018	<u>1,448</u>	<u>107</u>
Total prior period adjustment	<u>(194,426)</u>	<u>(12,246)</u>
Beginning net position, as restated	<u><u>\$ 38,028,485</u></u>	<u><u>\$ 13,037,699</u></u>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note B. Reconciliation of Government-wide and Fund Financial Statements**

The following is an explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund Balance Sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide Statement of Net Position. One element of that reconciliation explains "some liabilities, including general obligation bonds, capital leases payable, accrued interest payable, net pension liability, total OPEB liability, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$17,104,910 difference are as follows:

Capital leases payable	\$ 6,715
General obligation bonds payable	10,710,000
Issuance premium	514,773
Accrued interest payable	44,205
Net pension liability	5,249,850
Total OPEB liability	200,935
Compensated absences	<u>378,432</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 17,104,910</u></u>

**Note C. Deposits, Securities, and Investments**

Chapter 2256 of the Texas Government Code (the "Public Funds Investment Act") authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations, and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, and public trust.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities;
2. Direct obligations of the State of Texas, or its agencies and instrumentalities;

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note C. Deposits, Securities, and Investments (Continued)**

3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities;
4. Collateralized Certificates of Deposit issued by a depository institution that has its main office or a branch in the state of Texas that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or as further described in the Investment Policy;
5. Eligible Local Government Investment Pools;
6. Regulated No-Load Money Market Mutual Funds; and
7. Repurchase agreements, reverse repurchase agreements, bankers' acceptances, and commercial paper that are described in more detail in the Investment Policy.

All investments held by the City at September 30, 2019 were in the following eligible local government investment pools: LOGIC, TexSTAR, Lone Star Investment Pool, and TexPool.

**Public Funds Investment Pools**

**LOGIC**

The Local Government Investment Cooperative (LOGIC) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of trustees and is comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators are Hilltop Securities Inc. and J.P. Morgan Investment Management Inc. LOGIC is rated AAAM by Standard and Poor's.

LOGIC reports its financial statements in accordance with Financial Accounting Standards Boards, follows ASC 820 *Fair Value Measurement and Disclosure Requirements* in reporting its investments, and is categorized as Level 2. For pricing and redeeming shares, LOGIC maintains a stable net asset value of \$1.00 per share using the fair value method.

**TexSTAR**

Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR's governing body is a five-member board of directors consisting of three representatives of participants and one member employed by each co-administrator or an affiliate. The co-administrators are Hilltop Securities Inc. and J.P. Morgan Investment Management Inc. TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Members are appointed and serve at the will of the board of directors. TexSTAR is rated AAAM by Standard and Poor's.



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note C. Deposits, Securities, and Investments (Continued)**

TexSTAR reports its financial statements in accordance with Financial Accounting Standards Boards, follows ASC 820 *Fair Value Measurement and Disclosure Requirements* in reporting its investments, and is categorized as Level 2. For pricing and redeeming shares, TexSTAR maintains a stable net asset value of \$1.00 per unit using the fair value method.

*Lone Star*

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public. Mellon Investments Corporation and American Beacon Advisors manage the investment and reinvestment of Lone Star's assets. State Street Bank provides custody services to Lone Star. Lone Star's governing body is an eleven-member board of trustees consisting entirely of pool participants. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star has three different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. The Government Overnight and Corporate Overnight Funds are rated AAAM by Standard and Poor's, and the Corporate Overnight Plus Fund is rated AAAF.

The City's investment in Lone Star is within the Government Overnight Fund, which values all investments at amortized costs and are operated in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Lone Star maintains a net asset value of \$1.00. There are no limitations or restrictions on withdrawals.

*TexPool*

Texas Local Government Investment Pool (TexPool) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the TexPool portfolios. Administrative and investment services are provided by Federated Investors, Inc. TexPool has established an advisory board composed equally of participants and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool is rated AAAM by Standard and Poor's.

TexPool uses amortized cost to value portfolio assets and follows the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for use of amortized cost. The stated objective of TexPool is to maintain a stable average of \$1.00 per unit net asset value. There are no limitations or restrictions on withdrawals.



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note C. Deposits, Securities, and Investments (Continued)**

**Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure the assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

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

	Level 2	Total
Investments by fair value level:		
LOGIC	\$ 3,755,122	\$ 3,755,122
TexSTAR	3,456,748	3,456,748
Subtotal	<u>\$ 7,211,870</u>	
Investments measured at amortized cost:		
Lone Star		3,652,974
TexPool		3,512,915
Total Investments		<u>\$ 14,377,759</u>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note C. Deposits, Securities, and Investments (Continued)**

As reported in the Statement of Net Position:

Governmental activities	
Investments	\$ 12,860,202
Restricted investments	1,558
Business-type activities	
Investments	1,320,619
Restricted investments	195,380
Total investments	<u>\$ 14,377,759</u>

Interest Rate Risk – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. As of September 30, 2019, the City's investments included investment pools and therefore were not exposed to interest rate risk.

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2019, TexPool, TexSTAR, Lone Star, and LOGIC investment pools were rated AAAM by Standard and Poor's.

