

CITY OF LAKE WORTH, TEXAS

**Annual Financial Report
For the Fiscal Year Ended September 30, 2020**

City of Lake Worth, Texas
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For the Fiscal Year Ended September 30, 2020

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

2020 City Council

Walter Bowen, Mayor

Geoffrey White, Mayor Pro Tem

Jim Smith

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the net pension liability and related ratios, schedule of employer pension contributions and related ratios, 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 8, 2021, 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 8, 2021

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, 2020. 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 2020 by \$54,575,646 (*net position*). Of this amount, \$3,652,211 is restricted for specific purposes and \$6,605,339 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 \$44,318,096 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 \$17,380,088, of which \$7,960,258 represents restricted fund balance, \$119,523 represents committed fund balance, \$734,109 represents assigned fund balance, \$9,803 represents non-spendable fund balance, and \$8,556,395 represents unassigned fund balance.
- The general fund unassigned fund balance of \$8,556,395 equals 79% of total general fund expenditures.
- The City's total long-term liabilities increased by \$3,428,046 during the current fiscal year primarily as a result of the issuance of new certificates of obligation, offset by scheduled annual debt service payments and a decrease in the net pension liability.

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 eight individual governmental funds, which includes five 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, the Debt Service Fund and the Capital Projects 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 56 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 \$54,575,646 as of September 30, 2020.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 18,343,982	\$ 13,654,467	\$ 2,717,052	\$ 2,290,688	\$ 21,061,034	\$ 15,945,155
Capital assets, net of depreciation	41,111,518	41,469,957	14,730,567	12,054,706	55,842,085	53,524,663
Total assets	59,455,500	55,124,424	17,447,619	14,345,394	76,903,119	69,469,818
Deferred outflows of resources	268,920	1,142,383	2,035	52,470	270,955	1,194,853
Long-term liabilities	20,562,447	17,060,705	460,652	534,348	21,023,099	17,595,053
Other liabilities	987,238	1,333,060	423,153	573,221	1,410,391	1,906,281
Total liabilities	21,549,685	18,393,765	883,805	1,107,569	22,433,490	19,501,334
Deferred inflows of resources	153,138	19,306	11,800	509	164,938	19,815
Net position:						
Net Investment in capital assets	29,737,529	30,242,665	14,580,567	11,890,706	44,318,096	42,133,371
Restricted	3,652,211	3,772,340	-	-	3,652,211	3,772,340
Unrestricted	4,631,857	3,838,731	1,973,482	1,399,080	6,605,339	5,237,811
Total Net Position	\$ 38,021,597	\$ 37,853,736	\$ 16,554,049	\$ 13,289,786	\$ 54,575,646	\$ 51,143,522

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 \$44,318,096. 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 \$3,652,211 (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 \$6,605,339 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 \$3,432,124 during the current fiscal year. The City's governmental activities increased net position by \$167,861. The total cost of all governmental activities this year was \$11,864,089. The amount that taxpayers paid for these activities through property taxes was \$2,199,271, or 19%. The City's business-type activities increased net position by \$3,264,263. The total cost of all business-type activities for fiscal year 2020 was \$2,560,514.

City of Lake Worth, Texas

Management's Discussion and Analysis

City of Lake Worth's Changes in Net Position

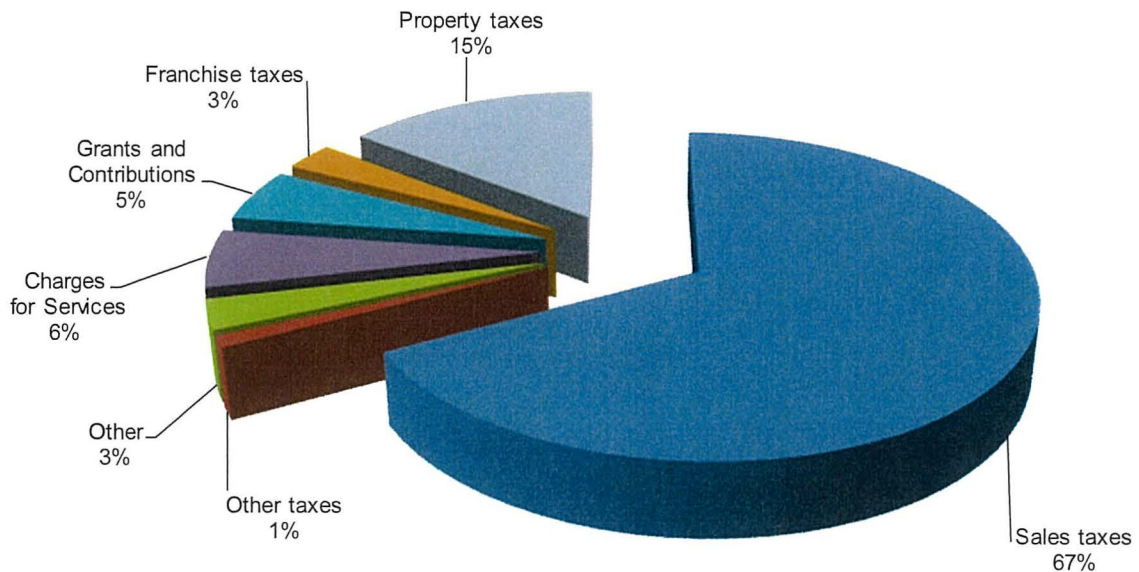
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 883,480	\$ 829,846	\$ 2,620,889	\$ 2,639,855	\$ 3,504,369	\$ 3,469,701
Operating grants and contributions	811,084	483,785	-	-	811,084	483,785
Capital grants and contributions	-	-	175,840	-	175,840	-
General revenues:						
Property taxes	2,199,271	2,161,533	-	-	2,199,271	2,161,533
Retail sales tax	10,169,219	8,502,636	-	-	10,169,219	8,502,636
Franchise taxes	428,065	467,256	-	-	428,065	467,256
Other taxes	172,638	241,486	-	-	172,638	241,486
Other	453,867	930,326	81,023	75,633	534,890	1,005,959
Gain (loss) on disposal of assets	(141,105)	(179,619)	2,456	3,700	(138,649)	(175,919)
Total revenues	14,976,519	13,437,249	2,880,208	2,719,188	17,856,727	16,156,437
Expenses:						
Mayor and council	19,314	14,543	-	-	19,314	14,543
General government	1,703,838	1,621,752	-	-	1,703,838	1,621,752
Police	3,545,406	4,186,055	-	-	3,545,406	4,186,055
Fire protection	2,602,851	2,808,672	-	-	2,602,851	2,808,672
Streets	1,328,724	1,456,288	-	-	1,328,724	1,456,288
Library	314,633	357,050	-	-	314,633	357,050
Parks and recreation	560,945	593,518	-	-	560,945	593,518
Maintenance	72,261	133,446	-	-	72,261	133,446
Senior center	107,941	129,606	-	-	107,941	129,606
Municipal court	247,378	293,430	-	-	247,378	293,430
Animal control	187,420	148,572	-	-	187,420	148,572
Emergency management	10,367	16,386	-	-	10,367	16,386
Permits and inspections	397,749	557,621	-	-	397,749	557,621
Information technology	478,471	532,053	-	-	478,471	532,053
Interest and fiscal charges	286,791	294,308	-	-	286,791	294,308
Water and sewer	-	-	2,560,514	2,862,252	2,560,514	2,862,252
Total expenses	11,864,089	13,143,300	2,560,514	2,862,252	14,424,603	16,005,552
Increase (decrease) in net position before transfers	3,112,430	293,949	319,694	(143,064)	3,432,124	150,885
Transfers	(2,944,569)	(395,151)	2,944,569	395,151	-	-
Increase (decrease) in net position	167,861	(101,202)	3,264,263	252,087	3,432,124	150,885
Elimination of fund balance	-	(73,547)	-	-	-	(73,547)
Total increase (decrease) in net position	167,861	(174,749)	3,264,263	252,087	3,432,124	77,338
Net position, beginning of year	37,853,736	38,222,911	13,289,786	13,049,945	51,143,522	51,272,856
Prior period adjustment	-	(194,426)	-	(12,246)	-	(206,672)
Net position, beginning of year, restated	37,853,736	38,028,485	13,289,786	13,037,699	51,143,522	51,066,184
Net position, end of year	\$ 38,021,597	\$ 37,853,736	\$ 16,554,049	\$ 13,289,786	\$ 54,575,646	\$ 51,143,522

Governmental activities. Governmental activities increased the City's net position by \$167,861. Key elements of this decrease are as follows:

- Increase in other general revenues due a 20% increase in sales taxes; and
- Decrease of approximately 10% in expenses primarily due to a decrease in the net pension liability.

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 \$3,264,263.

Operating revenue decreased by \$18,966 from the prior year primarily due to a decrease in water and sewer sales. Operating expenses decreased by \$299,024 from the prior year primarily due to an decrease in water purchases and sewer disposal charges. Transfers in from governmental activities increased by \$2,549,418 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 \$17,380,088, which is an increase of \$5,065,828 in comparison with the prior year. \$8,556,395 or 49% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. Assigned fund balance is \$734,109, committed fund balance is \$119,523 and non-spendable fund balance is \$9,803. 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 (\$43,498), and to fund capital projects (\$4,334,415), street maintenance (\$1,304,107), crime control (\$734,017), public educational government channel (\$96,301), parks and recreation (\$232,480), hotels/motels (\$1,088,384) and other City related expenditures (\$127,056).

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 \$10,859,171, of which \$8,556,395 represented unassigned fund balance, or 79% 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 79%, or approximately 288 days of total fund expenditures.

The fund balance of the City's general fund increased by \$886,873 during the current fiscal year.

- Total revenues in the general fund increased by \$1,371,778, or 12.3%. The increase is primarily due to an increase in sales tax received.
- Total expenditures in the general fund decreased by \$855,937, or 7.3%. The decrease is primarily due to a decrease in capital outlay.

GENERAL FUND BUDGETARY HIGHLIGHTS

Property tax revenue exceeded the budgeted amount due in part to a collection rate for the year of 98.86%, while the budget assumed a 98% collection rate. In addition, property values estimated for budget calculations were \$3,160,644 less than actual valuations levied for the year.

Health insurance costs and HSA contributions were 6% under budget. Most of the cost savings was due to unfilled positions during the year. Also attributable to unfilled positions was a budget savings of \$82,695 in salaries.

Despite the COVID-19 pandemic, sales tax revenues were up 3.06% over budget projections due to the type of retail operating in the City. Many Lake Worth retailers are considered "essential businesses", therefore most did not shut down operations and likely experienced increased sales. Lake Worth also has numerous fast-food restaurants, most of which continued operating their drive-thrus during the shutdowns mandated early in the pandemic.

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, 2020, amounts to \$55,842,085 (net of accumulated depreciation). Investments in capital assets related to governmental activities (\$41,111,518) 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 (\$14,730,567) 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

- New Pierce Velocity 107-foot Ascendant Aerial ladder truck ordered and its expected completion is summer 2021;
- Twenty-one (21) Scott SCBA's (Self Contained Breathing Apparatus);
- Three (3) Lifeline Arm devices (that allow for hands-free administration of chest compressions); and
- Two (2) Zoll AED defibrillators.

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

Police Department

- Development and installation of National Incident-Based Reporting System (NIBRS); and
- Dispatch remodel.

Administration & Information Technology

- Construction of a new records storage building, including restructuring the PD parking lot with the addition of covered parking area;
- Roof repairs required due to storm damage at several City facilities;
- Automatic doors were installed at the main entrance of City Hall; and
- City Hall, Conference Room, and Kitchen/Break Room remodel started in February 2021 and is expected to be completed during the summer of 2021.

Street Department

- Public Works facility remodel started in February 2021 and is expected to be completed in the summer of 2021; and
- Numerous concrete curb and gutter replacement projects.

Library

- Automatic doors were installed at the main entrance of the library.

Parks

- Construction began for a Lake Worth monument sign located on east bound Loop 820; and
- Purchase of a Gator tractor.

Water Sewer Fund

- 16" Force main replacement project was completed;
- Hiawatha Trail utilities project, Phase I continued through 2020 and was completed in early 2021;
- Began Hiawatha Trail utilities project, Phase II in late 2020;
- Shawnee and Mohawk Trails sewer line improvements completed in the fall of 2020;
- Water system SCADA (Supervisory Control and Data Acquisition) upgrade; and
- Edgemere lift station sewer pump was replaced.

Animal Control

- Building remodel and foundation repairs were completed.

Capital projects budgeted and under way, but not completed as of September 30th include phase one and two of Hiawatha Trail utilities and a fire department ladder truck.

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	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,729,334	\$ 1,729,344	\$ 46,240	\$ 46,240	\$ 1,775,574	\$ 1,775,584
Construction in progress	1,455,586	2,605,427	608,836	312,388	2,064,422	2,917,815
Buildings and improvements	9,960,319	9,242,400	102,003	107,215	10,062,322	9,349,615
Infrastructure	24,678,418	24,457,518	-	-	24,678,418	24,457,518
Water and sewer system	-	-	13,311,146	10,857,044	13,311,146	10,857,044
Equipment and vehicles	3,134,503	3,236,722	662,342	731,819	3,796,845	3,968,541
Office furniture and fixtures	153,358	198,556	-	-	153,358	198,556
Total	\$ 41,111,518	\$ 41,469,967	\$ 14,730,567	\$ 12,054,706	\$ 55,842,085	\$ 53,524,673

Additional information on the City's capital assets can be found in Note G on pages 39 and 40 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 30th 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 30th 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 2020, the City estimated that \$1,701,537 was needed to meet this goal. The actual amount used for maintenance and preservation of the City's roads was \$1,246,294.

Additional information on road condition data is included in the schedule on pages 63 and 64 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of:

City of Lake Worth's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 9,455,000	\$ -	\$ 9,455,000
Certificates of obligation	5,615,000	-	5,615,000
Utility system revenue bonds	-	150,000	150,000
Premium on debt issued	638,404	-	638,404
Net pension liability	4,177,126	272,213	4,449,339
Compensated absences	413,214	21,658	434,872
Total OPEB liability	263,703	16,781	280,484
	<u>\$ 20,562,447</u>	<u>\$ 460,652</u>	<u>\$ 21,023,099</u>
Total	<u>\$ 20,562,447</u>	<u>\$ 460,652</u>	<u>\$ 21,023,099</u>

The City's total long-term debt increased by a net amount of \$3,428,046 during the current fiscal year. Long-term debt related to governmental activities increased by \$3,501,742 primarily as a result of the issuing new certificates of obligation. Long-term debt related to business-type activities decreased by \$73,696 primarily as a result of 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 2019-2020 was \$0.413577 per \$100 assessed valuation, of which \$0.191615 was for maintenance and operations and \$0.221962 was for debt service.