Concentration of Credit Risk – In accordance with the City's Investment Policy, the City limits their exposure of concentration of credit risk by restricting investments in the following investment instruments:

	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pools	100%
Fully Collateralized Certificates of Deposit	50%
SEC-Regulated No-Load Money Market Mutual Funds	10%

As of September 30, 2019, 100% of the City's portfolio was invested in Local Government Investment Pools.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At September 30, 2019, the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note D. Local Tax Revenues and Receivables**

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. In the governmental fund financial statements, taxes not expected to be collected within sixty days of the fiscal year end are recorded as unearned revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

**Note E. Restricted Assets**

Restricted assets are held for customer deposits in the General Fund and the Water and Sewer Fund.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note F. Interfund Activity**

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2019:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Debt service fund	\$ 12,221
General fund	Crime control district fund	3,548
General fund	Water and sewer fund	20,037
Water and sewer fund	General fund	<u>302,180</u>
Total		<u><u>\$ 337,986</u></u>

Interfund balances resulted from the timing difference between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers during the year were as follows:

<u>Transfers Out</u>	
General fund	\$ 1,138,300
Capital projects fund	50,000
Crime control district fund	153,423
Water and sewer fund	<u>273,069</u>
	<u><u>\$ 1,614,792</u></u>
<u>Transfers in</u>	
General fund	\$ 516,389
Debt service fund	423,943
Crime control district fund	6,240
Water and sewer fund	<u>668,220</u>
	<u><u>\$ 1,614,792</u></u>

Transfers are generally used (1) to transfer funds from the Water and Sewer Fund to the Debt Service funds to supplement debt payments, (2) to transfer funds from the various funds to the General fund to cover administrative costs, and (3) to transfer Water and Sewer fund construction in progress from the Capital Projects fund.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note G. Capital Assets**

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

	Balance 10/1/2018	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2019
<b>Governmental activities</b>				
Capital assets using modified approach				
Infrastructure	\$ 24,281,497	\$ 176,021	\$ -	\$ 24,457,518
Total capital assets using modified approach	24,281,497	176,021	-	24,457,518
Capital assets not being depreciated				
Construction in progress	1,155,593	2,236,528	786,694	2,605,427
Land	1,685,569	43,765	-	1,729,334
Total capital assets not being depreciated	2,841,162	2,280,293	786,694	4,334,761
Other capital assets				
Buildings and improvements	12,491,826	118,823	-	12,610,649
Equipment and vehicles	7,216,461	1,111,747	1,029,714	7,298,494
Office furniture and fixtures	684,595	6,900	-	691,495
Total other capital assets	20,392,882	1,237,470	1,029,714	20,600,638
Less accumulated depreciation for:				
Buildings and improvements	3,070,853	297,396	-	3,368,249
Equipment and vehicles	4,444,861	464,738	847,827	4,061,772
Office furniture and fixtures	446,550	48,657	2,268	492,939
Total accumulated depreciation	7,962,264	810,791	850,095	7,922,960
Other capital assets, net	12,430,618	426,679	179,619	12,677,678
Governmental activities capital assets, net	<u>\$ 39,553,277</u>	<u>\$ 2,882,993</u>	<u>\$ 966,313</u>	<u>\$ 41,469,957</u>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note G. Capital Assets (Continued)**

	Balance 10/1/2018	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2019
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 46,240	\$ -	\$ -	\$ 46,240
Construction in progress	15,040	312,388	15,040	312,388
Total capital assets not being depreciated	61,280	312,388	15,040	358,628
Other capital assets				
Water and sewer system	15,720,370	149,574	-	15,869,944
Building and improvements	140,877	24,874	-	165,751
Machinery and equipment	2,045,530	408,318	34,323	2,419,525
Total other capital assets	17,906,777	582,766	34,323	18,455,220
Less accumulated depreciation for:				
Water and sewer system	4,677,273	335,627	-	5,012,900
Building and improvements	54,201	4,335	-	58,536
Machinery and equipment	1,640,523	79,405	32,222	1,687,706
Total accumulated depreciation	6,371,997	419,367	32,222	6,759,142
Other capital assets, net	11,534,780	163,399	2,101	11,696,078
Business-type activities capital assets, net	<u>\$ 11,596,060</u>	<u>\$ 475,787</u>	<u>\$ 17,141</u>	<u>\$ 12,054,706</u>

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

**Governmental activities:**

Mayor and council	\$ 3,660
General government	184,996
Police	209,641
Fire	82,254
Streets	91,150
Library	9,967
Parks and recreation	153,728
Maintenance	3,552
Senior center	9,687
Municipal court	2,916
Animal control	25,400
Permits and inspections	2,301
Information technology	31,539

Total governmental activities \$ 810,791

**Business-type activities:**

Water and sewer \$ 419,367

Total business-type activities \$ 419,367



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note H. Long-Term Liabilities**

Long-term debt of the City consists of general obligation bonds, utility system revenue bonds, and long-term capital leases. Long-term debt at September 30, 2019 consists of the following:

**Governmental activities**

**General Obligation Bonds**

*General Obligation Refunding Bonds, Series 2009*

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 1999.
- Original balance of \$4,725,000 of which \$2,551,500 is related to governmental activities.
- Bond was fully repaid as of September 30, 2019.

*General Obligation Refunding Bonds, Series 2011*

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 2001.
- Original balance of \$2,675,000.
- Payable in annual installments of \$190,000 to \$305,000, maturing September 1, 2021.
- Interest payable March 1 and September 1 at 2.0% to 3.0%.
- Outstanding balance of \$595,000 at September 30, 2019.

*General Obligation Refunding Bonds, Series 2014*

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 2005.
- Original balance of \$4,235,000.
- Payable in annual installments of \$65,000 to \$430,000, maturing August 15, 2025
- Interest payable February 15 and August 15 at 2.39%.
- Outstanding balance of \$2,425,000 at September 30, 2019.

*General Obligation Refunding Bonds, Series 2017*

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 2008.
- Original balance of \$8,455,000.
- Payable in annual installments of \$95,000 to \$1,185,000, maturing August 15, 2029
- Interest payable February 15 and August 15 at 2.0% to 4.0%.
- Outstanding balance of \$7,690,000 at September 30, 2019.

**Capital Lease Arrangements**

*Dell Government Leasing*

- To purchase hyper V servers.
- Principal price of \$23,772.
- Payable in four annual installments of \$5,213 to \$6,715 ending September 30, 2020.
- Interest payable September 1 at 4.59%.
- Outstanding balance of \$6,715 at September 30, 2019.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note H. Long-Term Liabilities (Continued)**

The annual requirements to amortize long-term debt as of September 30, 2019 are as follows:

Year Ending	General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2020	\$ 1,255,000	\$ 327,045	\$ 6,715	\$ 143
2021	1,290,000	296,101	-	-
2022	1,120,000	262,750	-	-
2023	1,145,000	235,190	-	-
2024	1,175,000	207,015	-	-
2025-2029	4,725,000	466,928	-	-
Total	<u>\$ 10,710,000</u>	<u>\$ 1,795,029</u>	<u>\$ 6,715</u>	<u>\$ 143</u>

Future minimum lease payments for the capital lease are as follows:

	Governmental Activities
Scheduled future minimum lease payments	\$ 6,858
Amount representing interest	<u>(143)</u>
Present value of future minimum capital lease payments (principal payoff)	<u>\$ 6,715</u>

The following is an analysis of equipment leased under capital leases as of September 30, 2019:

	Governmental Activities
Equipment	\$ 51,683
Less accumulated depreciation	<u>(36,232)</u>
Total	<u>\$ 15,451</u>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note H. Long-Term Liabilities (Continued)**

**Business-type activities**

General Obligation Bonds

*General Obligation Refunding Bonds, Series 2009*

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 1997A and B.
- Original balance of \$4,725,000 of which \$2,173,500 is related to business-type activities.
- Bond was fully repaid as of September 30, 2019.

Utility System Revenue Bonds

*Utility System Revenue Bonds, Series 2009*

- To finance the construction of a new sewer line along Telephone Road.
- Original issue of \$290,000.
- Payable in annual installments of \$14,000 to \$15,000, maturing February 1, 2030.
- Outstanding balance of \$164,000 at September 30, 2019, bearing 0% interest.

The annual requirements to amortize long-term debt as of September 30, 2019 are as follows:

Fiscal Year Ending	Utility System Revenue Bonds Principal
2020	\$ 14,000
2021	15,000
2022	15,000
2023	15,000
2024	15,000
2025-2029	75,000
2030-2034	15,000
Total	<u>\$ 164,000</u>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note H. Long-Term Liabilities (Continued)**

The following is a summary of the changes by type of long-term liabilities for the year ended September 30, 2019:

	Balance 10/1/2018	Additions	Retirements	Balance 9/30/2019	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 12,009,300	\$ -	\$ 1,299,300	\$ 10,710,000	\$ 1,255,000
Premium on bonds issued	604,636	-	89,863	514,773	89,863
Capital leases	12,886	-	6,171	6,715	6,715
Net pension liability	2,806,611	3,130,252	687,013	5,249,850	-
Compensated absences	409,277	215,310	246,155	378,432	378,432
Volunteer firefighter total pension liability	73,547	-	73,547	-	-
Total OPEB liability	-	231,499	30,564	200,935	-
Total governmental activities	15,916,257	3,577,061	2,432,613	17,060,705	1,730,010
<u>Business-type activities</u>					
General obligation bonds	135,700	-	135,700	-	-
Utility system revenue bonds	178,000	-	14,000	164,000	14,000
Net pension liability	182,134	200,646	43,804	338,976	-
Compensated absences	21,915	13,442	16,798	18,559	18,559
Total OPEB liability	-	14,777	1,964	12,813	-
Total business-type activities	517,749	228,865	212,266	534,348	32,559
Total	\$ 16,434,006	\$ 3,805,926	\$ 2,644,879	\$ 17,595,053	\$ 1,762,569

**Note I. Compensated Absences and Sick Leave**

If an employee separates from the City, has completed a minimum of twenty years of continuous service with the City, and qualifies for retirement as defined by the Texas Municipal Retirement System, the employee will be eligible for pay for one-half of accumulated sick leave, or 240 hours, whichever is less. However, for the remaining employees, sick leave is recorded when paid and employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for compensated absences as of September 30, 2019 was \$396,991.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note J. Restricted Net Position / Restricted Fund Balance**

The following have been classified as other restricted net position on the governmental activities column of the government-wide statement of net position and as other restricted fund balances in the governmental funds balance sheet.

Child safety	\$ 8,051
Court technology	6,157
Court security	74,605
Confiscated property	1,651
Police equipment	126,336
Fire LEOSE	493
Police department donations	10,891
Fire department donations	646
Library donations	275
Library grants	2,820
Senior center donations	1,314
Animal control donations	<u>1,598</u>
Total Other Restricted Net Position/ Other Restricted Fund Balance	<u><u>\$ 234,837</u></u>

Child safety – Citations written for offenses in school zones and passing school buses are assessed a fee that is to be used for guards at school zones and other expenditures permitted by law.

Court technology – On all citations written after the Ordinance adopted by the City, a fee is assessed that is to be used to purchase or enhance most court technological equipment, software, devices, apparatus, and any other expenditures legally permitted by law.

Court security – All citations are assessed a fee that is to be used for court security services, equipment, devices, and other expenditures legally permitted by law.

Confiscated property – Assets confiscated from various police activities are sold and the proceeds are placed in a restricted / reserved fund for use in future police activities.

Police equipment – This money has been restricted for National Incident-based Reporting system for the police department.

Fire LEOSE – This money has been restricted for police and fire training.

Police department donations – This money has been restricted to assist families in need during the holidays to purchase food and gifts.

Fire department donations – This money has been restricted to the benefit of the fire department.

Library donations – This money has been restricted to the benefit of the library.

Senior center donations – This money has been restricted to the benefit of the senior center.

Animal control donations – This money has been restricted to the benefit of animal control.