Additional information on the City's long-term debt can be found in Note H on pages 41 through 43 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 2021, the City Council and administration considered the following factors:

Although the City fared well economically through the end of September 2020, City leadership prepared the FY 2021 budget with strong considerations for the economic uncertainty that exists with the COVID-19 pandemic. Sales tax revenues were budgeted at 14% lower than the FY 2020 totals.

City of Lake Worth, Texas

Management's Discussion and Analysis

Property tax revenues are budgeted to increase by 6.75% in the General Fund, mostly attributable to increased property values. For the budget year ended 09/30/20 the property tax revenue was based on net taxable values totaling \$526,376,347 and a Maintenance and Operations tax rate of 0.191615 per \$100 valuation. For the 2021 budget year the property tax revenue budget was based on net taxable values totaling \$540,867,020 and a Maintenance and Operations tax rate of 0.202000 per \$100 valuation.

General Fund budgeted expenses for fiscal year 2021 are approximately 20% less than estimated totals for the previous budget year. No capital purchases were included in the budget and operating expenses were reduced where possible, including deferring hiring for vacant positions until the second quarter of the year and reducing other miscellaneous operating expenses. These precautions were directly related to the Novel Coronavirus 19 Pandemic.

Compared to estimated totals for the fiscal year ended September 30, 2020, the Water/Sewer Fund budget reflects a 3.86% increase in revenues and a 5.43% decrease in expenses. The increase in revenue is due to an increase in service fees as the City attempts to generate revenues sufficient to make much needed improvements to the water/sewer infrastructure. The decrease in expenses is due to a decrease in budgeted capital expenses.

On February 11, 2020, the City Council approved \$5.615 million of certificates of obligation ("CO's") to fund a new ladder truck for the Fire Department, facility remodels for Public Works and City Hall, city-wide water meter replacements, and completion of the Hiawatha Trail utility replacement project. The City received 7 bids from different financial firms to purchase the CO's. The final true interest cost (average interest rate) was 1.72% which is fixed over the twenty-year term of the CO's. Additionally, the purchaser of the CO's bid with a net premium of \$215,081.65 which allowed the City to sell less principal than necessary to fund its projects. As a part of the debt issuance process, the City's AA- credit rating was reviewed and subsequently affirmed by Standard and Poor's.

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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 177,379	\$ 88,960	\$ 266,339
Investments	16,549,327	1,780,550	18,329,877
Receivables (net of allowances for uncollectibles of \$35,022)			
Accounts	1,859	387,712	389,571
Property taxes	43,684	-	43,684
Other	159,821	2,868	162,689
Due from other governments	1,622,843	-	1,622,843
Internal balances	(221,292)	221,292	-
Prepaid expenses	9,803	-	9,803
Restricted investments	558	235,670	236,228
Capital assets			
Infrastructure using modified approach	24,678,418	-	24,678,418
Land and construction in progress	3,184,920	655,076	3,839,996
Other capital assets, net of depreciation	13,248,180	14,075,491	27,323,671
Total capital assets	41,111,518	14,730,567	55,842,085
Total assets	59,455,500	17,447,619	76,903,119
Deferred outflows of resources			
Deferred loss on refunding	239,018	-	239,018
Deferred outflows of resources - OPEB	29,902	2,035	31,937
Total deferred outflows of resources	268,920	2,035	270,955
Liabilities			
Accounts payable and accrued expenses	866,479	204,925	1,071,404
Interest payable	67,028	-	67,028
Payable from restricted funds:			
Customer deposits	558	204,870	205,428
Due to other governments	53,173	13,358	66,531
Long-term liabilities			
Due within one year	2,106,450	36,658	2,143,108
Due in more than one year	18,455,997	423,994	18,879,991
Total liabilities	21,549,685	883,805	22,433,490
Deferred inflows of resources			
Deferred inflows of resources - pension	151,856	11,800	163,656
Deferred inflows of resources - other	1,282	-	1,282
Total deferred inflows of resources	153,138	11,800	164,938
Net position			
Net investment in capital assets	29,737,529	14,580,567	44,318,096
Restricted for:			
Debt service	66,943	-	66,943
Street maintenance	1,304,107	-	1,304,107
Crime control	736,940	-	736,940
Public educational government channel	96,301	-	96,301
Parks and recreation	232,480	-	232,480
Hotel/motel	1,088,384	-	1,088,384
Other	127,056	-	127,056
Unrestricted	4,631,857	1,973,482	6,605,339
Total net position	\$ 38,021,597	\$ 16,554,049	\$ 54,575,646

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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities							
Mayor and council	\$ 19,314	\$ -	\$ -	\$ -	\$ (19,314)	\$ -	\$ (19,314)
General government	1,703,838	77,248	150,822	-	(1,475,768)	-	(1,475,768)
Police	3,545,406	390,496	290,894	-	(2,864,016)	-	(2,864,016)
Fire protection	2,602,851	-	352,084	-	(2,250,767)	-	(2,250,767)
Streets	1,328,724	-	-	-	(1,328,724)	-	(1,328,724)
Library	314,633	1,384	2,090	-	(311,159)	-	(311,159)
Parks and recreation	560,945	11,957	14,463	-	(534,525)	-	(534,525)
Maintenance	72,261	203,517	-	-	131,256	-	131,256
Senior center	107,941	-	321	-	(107,620)	-	(107,620)
Municipal court	247,378	18,824	-	-	(228,554)	-	(228,554)
Animal control	187,420	10,247	410	-	(176,763)	-	(176,763)
Emergency management	10,367	-	-	-	(10,367)	-	(10,367)
Permits and inspections	397,749	169,807	-	-	(227,942)	-	(227,942)
Informational technology	478,471	-	-	-	(478,471)	-	(478,471)
Interest and fiscal charges	286,791	-	-	-	(286,791)	-	(286,791)
Total governmental activities	11,864,089	883,480	811,084	-	(10,169,525)	-	(10,169,525)
Business-type activities							
Water and sewer	2,560,514	2,620,889	-	175,840	-	236,215	236,215
Total business-type activities	2,560,514	2,620,889	-	175,840	-	236,215	236,215
Total primary government	\$ 14,424,603	\$ 3,504,369	\$ 811,084	\$ 175,840	(10,169,525)	236,215	(9,933,310)
General revenues and transfers:							
Taxes							
Property					2,199,271	-	2,199,271
Retail sales					10,169,219	-	10,169,219
Franchise					428,065	-	428,065
Hotel					145,084	-	145,084
Mixed beverage					27,554	-	27,554
Interest					127,400	15,263	142,663
Gain (loss) on sale of assets					(141,105)	2,456	(138,649)
Other					326,467	65,760	392,227
Transfers					(2,944,569)	2,944,569	-
Total general revenues and transfers					10,337,386	3,028,048	13,365,434
Change in net position					167,861	3,264,263	3,432,124
Net position, beginning of year					37,853,736	13,289,786	51,143,522
Net position, end of year					\$ 38,021,597	\$ 16,554,049	\$ 54,575,646