The government-wide statement of net position reports \$3,772,340 of restricted net position, \$3,288,552 of which is restricted by enabling legislation.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note K. Defined Benefit Pension Plan**

**Plan Description**

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City are as follows:

Employee deposit rate	7.00%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

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

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	64
Active employees	<u>97</u>
Total	<u><u>203</u></u>



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note K. Defined Benefit Pension Plan (Continued)**

**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.

The required employee contribution rate increased from 6% to 7% of employees' annual gross earnings from fiscal year 2018 to fiscal year 2019. The contribution rates for the City were 13.29% and 16.91% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$916,965, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note K. Defined Benefit Pension Plan (Continued)**

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company, Consultant & Actuaries, focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
U.S. Equities	17.50%	4.30%
International Equities	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Estate	10.00%	4.44%
Real Return	10.00%	3.78%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note K. Defined Benefit Pension Plan (Continued)**

***Discount Rate***

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

Changes in the NPL	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	\$ 20,384,429	\$ 17,395,684	\$ 2,988,745
Changes for the year:			
Service cost	942,670	-	942,670
Interest	1,494,158	-	1,494,158
Change of benefit terms	1,657,837	-	1,657,837
Difference between expected and actual experience	(967,282)	-	(967,282)
Changes of assumptions	-	-	-
Contributions - employer	-	730,817	(730,817)
Contributions - employee	-	328,456	(328,456)
Net investment income	-	(521,374)	521,374
Benefit payments, including refunds of employee contributions	(755,858)	(755,858)	-
Administrative expense	-	(10,071)	10,071
Other changes	-	(526)	526
Net changes	2,371,525	(228,556)	2,600,081
Balance at 12/31/2018	<u>\$ 22,755,954</u>	<u>\$ 17,167,128</u>	<u>\$ 5,588,826</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's NPL	\$ 9,418,651	\$ 5,588,826	\$ 2,521,419

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note K. Defined Benefit Pension Plan (Continued)**

***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 at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2019, the City recognized pension expense of \$2,752,455.

At September 30, 2019, 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 expected and actual economic experience	\$ 225,023	\$ 881,230
Changes in actuarial assumptions	-	19,192
Difference between projected and actual investment earnings	1,537,793	639,809
Contributions subsequent to the measurement date	706,191	-
	<hr/>	<hr/>
Total	\$ 2,469,007	\$ 1,540,231
	<hr/>	<hr/>

\$706,191 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
	<hr/>
2020	\$ 116,858
2021	(56,412)
2022	(16,848)
2023	178,987
2024	-
	<hr/>
Total	\$ 222,585
	<hr/>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note L. Other Postemployment Benefits**

**Plan Description**

TMRS administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. It is considered to be a single-employer plan. 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.

**Benefits Provided**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

*Employees covered by benefit terms.*

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

Inactive employees currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	24
Active employees	97
	<hr/>
Total	147
	<hr/>

**Contributions**

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

The City's contributions to the TMRS SDBF for the year ended September 30, 2019 were \$2,305, which equaled the required contributions.

**Total OPEB Liability**

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

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note L. Other Postemployment Benefits (Continued)**

*Actuarial assumptions:*

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

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018. All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 through December 31, 2014.

***Changes in the Total OPEB Liability***

	<u>Total OPEB Liability</u>
Balance at 12/31/2017	\$ 226,031
Changes for the year:	
Service cost	12,591
Interest	7,654
Difference between expected and actual experience	(13,129)
Changes of assumptions	(17,210)
Benefit payments	<u>(2,190)</u>
Net changes	<u>(12,284)</u>
Balance at 12/31/2018	<u><u>\$ 213,747</u></u>

Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees. Changes in assumptions are a result of the change in municipal bond index rate from the previous year.



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note L. Other Postemployment Benefits (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

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

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's Total OPEB Liability	\$ 260,859	\$ 213,747	\$ 178,029

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$18,563.

At September 30, 2019, 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	\$ -	\$ 11,198
Changes in actuarial assumptions or other inputs	-	1,337
Contributions subsequent to the measurement date	1,670	-
Total	<u>\$ 1,670</u>	<u>\$ 12,535</u>

The City reported \$1,670 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2020	\$ (1,682)
2021	(1,682)
2022	(1,682)
2023	(1,682)
2024	(2,240)
Thereafter	<u>(3,567)</u>
Total	<u>\$ (12,535)</u>

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note M. Volunteer Firefighter Benefits: Pension - Length of Service Awards Program (LOSAP)**

The City provided pension benefits for all eligible volunteer firefighters of the City through a single-employer defined benefit LOSAP. The program began on October 1, 1990 and was established and can be amended by City Council. The program provided municipally-funded pension-like benefits at no cost to eligible volunteer firefighters. The City was the sponsor of the program. The City Council approved terminating participation in the volunteer firefighters LOSAP in fiscal year 2019.

*Contributions*

The City provided annual contributions that satisfied the required amount to fund this program. Administrative costs are financed through investment earnings.

*Plan membership*

Membership data as of the date of the plan termination are as follows:

Retirees and beneficiaries currently receiving benefits	2
Terminated plan members entitled to, but not yet receiving benefits	6
Active plan members	<u>0</u>
 Total	 <u>8</u>

Changes in the City's total pension liability (TPL) are as follows:

<u>Changes in the Volunteer Firefighter TPL</u>	
Balance at 10/1/2017	\$ 73,547
Service costs	-
Interest on total pension liability	-
Benefit payments	-
Other changes *	<u>(73,547)</u>
Balance at 10/1/2018	<u>\$ -</u>

\*The City terminated the plan in fiscal year 2019.

For the year ended September 30, 2019, the City recognized pension expense of \$36,361, which included an additional contribution in the amount of \$25,971 to cover the remaining unfunded balance of the program. This additional contribution was required in order for the City to be able to terminate participation in the program.

*Fund Balance*

The City recognized a decrease in fund balance in the amount of \$73,547 due to the City terminating involvement in the LOSAP in fiscal year 2019.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note N. Operating Leases**

The City of Lake Worth leases the following equipment:

- The City leases copiers from NovaCopy with a \$704 monthly lease payment for 60 months beginning November 1, 2014 through October 31, 2019.
- The City leases a copier from Canon with a \$218 monthly lease payment for 60 months beginning August 1, 2015 through July 31, 2020.
- The City leases copiers from UBEO, LLC with a \$24,192 annual lease payment for 5 years beginning July 8, 2019 through July 7, 2024.
- The City leases computers from Var Technology Finance with a \$12,784 annual lease payment for 4 years beginning May 10, 2017 through May 9, 2021.
- The City leases vehicles from Enterprise Fleet Management with a \$8,565 monthly lease payment for 60 months beginning June 1, 2019 through May 31, 2024, with variable beginning and ending dates based on the delivery of the vehicles to the City.

Net future minimum lease payments under the operating leases for the City of Lake Worth equipment as of September 30, 2019 are as follows:

Year Ended September 30,	Amount
2020	\$ 142,634
2021	134,426
2022	126,969
2023	126,969
2024	92,786
Total	<u>\$ 623,784</u>

Payments on the above leases of \$29,897 were included in equipment rent expense for the year ended September 30, 2019. In addition, payments on the above vehicle leases in the amount of \$28,135 were included in vehicle lease expense for the year ended September 30, 2019.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note O. Other Commitments and Contingencies**

The City of Lake Worth has the following commitments and contingencies at September 30, 2019:

- The City contracted with Progressive Waste Solutions for garbage disposal on March 7, 2016 for 60 months. The City bills directly the residential customers a set monthly rate and pays Progressive Waste Solutions monthly. In addition, the City receives a 6% franchise fee from Progressive Waste Solutions. The franchise fee is based upon the amount Progressive Waste Solutions charges the City for residential customers plus the amount billed by Progressive Waste Solutions to commercial customers. For the fiscal year ended September 30, 2019, the City expensed \$193,633 for sanitation expense.
- The City contracted with the City of Fort Worth, Texas, for the purchase of treated water and for sewage treatment. The contract for water, dated January 1, 2011 for a 20-year period, is used to supplement the water wells operated by the City. The contract for sewer is dated May 9, 2017 for a 20-year period. Charges are incurred when actual delivery occurs, and the rates are adjusted periodically. For the fiscal year ended September 30, 2019, the City's expenses in the Water and Sewer fund for water and sewer treatment were \$583,511 and \$806,833, respectively.
- The City has various contracts with Protection One Alarm Monitoring, Inc. for camera systems and access controls. The various contracts are for a 5-year period. The monthly commitment is \$418. For the fiscal year ended September 30, 2019, the City expensed \$912 for the camera systems and \$4,104 for the access controls.

**Note P. Economic Dependency**

Since the City's largest revenue in the General and Crime Control District funds is sales tax, the City's revenue may vary according to the strength of the economy of the Dallas-Fort Worth metropolitan area.

In the Water and Sewer fund, the City contracts with the City of Fort Worth, Texas for water purchases. This supplements the amounts produced from City wells and sanitary sewer treatment. During the current fiscal year, the City paid \$583,511 and \$806,833 for treated water and sewer treatment service, respectively, totaling \$1,390,344 which is 49% of the City's Water and Sewer fund total operating expenses.

**Note Q. Subsequent Events**

The City evaluated subsequent events through March 3, 2020, the date the financial statements were available to be issued, and noted the following:

On February 11, 2020, the City approved issuance of Combination Tax and Revenue Certificates of Obligation, Series 2020 in the amount of \$5,615,000. The proceeds will be used for water and sewer line replacements; the purchase of one or more fire trucks; water meter replacements, street improvements, remodeling and additions to the City's public works facility, remodeling of a part of city hall; and paying the legal, fiscal, design and engineering fees in connection with such projects.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**City of Lake Worth, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 9,027,700	\$ 9,065,381	\$ 9,108,042	\$ 42,661
Fines	469,450	366,361	383,006	16,645
Permits and fees	164,600	145,030	184,227	39,197
Intergovernmental	-	218,842	104,781	(114,061)
Charges for services	218,500	221,300	238,808	17,508
Investment earnings	143,325	183,573	260,470	76,897
Miscellaneous	370,153	596,380	877,265	280,885
Total revenues	10,393,728	10,796,867	11,156,599	359,732
<b>Expenditures</b>				
Mayor and council	15,503	31,531	10,883	20,648
General government	1,312,288	1,403,048	1,244,250	158,798
Police	2,397,308	2,490,544	2,291,694	198,850
Fire protection	2,255,689	2,307,693	2,387,434	(79,741)
Streets	919,407	1,097,591	951,191	146,400
Library	278,324	292,662	290,446	2,216
Parks and recreation	492,943	522,376	374,248	148,128
Maintenance	215,259	98,818	96,107	2,711
Senior center	150,815	105,824	102,322	3,502
Municipal court	268,073	254,306	252,144	2,162
Animal control	117,008	114,368	108,083	6,285
Emergency management	11,450	9,995	16,386	(6,391)
Permits and inspections	436,379	497,904	470,359	27,545
Informational technology	576,478	571,008	459,095	111,913
Capital outlay	275,323	3,837,905	2,632,081	1,205,824
Debt service				
Principal	31,768	31,768	6,171	25,597
Interest	3,356	3,356	766	2,590
Total expenditures	9,757,371	13,670,697	11,693,660	1,977,037
Excess (deficiency) of revenues over (under) expenditures	636,357	(2,873,830)	(537,061)	2,336,769
<b>Other financing sources (uses)</b>				
Transfers in	112,317	112,317	516,389	404,072
Transfers out	(1,333,883)	(1,497,803)	(1,138,300)	359,503
Total other financing sources	(1,221,566)	(1,385,486)	(621,911)	763,575
Change in fund balance	(585,209)	(4,259,316)	(1,158,972)	\$ 3,100,344
Elimination of fund balance for fire protection (see Note M)	-	-	(73,547)	
Total change in fund balance	(585,209)	(4,259,316)	(1,232,519)	
Fund balance, beginning of year	11,204,817	11,204,817	11,204,817	
Fund balance, end of year	\$ 10,619,608	\$ 6,945,501	\$ 9,972,298	