City of Lake Worth, Texas
Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Street Maintenance Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 137,866	\$ -	\$ 4,126	\$ -	\$ 35,387	\$ 177,379
Investments	10,043,007	1,418,951	39,376	4,390,579	657,972	16,549,885
Receivables						
Property taxes (net of allowances for uncollectibles of \$32,655)	20,239	-	23,445	-	-	43,684
Accounts	-	-	-	-	1,859	1,859
Other	155,535	-	-	4,286	-	159,821
Due from other governments	1,423,008	-	-	-	199,835	1,622,843
Due from other funds	11,957	-	-	-	-	11,957
Prepaid expenses	6,430	-	450	-	2,923	9,803
Total assets	\$ 11,798,042	\$ 1,418,951	\$ 67,397	\$ 4,394,865	\$ 897,976	\$ 18,577,231
Liabilities						
Accounts payable	\$ 309,041	\$ 114,844	\$ 4	\$ 60,450	\$ 12,756	\$ 497,095
Accrued liabilities	333,022	-	-	-	36,362	369,384
Due to other governments	53,173	-	-	-	-	53,173
Due to other funds	222,838	-	-	-	10,411	233,249
Deposits	558	-	-	-	-	558
Total liabilities	918,632	114,844	4	60,450	59,529	1,153,459
Deferred inflows of resources						
Unavailable revenue - property taxes	20,239	-	23,445	-	-	43,684
Total deferred inflows of resources	20,239	-	23,445	-	-	43,684
Fund balances						
Non-spendable for:						
Prepaid expenses	6,430	-	450	-	2,923	9,803
Restricted for:						
Debt service	-	-	43,498	-	-	43,498
Capital projects	-	-	-	4,334,415	-	4,334,415
Street maintenance	-	1,304,107	-	-	-	1,304,107
Crime control	-	-	-	-	734,017	734,017
Public educational government channel	-	-	-	-	96,301	96,301
Parks and recreation	232,480	-	-	-	-	232,480
Hotel/motel	1,088,384	-	-	-	-	1,088,384
Other	121,850	-	-	-	5,206	127,056
Committed for:						
Fire protection / truck maintenance	52,175	-	-	-	-	52,175
Animal control equipment and facilities	2,009	-	-	-	-	2,009
Fire department vehicles and equipment	65,339	-	-	-	-	65,339
Assigned for:						
Building improvements	167,750	-	-	-	-	167,750
Utility project	164,959	-	-	-	-	164,959
Parks and recreation	173,826	-	-	-	-	173,826
Vehicle replacement	227,574	-	-	-	-	227,574
Unassigned	8,556,395	-	-	-	-	8,556,395
Total fund balances	10,859,171	1,304,107	43,948	4,334,415	838,447	17,380,088
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,798,042	\$ 1,418,951	\$ 67,397	\$ 4,394,865	\$ 897,976	
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.						41,111,518
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.						268,920
Deferred inflows of resources are not financial resources and, therefore, are not reported in the funds.						(153,138)
Property taxes receivable, net of allowance, are not available to pay for current period expenditures and, therefore, are deferred in the funds.						43,684
Some liabilities, including general obligation bonds, accrued interest payable, certificates of obligation, premiums on debt, capital leases, 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.						(20,629,475)
Net position of governmental activities - statement of net position						\$ 38,021,597

City of Lake Worth, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
September 30, 2020

	General Fund	Street Maintenance Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 10,530,709	\$ -	\$ 1,180,998	\$ -	\$ 1,257,486	\$ 12,969,193
Fines	391,880	-	-	-	-	391,880
Permits and fees	247,115	-	-	-	-	247,115
Intergovernmental	319,213	-	-	-	-	319,213
Charges for services	215,474	-	-	-	-	215,474
Investment earnings	94,173	15,277	5,402	7,519	5,029	127,400
Miscellaneous	729,813	60	-	-	117,478	847,351
Total revenues	12,528,377	15,337	1,186,400	7,519	1,379,993	15,117,626
Expenditures						
Current						
Mayor and council	13,769	-	-	-	-	13,769
General government	1,381,301	-	-	137,188	-	1,518,489
Police	2,336,910	-	-	-	1,015,636	3,352,546
Fire protection	2,448,163	-	-	-	-	2,448,163
Streets	921,660	324,634	-	-	-	1,246,294
Library	304,205	-	-	-	-	304,205
Parks and recreation	409,572	-	-	-	-	409,572
Maintenance	69,331	-	-	-	-	69,331
Senior center	98,114	-	-	-	-	98,114
Municipal court	237,616	-	-	-	-	237,616
Animal control	162,818	-	-	-	-	162,818
Emergency management	10,367	-	-	-	-	10,367
Permits and inspections	398,480	-	-	-	-	398,480
Informational technology	452,072	-	-	-	-	452,072
Capital outlay	1,586,485	188,111	-	1,280,398	104,436	3,159,430
Debt service						
Principal	6,715	-	1,255,000	-	-	1,261,715
Interest	145	-	328,215	-	-	328,360
Total expenditures	10,837,723	512,745	1,583,215	1,417,586	1,120,072	15,471,341
Excess (deficiency) of revenues over (under) expenditures	1,690,654	(497,408)	(396,815)	(1,410,067)	259,921	(353,715)
Other financing sources (uses)						
Transfers in	233,182	200,607	347,686	-	19,825	801,300
Transfers out	(1,036,963)	-	-	(89,796)	(85,080)	(1,211,839)
Proceeds from issuance of certificates of obligation	-	-	-	5,615,000	-	5,615,000
Premium on issuance of certificates of obligation	-	-	-	215,082	-	215,082
Total other financing sources (uses)	(803,781)	200,607	347,686	5,740,286	(65,255)	5,419,543
Total changes in fund balances	886,873	(296,801)	(49,129)	4,330,219	194,666	5,065,828
Fund balance, beginning of year	9,972,298	1,600,908	93,077	4,196	643,781	12,314,260
Fund balances, end of year	\$ 10,859,171	\$ 1,304,107	\$ 43,948	\$ 4,334,415	\$ 838,447	\$ 17,380,088

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, 2020

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

Net change in fund balances - total governmental funds	\$	5,065,828
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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	\$	3,159,430	
Depreciation expense		(842,734)	
Transfer of capital assets to Water and Sewer Fund		<u>(2,534,031)</u>	(217,335)

The loss on the disposal of capital assets reported in the statement of activities is not reported in governmental funds.

Loss on sales of assets		(141,105)
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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	\$	(34,782)	
Accrued interest		(22,823)	
Amortization of premium on debt		91,451	
Amortization of deferred loss on refunding		(27,059)	
Net pension liability		1,072,724	
Total OPEB liability		<u>(62,768)</u>	1,016,743

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.

(1,028,161)

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.

40,258

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.

Certificate of Obligation proceeds	(5,615,000)		
Principal repayments			
Bonds	1,255,000		
Capital leases	6,715		
Premium on issuance of debt	<u>(215,082)</u>	<u>(4,568,367)</u>	

Change in net position of governmental activities - statement of activities	\$	<u>167,861</u>
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City of Lake Worth, Texas
Statement of Net Position
Enterprise Fund
September 30, 2020