**City of Lake Worth, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Street Maintenance Fund**  
**For the Fiscal Year Ended September 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Investment earnings	\$ 27,000	\$ 27,000	\$ 43,807	\$ 16,807
Miscellaneous	-	-	85	85
Total revenues	27,000	27,000	43,892	16,892
<b>Expenditures</b>				
Streets	392,000	390,979	297,285	93,694
Capital outlay	175,000	176,021	176,021	-
Total expenditures	567,000	567,000	473,306	93,694
Deficiency of revenues under expenditures	(540,000)	(540,000)	(429,414)	110,586
Change in fund balance	(540,000)	(540,000)	(429,414)	\$ 110,586
Fund balance, beginning of year	2,030,322	2,030,322	2,030,322	
Fund balance, end of year	<u>\$ 1,490,322</u>	<u>\$ 1,490,322</u>	<u>\$ 1,600,908</u>	

**City of Lake Worth, Texas**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Five Fiscal Years\*\***

Texas Municipal Retirement System (TMRS)						
Measurement Date - December 31st:	2018	2017	2016	2015	2014	
<b>Total Pension Liability (a)</b>						
Beginning Balance	\$ 20,384,429	\$ 18,667,322	\$ 17,446,907	\$ 16,274,524	\$ 14,951,418	
Service cost	942,670	765,394	725,539	660,172	618,120	
Interest	1,494,158	1,263,382	1,186,749	1,144,131	1,054,569	
Change in benefit terms including substantively automatic status	1,657,837	-	-	-	-	
Difference between expected and actual experience	(967,282)	354,838	(235,459)	(36,943)	40,840	
Changes of assumptions	(755,858)	(666,507)	(456,414)	(75,228)	-	
Benefit payments, including refunds of employee contributions	-	-	-	(519,749)	(390,423)	
End of Year Balance	\$ 22,755,954	\$ 20,384,429	\$ 18,667,322	\$ 17,446,907	\$ 16,274,524	
<b>Plan Fiduciary Net Position (b)</b>						
Beginning Balance	\$ 17,395,684	\$ 14,978,269	\$ 13,590,899	\$ 13,230,933	\$ 12,109,051	
Contributions - employer	730,817	697,051	632,864	589,336	546,093	
Contributions - employee	328,456	321,577	303,290	283,336	281,189	
Net investment income	(521,374)	2,076,598	918,562	19,522	692,850	
Benefit payments, including refunds of employee contributions	(755,858)	(666,507)	(456,414)	(519,749)	(390,423)	
Administrative expense	(10,071)	(10,758)	(10,373)	(11,891)	(7,232)	
Other changes	(526)	(546)	(559)	(588)	(595)	
End of Year Balance	\$ 17,167,128	\$ 17,395,684	\$ 14,978,269	\$ 13,590,899	\$ 12,330,933	
<b>Net Pension Liability (a) - (b)</b>						
Beginning Balance	\$ 2,988,745	\$ 3,689,053	\$ 3,856,008	\$ 3,043,591	\$ 2,842,367	
Service cost	942,670	765,394	725,539	660,172	618,120	
Interest	1,494,158	1,263,382	1,186,749	1,144,131	1,054,569	
Change in benefit terms including substantively automatic status	1,657,837	-	-	(36,943)	40,840	
Difference between expected and actual experience	(967,282)	354,838	(235,459)	(36,943)	40,840	
Changes of assumptions	(730,817)	(697,051)	(632,864)	(75,228)	-	
Contributions - employer	(328,456)	(321,577)	(303,290)	(589,336)	(546,093)	
Contributions - employee	521,374	(2,076,598)	(918,562)	(283,336)	(281,189)	
Net investment income	10,071	10,758	10,373	(19,522)	(692,850)	
Administrative expense	526	546	559	11,891	7,232	
Other changes	-	-	-	588	595	
End of Year Balance	\$ 5,588,826	\$ 2,988,745	\$ 3,689,053	\$ 3,819,065	\$ 3,084,431	
<b>Plan's fiduciary net position as a percentage of the total pension liability</b>	75.44%	85.34%	80.24%	77.90%	81.30%	
Covered payroll	\$ 5,474,274	\$ 5,089,054	\$ 4,885,784	\$ 4,722,263	\$ 4,675,481	
Net pension liability as a percentage of covered payroll	102.09%	58.73%	75.51%	80.87%	65.97%	

\* The amounts presented above are as of the measurement date of the collective net pension asset (liability).

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of these financial statements.

**City of Lake Worth, Texas**  
**Schedule of Employer Contributions and Related Ratios**  
**Last Five Fiscal Years\*\***

Texas Municipal Retirement System (TMRS)						
Year Ended September 30th:	2019	2018	2017	2016	2015	
The City's actuarially determined contribution	\$ 916,965	\$ 714,470	\$ 664,926	\$ 599,053	\$ 587,081	
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	916,965	714,470	664,926	599,053	587,081	
The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 5,762,133	\$ 5,345,289	\$ 5,052,716	\$ 4,789,048	\$ 4,794,736	
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll	15.91%	13.37%	13.16%	12.51%	12.24%	
End of Year Balance						
Notes to Schedule of Contributions						

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 Years
Asset Valuation Method	10 Year smoothed market, 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Increased employee contribution rate from 6% to 7%

\* The amounts presented above are as of the City's fiscal year-end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of these financial statements.

**City of Lake Worth, Texas**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Last Measurement Year\*\***

**Texas Municipal Retirement System (TMRS)**

<b>Measurement Date - December 31st*:</b>	<b>2018</b>
Total OPEB Liability - beginning of year	\$ 226,031
Service cost	12,591
Interest	7,654
Change in benefit terms	-
Difference between expected and actual experience	(13,129)
Changes of assumptions or other inputs	(17,210)
Benefit payments***	(2,190)
Net changes	(12,284)
End of Year Balance	<u>\$ 213,747</u>
Covered payroll	\$ 5,474,274
Total OPEB liability as a percentage of covered payroll	3.90%

\* The amounts presented above are as of the measurement date of the collective total OPEB asset (liability).

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**City of Lake Worth, Texas**  
**Schedule of OPEB Contributions and Related Ratios**  
**Last Measurement Year\*\***

**Texas Municipal Retirement System (TMRS)**

<b>Year Ended September 30th*:</b>	<b>2019</b>
The City's actuarially determined contribution	\$ 2,305
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	<u>2,305</u>
The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution	<u>\$ -</u>
 Covered payroll	 \$ 5,762,133
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered payroll	0.04%
End of Year Balance	

**Notes to Schedule of Contributions**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Asset Valuation Method	No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Discount Rate***	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
 Mortality rates - service retirees	 RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* The amounts presented above are as of the City's fiscal year-end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**City of Lake Worth, Texas**  
**Schedule of Changes in Total Pension Liability and**  
**Schedule of Total Pension Liability and Related Ratios**  
**for Volunteer Firefighters**  
**Last Three Fiscal Years \*\***

**Length of Service Awards Program (LOSAP) for Volunteer Firefighters**

**Schedule of Changes in Total Pension Liability**

<b>Measurement Date - October 1st*:</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Beginning Balance	\$ 73,547	\$ 69,659	\$ 66,997
Service cost	-	1,090	1,306
Interest on total pension liability	-	5,006	4,735
Benefit payments	-	(3,000)	(3,440)
Other changes **	(73,547)	792	61
End of Year Balance	<u>\$ -</u>	<u>\$ 73,547</u>	<u>\$ 69,659</u>

**Schedule of Total Pension Liability and Related Ratios**

<b>Measurement Date - October 1st*:</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total pension liability	\$ -	\$ 73,547	\$ 69,659
Covered payroll	\$ -	\$ -	\$ -
Total pension liability as a percentage of covered payroll	N/A	N/A	N/A

**Notes to Above Schedules**

\* The amounts presented above are as of the measurement date of the collective net pension asset (liability).

\*\* Schedule is intended to show information for 10 years. The City terminated the LOSAP pension plan in the current fiscal year. See Note M: Volunteer Firefighter Benefits in the Notes to the Financial Statements for information.



**City of Lake Worth, Texas**  
**Schedule for Governments Using Modified Approach for Infrastructure**

Condition Rating Percentage	Goal	Square Feet of Roadway August 31, 2019	
		Number	Percentage
At least 0-1	10%	-	0.0000%
At least 2-3	60%	3,691,085	67.8485%
At least 3-4	30%	1,405,792	25.8409%
At least 4	0%	343,312	6.3107%

The City adopted a one-quarter sales tax effective July 1, 2005 to help keep their roads in compliance with their goals.

Comparison of Estimated-to-Actual Maintenance/Preservation					
	2019	2018	2017	2016	2015
Estimated	\$ 1,488,570	\$ 1,166,615	\$ 1,155,567	\$ 1,267,301	\$ 1,049,925
Actual	1,248,476	1,005,685	964,848	1,079,561	932,156

At least every three years the City will perform an examination of their roads and rate the status. The City did not rate the roads in the 2018, 2016, 2015, or 2013 fiscal years. In fiscal year 2019, the City adopted new criteria for rating the condition of roadways. See the previous two examinations using the old criteria on page 68. The status of the City's roads are rated according to the following new criteria:

Surface Rating	Visible Distress	General Condition Treatment Measures
0 Excellent	None	New Construction
1 Very Good	No longitudinal cracks except reflection of paving joints, occasional transverse cracks, widely spread (40' or greater).	Recent seal coat or new road mix. Little or no maintenance required.
2 Good	Very slight or no raveling, surface shows some traffic wear. Longitudinal cracks (open 1/4") due to reflection or paving joints. Transverse cracks (open 1/4") spaced 10 feet or more apart and little or slight cracking. No patching or very few patches in good to excellent condition.	First signs of aging maintain with routine crack filling. Seal coat may be needed to extend life.
3 OK	Slight raveling (loss of line) and traffic wear. Longitudinal cracks (open 1/4" - 1/2") due to reflection and paving joints. Transverse cracks (open 1/4" - 1/2") some spaced less than 10 feet. Slight to moderate flushing or polishing. Occasional patching in good condition.	Show signs of aging, sound structural condition could extend life with seal coat.
3 to 4 Average	Moderate to severe raveling (loss of lines and coarse aggregate). Longitudinal cracks (open 1/2") show some slight raveling and secondary cracks. First signs of longitudinal cracks near wheel path or edge. Transverse cracking and first signs of block cracking. Slight crack raveling (open 1/2"). Extensive to severe flushing or polishing. Some patching or edge wedging in good condition.	Surface aging, sound structural condition, needs seal coating or non-structural overlay.
4 Needs Improvement	Closely spaced longitudinal and transverse cracks often showing raveling and crack erosion. Block cracking over 50% of surface. Some alligator cracking (less than 25% of surface). Patches in fair to poor condition. Moderate rutting or distortion (1" or 2" deep). Occasional potholes.	Need patching and major overlay or complete recycling.
5 Bad	Alligator cracking (over 25% of surface). Severe distortions (over 2" deep). Extensive patching in poor condition and potholes. Severe distress with extensive loss of surface integrity.	Need patching and major overlay, complete recycling, or total reconstruction.

# City of Lake Worth, Texas Schedule for Governments Using Modified Approach for Infrastructure

Condition Rating	Percentage	Goal	Square Feet of Roadway February 28, 2017		Square Feet of Roadway September 30, 2014	
			Number	Percentage	Number	Percentage
At least 1	0%		562,945	9.1222%	200,527	3.2886%
At least 2-4	30%		1,192,517	19.3241%	463,370	7.6014%
At least 5-7	60%		2,438,939	39.5217%	2,514,021	41.2417%
At least 8-10	10%		1,976,734	32.0319%	2,917,902	47.8673%

The City adopted a one-quarter sales tax effective July 1, 2005 to help keep their roads in compliance with their goals.