	Water and Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 88,960
Investments	1,780,550
Receivables	
Accounts (net of allowances for uncollectible accounts of \$2,367)	387,712
Other	2,868
Due from other funds	<u>222,838</u>
Total current assets	2,482,928
Noncurrent assets	
Restricted assets	
Investments	235,670
Capital assets	
Land	46,240
Construction in progress	608,836
Buildings and improvements	165,751
Water and sewer system	18,673,145
Machinery and equipment	2,317,930
Less accumulated depreciation	<u>(7,081,335)</u>
Total noncurrent assets	<u>14,966,237</u>
Total assets	<u>17,449,165</u>
Deferred outflows of resources	
Deferred outflows of resources - OPEB	2,035
Liabilities	
Current liabilities	
Payable from current assets	
Accounts payable	184,562
Accrued liabilities	20,363
Due to other funds	1,546
Due to other governments	13,358
Compensated absences	21,658
Current portion of bonds payable	<u>15,000</u>
Total current liabilities	256,487
Noncurrent liabilities	
Payable from restricted assets	
Customer deposits	204,870
Net pension liability	272,213
Total OPEB liability	16,781
Bonds payable	<u>135,000</u>
Total noncurrent liabilities	<u>628,864</u>
Total liabilities	<u>885,351</u>
Deferred inflows of resources	
Deferred inflows of resources - pension	11,800
Net Position	
Net investment in capital assets	14,580,567
Unrestricted	<u>1,973,482</u>
Total net position	<u>\$ 16,554,049</u>

City of Lake Worth, Texas
Statement of Revenues, Expenses, and
Changes in Net Position
Enterprise Fund
For the Fiscal Year Ended September 30, 2020

	<u>Water and Sewer Fund</u>
Operating revenues	
Water services	\$ 1,414,290
Sewer services	1,198,045
Other operating revenues	<u>8,554</u>
Total operating revenues	<u>2,620,889</u>
Operating expenses	
Personnel services	456,721
Contractual services	220,463
Water purchases	541,402
Disposal charge - sewer	743,367
Supplies and maintenance	148,992
Other operating expenses	1,989
Depreciation	<u>447,580</u>
Total operating expenses	<u>2,560,514</u>
Operating income	<u>60,375</u>
Nonoperating revenues (expenses)	
Gain on disposal of assets	2,456
Intergovernmental income	175,840
Interest income	15,263
Miscellaneous	<u>65,760</u>
Total non-operating revenues (expenses)	<u>259,319</u>
Income before transfers	319,694
Transfers in	3,062,887
Transfers out	<u>(118,318)</u>
Total transfers	<u>2,944,569</u>
Change in net position	3,264,263
Net position, beginning of year	<u>13,289,786</u>
Net position, end of year	<u><u>\$ 16,554,049</u></u>

City of Lake Worth, Texas
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2020

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,617,971
Cash paid to suppliers	(1,814,755)
Cash paid to employees	(454,660)
Net cash provided by operating activities	<u>348,556</u>
Cash flows from noncapital financing activities:	
Cash received from other funds	608,198
Cash paid to other funds	(136,809)
Miscellaneous receipts	65,760
Net cash provided by noncapital financing activities	<u>537,149</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(424,808)
Proceeds from disposal of capital assets	13,694
Principal payments on long-term debt	(14,000)
Net cash used in capital and related financing activities	<u>(425,114)</u>
Cash flows from investing activities:	
Change in investments	(500,221)
Interest income	15,263
Net cash used in investing activities	<u>(484,958)</u>
Net decrease in cash	(24,367)
Cash and cash equivalents at beginning of year	<u>113,327</u>
Cash and cash equivalents at end of year	<u><u>\$ 88,960</u></u>
Non-cash Capital and Related Financing Activities:	
Acquisition of capital assets - transferred from Capital Projects Fund	\$ 2,534,031
Acquisition of capital assets - Intergovernmental revenue	175,840
Total non-cash capital and related financing activities	<u><u>\$ 2,709,871</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 60,375
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	447,580
(Increase) decrease in:	
Accounts receivable	(12,408)
Prepaid expenses	1,047
Deferred outflows of resources - OPEB	(2,544)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(159,558)
Compensated absences	3,099
Net pension liability	(66,763)
Total OPEB liability	3,968
Deferred inflows of resources - pension	64,270
Customer deposits	9,490
Net cash provided by operating activities	<u><u>\$ 348,556</u></u>

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

City of Lake Worth, Texas
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2020

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

City of Lake Worth, Texas
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended September 30, 2020

	<u>Insurance Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 721,244
Employee	<u>160,330</u>
Total additions	<u>881,574</u>
Deductions	
Insurance benefit payments	<u>881,574</u>
Total deductions	<u>881,574</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, 2020

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, 2020

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 revenues not categorized as program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General Fund, the Street Maintenance Fund, the Debt Service Fund, and the Capital Projects 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, the Municipal Jury Fund, and the Local Truancy Prevention 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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

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 Capital Projects Fund accounts for the proceeds of certificates of obligation used for the acquisition or construction of major capital improvements as established in bond documents.

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.

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note A. Summary of Significant Accounting Policies (Continued)

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.
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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note A. Summary of Significant Accounting Policies (Continued)

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.

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 and/or fund balance 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 Other Post-Employment Benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note L related to the OPEB plan.

In addition to liabilities, the statement of net position and balance sheet include 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 the pension plan 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 K related to the pension plan.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note A. Summary of Significant Accounting Policies (Continued)

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. Non-spendable fund balance includes amounts that are not in spendable form, or legally or contractually required to be maintained intact. 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.

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note A. Summary of Significant Accounting Policies (Continued)

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.

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

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, accrued interest payable, certificates of obligation, premiums on debt, capital leases, 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 \$20,629,475 difference are as follows:

Bonds payable	\$ 9,455,000
Certificates of obligation	5,615,000
Issuance premium	638,404
Accrued interest payable	67,028
Net pension liability	4,177,126
Compensated absences	<u>413,214</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 20,629,475</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, 2020

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, 2020 were in the following eligible local government investment pools: LOGIC, TexSTAR, Lone Star Investment Pool, and TexPool.

Public Funds Investment Pools

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.

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, 2020

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

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 LLC. 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 AA Af.

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.

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

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, 2020, 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, 2020, TexPool, TexSTAR, Lone Star, and LOGIC investment pools were rated AAAm by Standard and Poor's.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

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

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, 2020, 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, 2020, 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.

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, to repay principal and interest on bonds, and for bond reserve requirements in the Water and Sewer Fund.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note F. Interfund Activity

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2020:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Crime control district fund	\$ 10,411
General fund	Water and sewer fund	1,546
Water and sewer fund	General fund	<u>222,838</u>
Total		<u>\$ 234,795</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	\$ 1,036,963
General fund - asset transfer	2,534,030
Capital projects fund	89,796
Crime control district fund	85,080
Water and sewer fund	<u>118,318</u>
	<u>\$ 3,864,187</u>
<u>Transfers in</u>	
General fund	\$ 233,182
Debt service fund	347,686
Street Maintenance Fund	200,607
Crime control district fund	19,825
Water and sewer fund - asset transfer	2,534,030
Water and sewer fund	<u>528,857</u>
	<u>\$ 3,864,187</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, 2020

Note G. Capital Assets

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2020
Governmental activities				
Capital assets using modified approach				
Infrastructure	\$ 24,457,518	\$ 220,900	\$ -	\$ 24,678,418
Total capital assets using modified approach	24,457,518	220,900	-	24,678,418
Capital assets not being depreciated				
Construction in progress	2,605,427	1,933,368	3,083,209	1,455,586
Land	1,729,334	-	-	1,729,334
Total capital assets not being depreciated	4,334,761	1,933,368	3,083,209	3,184,920
Other capital assets				
Buildings and improvements	12,610,649	1,082,550	93,886	13,599,313
Equipment and vehicles	7,298,494	471,793	1,129,576	6,640,711
Office furniture and fixtures	691,495	-	-	691,495
Total other capital assets	20,600,638	1,554,343	1,223,462	20,931,519
Less accumulated depreciation for:				
Buildings and improvements	3,368,249	320,048	49,303	3,638,994
Equipment and vehicles	4,061,772	475,215	1,030,779	3,506,208
Office furniture and fixtures	492,939	47,471	2,273	538,137
Total accumulated depreciation	7,922,960	842,734	1,082,355	7,683,339
Other capital assets, net	12,677,678	711,609	141,107	13,248,180
Governmental activities capital assets, net	<u>\$ 41,469,957</u>	<u>\$ 2,865,877</u>	<u>\$ 3,224,316</u>	<u>\$ 41,111,518</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note G. Capital Assets (Continued)

	Balance 10/1/2019	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2020
Business-type activities				
Capital assets not being depreciated				
Land	\$ 46,240	\$ -	\$ -	\$ 46,240
Construction in progress	312,388	565,619	269,171	608,836
Total capital assets not being depreciated	358,628	565,619	269,171	655,076
Other capital assets				
Water and sewer system	15,869,944	2,803,201	-	18,673,145
Building and improvements	165,751	-	-	165,751
Machinery and equipment	2,419,525	35,032	136,627	2,317,930
Total other capital assets	18,455,220	2,838,233	136,627	21,156,826
Less accumulated depreciation for:				
Water and sewer system	5,012,900	349,099	-	5,361,999
Building and improvements	58,536	5,212	-	63,748
Machinery and equipment	1,687,706	93,269	125,387	1,655,588
Total accumulated depreciation	6,759,142	447,580	125,387	7,081,335
Other capital assets, net	11,696,078	2,390,653	11,240	14,075,491
Business-type activities capital assets, net	<u>\$ 12,054,706</u>	<u>\$ 2,956,272</u>	<u>\$ 280,411</u>	<u>\$ 14,730,567</u>

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

Governmental activities:

Mayor and council	\$ 5,545
General government	198,531
Police	182,626
Fire	148,698
Streets	80,465
Library	9,858
Parks and recreation	147,342
Maintenance	3,562
Senior center	9,714
Municipal court	2,924
Animal control	24,232
Permits and inspections	2,308
Information technology	26,929
Total governmental activities	<u>\$ 842,734</u>

Business-type activities:

Water and sewer	<u>\$ 447,580</u>
Total business-type activities	<u>\$ 447,580</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note H. Long-Term Liabilities

Long-term debt of the City consists of general obligation bonds, utility system revenue bonds, and certificates of obligation. Long-term debt at September 30, 2020 consists of the following:

Governmental activities

General Obligation Bonds

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 \$305,000 at September 30, 2020.

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 \$2,045,000 at September 30, 2020.

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 \$7,105,000 at September 30, 2020.

Certificates of Obligation

Combination Tax and Revenue Certificates of Obligation, Series 2020

- Original balance of \$5,615,000.
- Payable in annual installments of \$160,000 to \$485,000, maturing August 15, 2040
- Interest payable February 15 and August 15 at 2.0% to 3.0%.
- Outstanding balance of \$5,615,000 at September 30, 2020.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note H. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt as of September 30, 2020 are as follows:

Year Ending	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2021	\$ 1,290,000	\$ 296,101	\$ 290,000	\$ 187,484
2022	1,120,000	262,750	350,000	122,868
2023	1,145,000	235,190	370,000	112,368
2024	1,175,000	207,015	375,000	101,268
2025	1,205,000	174,328	390,000	90,018
2026-2030	3,520,000	292,600	2,075,000	310,290
2031-2035	-	-	835,000	151,490
2036-2040	-	-	930,000	62,418
Total	<u>\$ 9,455,000</u>	<u>\$ 1,467,984</u>	<u>\$ 5,615,000</u>	<u>\$ 1,138,204</u>

Business-type activities

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 \$150,000 at September 30, 2020, bearing 0% interest.

The annual requirements to amortize long-term debt as of September 30, 2020 are as follows:

Fiscal Year Ending	Utility System Revenue Bonds	Total
	Principal	
2021	\$ 15,000	\$ 15,000
2022	15,000	15,000
2023	15,000	15,000
2024	15,000	15,000
2025	15,000	15,000
2026-2030	75,000	75,000
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

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, 2020:

	Balance 10/1/2019	Additions	Retirements	Balance 9/30/2020	Due Within One Year
Governmental activities					
General obligation bonds	\$ 10,710,000	\$ -	\$ 1,255,000	\$ 9,455,000	\$ 1,290,000
Certificates of obligation	-	5,615,000	-	5,615,000	290,000
Unamortized debt premium	514,773	215,082	91,451	638,404	113,236
Capital leases	6,715	-	6,715	-	-
Net pension liability	5,249,850	840,587	1,913,311	4,177,126	-
Compensated absences	378,432	34,782	-	413,214	413,214
Total OPEB liability	200,935	66,505	3,737	263,703	-
Total governmental activities	17,060,705	6,771,956	3,270,214	20,562,447	2,106,450
Business-type activities					
Utility system revenue bonds	164,000	-	14,000	150,000	15,000
Net pension liability	338,976	53,182	119,945	272,213	-
Compensated absences	18,559	3,099	-	21,658	21,658
Total OPEB liability	12,813	4,208	240	16,781	-
Total business-type activities	534,348	60,489	134,185	460,652	36,658
Total	\$ 17,595,053	\$ 6,832,445	\$ 3,404,399	\$ 21,023,099	\$ 2,143,108

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, 2020 was \$434,872.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

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	\$ 7,428
Court technology	10,076
Court security	81,215
Police LEOSE	2,465
Fire LEOSE	433
Police department donations	13,743
Fire department donations	617
Library donations	2,256
Senior center donations	1,635
Animal control donations	1,982
Municipal jury	102
Local truancy prevention	<u>5,104</u>
Total Other Restricted Net Position/ Other Restricted Fund Balance	<u>\$ 127,056</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.

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.

Municipal jury – This money has been restricted for juror reimbursements.

Local truancy prevention – This money has been restricted to fund a juvenile case manager.

The government-wide statement of net position reports \$3,652,211 of restricted net position, \$3,321,528 of which is restricted by enabling legislation.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 888 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.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment 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.

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note K. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	65
Active employees	<u>99</u>
Total	<u><u>212</u></u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.91% and 16.05% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$940,823, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note K. Defined Benefit Pension Plan (Continued)

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 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. 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).

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note K. Defined Benefit Pension Plan (Continued)

The target allocation and best estimates of real rates of return for each major asset class as of September 30, 2019 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	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	<u>100.00%</u>	

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note K. Defined Benefit Pension Plan (Continued)

Changes in the NPL	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 22,755,954	\$ 17,167,128	\$ 5,588,826
Changes for the year:			
Service cost	1,008,996	-	1,008,996
Interest	1,542,723	-	1,542,723
Change of benefit terms	-	-	-
Difference between expected and actual experience	254,479	-	254,479
Changes of assumptions	78,424	-	78,424
Contributions - employer	-	978,333	(978,333)
Contributions - employee	-	404,987	(404,987)
Net investment income	-	2,656,235	(2,656,235)
Benefit payments, including refunds of employee contributions	(810,603)	(810,603)	-
Administrative expense	-	(14,996)	14,996
Other changes	-	(450)	450
Net changes	2,074,019	3,213,506	(1,139,487)
Balance at 12/31/2019	<u>\$ 24,829,973</u>	<u>\$ 20,380,634</u>	<u>\$ 4,449,339</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	\$ 8,711,011	\$ 4,449,339	\$ 1,044,886

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

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.

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

For the year ended September 30, 2020, the City recognized pension expense of \$893,769.