The City adopted a new condition rating criteria in fiscal year 2019. See new rating criteria on page 67. The status of the City's roads were previously rated according to the following criteria:

Surface Rating	Visible Distress	General Condition Treatment Measures	Surface Rating	Visible Distress	General Condition Treatment Measures
10 Excellent	None	New Construction	5 Fair	Moderate to severe raveling (loss of lines and coarse aggregate). Longitudinal cracks (open 1/2") show some slight raveling and secondary cracks. First signs of longitudinal cracks near wheel path or edge. Transverse cracking and first signs of block cracking. Slight crack raveling (open 1/2"). Extensive to severe flushing or polishing. Some patching or edge wedging in good condition.	Surface aging, sound structural condition, needs seal coating or non-structural overlay
9 Excellent	None	Recent overlay, like new	4 Fair	Severe surface raveling. Multiple longitudinal and transverse cracking with slight raveling. Block cracking (over 25-50% of surface). Patching in fair condition. Slight rutting or distortions (1" deep or less).	Significant aging and first signs of need for strengthening. Would benefit from recycling or overlay
8 Very Good	No longitudinal cracks except reflection of paving joints, occasional transverse cracks, widely spread (40' or greater).	Recent seal coat or new road mix. Little or no maintenance required.	3 Poor	Closely spaced longitudinal and transverse cracks often showing raveling and crack erosion. Block cracking over 50% of surface. Some alligator cracking (less than 25% of surface). Patches in fair to poor condition. Moderate rutting or distortion (1" or 2" deep). Occasional potholes.	Need patching and major overlay or complete recycling.
7 Good	Very slight or no raveling, surface shows some traffic wear. Longitudinal cracks (open 1/4") spaced due to reflection or paving joints. Transverse cracks (open 1/4") spaced 10 feet or more apart and little or slight cracking. No patching or very few patches in excellent condition.	First signs of aging maintain with routine crack filling	2 Very Poor	Alligator cracking (over 25% of surface). Severe distortions (over 2" deep). Extensive patching in poor condition and potholes.	Severe deterioration, need reconstruction with extensive base repair.
6 Good	Slight raveling (loss of line) and traffic wear. Longitudinal cracks (open 1/4" - 1/2") due to reflection and paving joints. Transverse cracks (open 1/4" - 1/2") some spaced less than 10 feet. Slight to moderate flushing or polishing. Occasional patching in good condition.	Show signs of aging, sound structural condition could extend life with seal coat.	1 Failed	Severe distress with extensive loss of surface integrity.	Failed, needs total reconstruction.

## **SUPPLEMENTARY INFORMATION**

**City of Lake Worth, Texas**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2019**

	Crime Control District Fund	Public Educational Government Channel Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 34,052	\$ -	\$ -	\$ 34,052
Investments	522,307	85,541	4,196	612,044
Accounts receivables	-	2,180	-	2,180
Due from other governments	75,890	-	-	75,890
Prepaid expenses	3,477	-	-	3,477
<b>Total assets</b>	<b>\$ 635,726</b>	<b>\$ 87,721</b>	<b>\$ 4,196</b>	<b>\$ 727,643</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 42,204	\$ -	\$ -	\$ 42,204
Accrued liabilities	33,914	-	-	33,914
Due to other funds	3,548	-	-	3,548
<b>Total liabilities</b>	<b>79,666</b>	<b>-</b>	<b>-</b>	<b>79,666</b>
<b>Fund balances:</b>				
Non-spendable for prepaid expenses	3,477	-	-	3,477
Restricted for:				
Crime control	459,960	-	-	459,960
Public educational government channel	-	87,721	-	87,721
Capital projects	-	-	4,196	4,196
Committed for:				
Crime control	83,512	-	-	83,512
Assigned for:				
Crime control	9,111	-	-	9,111
<b>Total fund balances</b>	<b>556,060</b>	<b>87,721</b>	<b>4,196</b>	<b>647,977</b>
<b>Total liabilities and fund balances</b>	<b>\$ 635,726</b>	<b>\$ 87,721</b>	<b>\$ 4,196</b>	<b>\$ 727,643</b>

**City of Lake Worth, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended September 30, 2019**

	<b>Crime Control District Fund</b>	<b>Public Educational Government Channel Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Sales tax	\$ 1,051,547	\$ -	\$ -	\$ 1,051,547
Investment earnings	12,990	1,977	1,019	15,986
Miscellaneous	112,952	8,729	-	121,681
Total revenues	1,177,489	10,706	1,019	1,189,214
<b>Expenditures</b>				
Police	1,053,806	-	-	1,053,806
Capital outlay	98,988	-	-	98,988
Total expenditures	1,152,794	-	-	1,152,794
Excess of revenues over expenditures	24,695	10,706	1,019	36,420
Other financing sources (uses)				
Transfers in	6,240	-	-	6,240
Transfers out	(153,423)	-	(50,000)	(203,423)
Total other financing sources (uses)	(147,183)	-	(50,000)	(197,183)
Changes in fund balances	(122,488)	10,706	(48,981)	(160,763)
Fund balances, beginning of year	678,548	77,015	53,177	808,740
Fund balances, end of year	<u>\$ 556,060</u>	<u>\$ 87,721</u>	<u>\$ 4,196</u>	<u>\$ 647,977</u>



**SNOWGARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**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 and City Council  
City of Lake Worth, 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 the City of Lake Worth, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Lake Worth, Texas' basic financial statements, and have issued our report thereon dated March 3, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Lake Worth, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Worth, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Worth, Texas' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams  
March 3, 2020