At September 30, 2020, 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	\$ -	\$ 281,306
Changes in actuarial assumptions	56,043	-
Difference between projected and actual investment earnings	-	607,075
Contributions subsequent to the measurement date	668,682	-
	<hr/>	<hr/>
Total	<u>\$ 724,725</u>	<u>\$ 888,381</u>

\$668,682 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, 2020. 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	\$ (282,898)
2021	(243,334)
2022	(47,499)
2023	(258,607)
2024	-
	<hr/>
Total	<u>\$ (832,338)</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>99</u>
Total	<u><u>154</u></u>

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, 2020 were \$1,894 which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note L. Other Postemployment Benefits (Continued)

Actuarial assumptions:

The TOL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.75%
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, 2019. 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 are based on 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees are based on 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2018	\$ 213,747
Changes for the year:	
Service cost	11,571
Interest	8,102
Difference between expected and actual experience	(1,662)
Changes of assumptions	51,040
Benefit payments	(2,314)
Net changes	<u>66,737</u>
Balance at 12/31/2019	<u>\$ 280,484</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, 2020

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB Liability	\$ 349,284	\$ 280,484	\$ 228,860

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$25,829.

At September 30, 2020, 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	\$ -	\$ 10,665
Changes in actuarial assumptions or other inputs	41,352	-
Contributions subsequent to the measurement date	1,250	-
Total	<u>\$ 42,602</u>	<u>\$ 10,665</u>

The City reported \$1,250 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, 2020. 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	\$ 6,156
2021	6,156
2022	6,156
2023	5,598
2024	4,271
Thereafter	<u>2,350</u>
Total	<u>\$ 30,687</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note M. Operating Leases

The City of Lake Worth leases the following equipment:

- The City leases copiers with a \$24,192 annual lease payment for 5 years beginning July 8, 2019.
- The City leases computers with a \$12,784 annual lease payment for 4 years beginning May 10, 2017.
- The City leases vehicles from Enterprise Fleet Management with a \$16,814 monthly lease payment for 60 months beginning June 1, 2019, with variable beginning and ending dates based on the delivery of the vehicles to the City.
- The City leases software with a \$24,118 annual lease payment for 3 years beginning October 1, 2019.
- The City leases uniforms and miscellaneous items with a \$123 weekly payment for 4 years beginning August 14, 2020.

Net future minimum lease payments under the operating leases for the City of Lake Worth equipment as of September 30, 2020 are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2021	\$ 263,950
2022	254,477
2023	208,183
2024	179,344
2025	<u>45,359</u>
Total	<u>\$ 951,313</u>

Payments on the above leases of \$67,510 were included in equipment rent expense for the year ended September 30, 2020. In addition, payments on the above vehicle leases in the amount of \$156,407 were included in vehicle lease expense for the year ended September 30, 2020.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2020

Note N. Other Commitments and Contingencies

The City of Lake Worth has the following commitments and contingencies at September 30, 2020:

- The City contracted with Progressive Waste Solutions for garbage disposal on March 7, 2016 for 60 months. The City directly bills 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, 2020, the City expensed \$198,595 for sanitation services.
- 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, 2020, the City's expenses in the Water and Sewer fund for water and sewer treatment were \$541,402 and \$743,367, respectively.

Note O. 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 \$541,402 and \$743,367 for treated water and sewer treatment service, respectively, totaling \$1,284,769 which is 50% of the City's Water and Sewer fund total operating expenses.

Note P. Subsequent Events

The City evaluated subsequent events through March 8, 2021, the date the financial statements were available to be issued, noting no events requiring disclosure.

**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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 9,250,244	\$ 9,150,455	\$ 10,530,709	\$ 1,380,254
Fines	433,335	372,283	391,880	19,597
Permits and fees	145,175	176,771	247,115	70,344
Intergovernmental	400,000	529,331	319,213	(210,118)
Charges for services	227,335	213,772	215,474	1,702
Investment earnings	208,950	96,100	94,173	(1,927)
Miscellaneous	450,274	673,861	729,813	55,952
Total revenues	11,115,313	11,212,573	12,528,377	1,315,804
Expenditures				
Mayor and council	16,938	31,281	13,769	17,512
General government	1,390,028	1,592,216	1,381,301	210,915
Police	2,705,270	2,622,558	2,336,910	285,648
Fire protection	2,480,628	2,508,820	2,448,163	60,657
Streets	1,039,182	1,131,482	921,660	209,822
Library	331,491	326,099	304,205	21,894
Parks and recreation	521,846	517,949	409,572	108,377
Maintenance	76,654	78,090	69,331	8,759
Senior center	129,268	115,224	98,114	17,110
Municipal court	258,117	254,395	237,616	16,779
Animal control	132,248	160,818	162,818	(2,000)
Emergency management	19,900	11,950	10,367	1,583
Permits and inspections	445,200	447,121	398,480	48,641
Informational technology	518,088	506,908	452,072	54,836
Capital outlay	788,718	2,301,907	1,586,485	715,422
Debt service				
Principal	32,000	6,304	6,715	(411)
Interest	2,800	565	145	420
Total expenditures	10,888,376	12,613,687	10,837,723	1,775,964
Excess (deficiency) of revenues over (under) expenditures	226,937	(1,401,114)	1,690,654	3,091,768
Other financing sources (uses)				
Transfers in	208,476	208,476	233,182	24,706
Transfers out	(636,596)	(1,044,371)	(1,036,963)	7,408
Total other financing sources	(428,120)	(835,895)	(803,781)	32,114
Change in fund balance	(201,183)	(2,237,009)	886,873	\$ 3,123,882
Fund balance, beginning of year	9,972,298	9,972,298	9,972,298	
Fund balance, end of year	\$ 9,771,115	\$ 7,735,289	\$ 10,859,171	

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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Investment earnings	\$ 27,000	\$ 27,000	\$ 15,277	\$ (11,723)
Miscellaneous	-	-	60	60
Total revenues	27,000	27,000	15,337	(11,663)
Expenditures				
Streets	570,055	570,055	324,634	245,421
Capital outlay	266,120	266,120	188,111	78,009
Total expenditures	836,175	836,175	512,745	323,430
Deficiency of revenues under expenditures	(809,175)	(809,175)	(497,408)	311,767
Other financing uses				
Transfers in	200,607	200,607	200,607	-
Change in fund balance	(608,568)	(608,568)	(296,801)	\$ 311,767
Fund balance, beginning of year	1,600,908	1,600,908	1,600,908	
Fund balance, end of year	\$ 992,340	\$ 992,340	\$ 1,304,107	

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

Texas Municipal Retirement System (TMRS)						
Measurement Date - December 31st*:	2019	2018	2017	2016	2015	2014
Total Pension Liability (a)						
Beginning Balance	\$ 22,755,954	\$ 20,384,429	\$ 18,667,322	\$ 17,446,907	\$ 16,274,524	\$ 14,951,418
Service cost	1,008,996	942,670	765,394	725,539	660,172	618,120
Interest	1,542,723	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	254,479	(967,282)	354,838	(235,459)	(36,943)	40,840
Changes of assumptions	78,424	-	-	-	(75,228)	-
Benefit payments, including refunds of employee contributions	(810,603)	(755,858)	(666,507)	(456,414)	(519,749)	(390,423)
End of Year Balance	<u>\$ 24,829,973</u>	<u>\$ 22,755,954</u>	<u>\$ 20,384,429</u>	<u>\$ 18,667,322</u>	<u>\$ 17,446,907</u>	<u>\$ 16,274,524</u>
Plan Fiduciary Net Position (b)						
Beginning Balance	\$ 17,167,128	\$ 17,395,684	\$ 14,978,269	\$ 13,590,899	\$ 13,230,933	\$ 12,109,051
Contributions - employer	978,333	730,817	697,051	632,864	589,336	546,093
Contributions - employee	404,987	328,456	321,577	303,290	283,336	281,189
Net investment income	2,656,235	(521,374)	2,076,598	918,562	19,522	692,850
Benefit payments, including refunds of employee contributions	(810,603)	(755,858)	(666,507)	(456,414)	(519,749)	(390,423)
Administrative expense	(14,996)	(10,071)	(10,758)	(10,373)	(11,891)	(7,232)
Other changes	(450)	(526)	(546)	(559)	(588)	(595)
End of Year Balance	<u>\$ 20,380,634</u>	<u>\$ 17,167,128</u>	<u>\$ 17,395,684</u>	<u>\$ 14,978,269</u>	<u>\$ 13,590,899</u>	<u>\$ 13,230,933</u>
Net Pension Liability (a) - (b)						
Beginning Balance	\$ 5,588,826	\$ 2,988,745	\$ 3,689,053	\$ 3,856,008	\$ 3,043,591	\$ 2,842,367
Service cost	1,008,996	942,670	765,394	725,539	660,172	618,120
Interest	1,542,723	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	254,479	(967,282)	354,838	(235,459)	(36,943)	40,840
Changes of assumptions	78,424	-	-	-	(75,228)	-
Contributions - employer	(978,333)	(730,817)	(697,051)	(632,864)	(589,336)	(546,093)
Contributions - employee	(404,987)	(328,456)	(321,577)	(303,290)	(283,336)	(281,189)
Net investment income	(2,656,235)	521,374	(2,076,598)	(918,562)	(19,522)	(692,850)
Administrative expense	14,996	10,071	10,758	10,373	11,891	7,232
Other changes	450	526	546	559	588	595
End of Year Balance	<u>\$ 4,449,339</u>	<u>\$ 5,588,826</u>	<u>\$ 2,988,745</u>	<u>\$ 3,689,053</u>	<u>\$ 3,819,065</u>	<u>\$ 3,084,431</u>
Plan's fiduciary net position as a percentage of the total pension liability	82.08%	75.44%	85.34%	80.24%	77.90%	81.30%
Covered payroll	\$ 5,785,528	\$ 5,474,274	\$ 5,089,054	\$ 4,885,784	\$ 4,722,263	\$ 4,675,481
Net pension liability as a percentage of covered payroll	76.90%	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.

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

Texas Municipal Retirement System (TMRS)						
Year Ended September 30th*:	2020	2019	2018	2017	2016	2015
The City's actuarially determined contribution	\$ 940,823	\$ 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	940,823	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	\$ 5,775,591	\$ 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	16.29%	15.91%	13.37%	13.16%	12.51%	12.24%

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	26 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirements: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a

* 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.

City of Lake Worth, Texas
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Two Years**

Texas Municipal Retirement System (TMRS)		
Measurement Date - December 31st*:	2019	2018
Total OPEB Liability - beginning of year	\$ 213,747	\$ 226,031
Service cost	11,571	12,591
Interest	8,102	7,654
Change in benefit terms	-	-
Difference between expected and actual experience	(1,662)	(13,129)
Changes of assumptions or other inputs	51,040	(17,210)
Benefit payments	<u>(2,314)</u>	<u>(2,190)</u>
Net changes	<u>66,737</u>	<u>(12,284)</u>
End of Year Balance	<u>\$ 280,484</u>	<u>\$ 213,747</u>
 Covered payroll	 \$ 5,785,528	 \$ 5,474,274
Total OPEB liability as a percentage of covered payroll	4.85%	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 Two Years**

Texas Municipal Retirement System (TMRS)		
Year Ended September 30th*:	2020	2019
The City's actuarially determined contribution	\$ 1,894	\$ 2,305
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	1,894	2,305
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	\$ 5,775,591	\$ 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	0.03%	0.04%

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 11.50% including inflation
Discount Rate***	2.75%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* 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, 2019.

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

Condition Rating	Goal	Square Feet of Roadway	
		August 31, 2019	
Percentage		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					
	2020	2019	2018	2017	2016
Estimated	\$ 1,701,537	\$ 1,488,570	\$ 1,166,615	\$ 1,155,567	\$ 1,267,301
Actual	1,246,294	1,248,476	1,005,685	964,848	1,079,561

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 2020, 2018, 2017, or 2016 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 64. 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		Square Feet of Roadway	
			February 28, 2017		September 30, 2014	
			Number	Percentage	Number	Percentage
At least 1	0%		562,945	9.1222%	200,527	3.2896%
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 63. 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, 2020

	Crime Control District Fund	Public Educational Government Channel Fund	Municipal Jury Fund	Local Truancy Prevention Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 30,181	\$ -	\$ 102	\$ 5,104	\$ 35,387
Investments	563,530	94,442	-	-	657,972
Accounts receivables	-	1,859	-	-	1,859
Due from other governments	199,835	-	-	-	199,835
Prepaid expenses	2,923	-	-	-	2,923
Total assets	\$ 796,469	\$ 96,301	\$ 102	\$ 5,104	\$ 897,976
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 12,756	\$ -	\$ -	\$ -	\$ 12,756
Accrued liabilities	36,362	-	-	-	36,362
Due to other funds	10,411	-	-	-	10,411
Total liabilities	59,529	-	-	-	59,529
Fund balances:					
Non-spendable for prepaid expenses	2,923	-	-	-	2,923
Restricted for:					
Crime control	734,017	-	-	-	734,017
Public educational government channel	-	96,301	-	-	96,301
Municipal Jury	-	-	102	-	102
Truancy Prevention	-	-	-	5,104	5,104
Total fund balances	736,940	96,301	102	5,104	838,447
Total liabilities and fund balances	\$ 796,469	\$ 96,301	\$ 102	\$ 5,104	\$ 897,976

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, 2020

	Crime Control District Fund	Public Educational Government Channel Fund	Municipal Jury Fund	Local Truancy Prevention Fund	Total Nonmajor Governmental Funds
Revenues					
Sales tax	\$ 1,257,486	\$ -	\$ -	\$ -	\$ 1,257,486
Investment earnings	3,980	1,049	-	-	5,029
Miscellaneous	104,741	7,531	102	5,104	117,478
Total revenues	1,366,207	8,580	102	5,104	1,379,993
Expenditures					
Police	1,015,636	-	-	-	1,015,636
Capital outlay	104,436	-	-	-	104,436
Total expenditures	1,120,072	-	-	-	1,120,072
Excess of revenues over expenditures	246,135	8,580	102	5,104	259,921
Other financing sources (uses)					
Transfers in	19,825	-	-	-	19,825
Transfers out	(85,080)	-	-	-	(85,080)
Total other financing sources (uses)	(65,255)	-	-	-	(65,255)
Changes in fund balances	180,880	8,580	102	5,104	194,666
Fund balances, beginning of year	556,060	87,721	-	-	643,781
Fund balances, end of year	\$ 736,940	\$ 96,301	\$ 102	\$ 5,104	\$ 838,447

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOW GARRETT 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, 2020, 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 8, 2021.

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) as a basis for 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 script is cursive and fluid.

Snow Garrett Williams
March 8, 2021

