

# **CITY OF LAKE WORTH, TEXAS**

**Annual Financial Report  
For the Fiscal Year Ended September 30, 2021**

# City of Lake Worth, Texas

## Annual Financial Report

### For the Fiscal Year Ended September 30, 2021

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

**2021 City Council**

Walter Bowen, Mayor

Sue Wenger, Mayor Pro Tem

Jim Smith

Geoffrey White

Coy Pennington

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2021, 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, the schedule of changes in the net pension liability and related ratios, the 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 10, 2022, 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 10, 2022

## **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, 2021. 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 2021 by \$57,229,789 (*net position*). Of this amount, \$4,048,187 is restricted for specific purposes and \$9,247,511 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 \$43,934,091 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 \$16,569,388, of which \$5,470,185 represents restricted fund balance, \$405,288 represents committed fund balance, \$822,577 represents assigned fund balance, \$45,324 represents non-spendable fund balance, and \$9,826,014 represents unassigned fund balance.
- The general fund unassigned fund balance of \$9,826,014 equals 98% of total general fund expenditures.
- The City's total long-term liabilities decreased by \$1,745,165 during the current fiscal year as a result of the 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 basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplemental information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. Both are prepared using the economic resource focus and the accrual basis of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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).

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

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

The Statement of Net Position and the Statement of Activities divide the primary government (the City) activities into two types:

**Governmental activities** – Most of the City's basic services are reported here, including 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 informational technology. General property taxes, sales taxes, and franchise fees provide the majority of the financing for these activities.

**Business-Type activities** – Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities includes its water and sewer operations.

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. These statements focus on the most significant funds and are used to report more detailed information about the City's most significant activities. 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 the majority of the City's activities, which are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year for future spending. 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. 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, Street Maintenance Fund, Debt Service Fund, and Capital Projects Fund, which are considered to be major funds. Data for the other four 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 in the supplementary information section of this report.

The City adopts an annual appropriated budget for its general fund, crime control district special revenue fund, street maintenance 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 fund to demonstrate compliance with this budget.



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

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

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

**Proprietary funds.** When the City charges customers for services it provides, the activities are generally reported in proprietary funds. The City maintains one type of proprietary fund: an enterprise fund. 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. These services are primarily provided to outside or non-governmental customers.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which is considered to be the major proprietary fund of the City.

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, the Insurance Trust 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 61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. This other supplemental information can be found beginning on page 70 of this report.

# City of Lake Worth, Texas

## Management's Discussion and Analysis

### 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 \$57,229,789 as of September 30, 2021.

**City of Lake Worth's Net Position**

|  | Governmental Activities |               | Business-Type Activities |               | Total         |               |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|  | 2021                    | 2020          | 2021                     | 2020          | 2021          | 2020          |
| Current and other assets               | \$ 18,074,328           | \$ 18,343,982 | \$ 3,529,049             | \$ 2,717,052  | \$ 21,603,377 | \$ 21,061,034 |
| Capital assets,<br>net of depreciation | 41,410,388              | 41,111,518    | 15,039,810               | 14,730,567    | 56,450,198    | 55,842,085    |
| Total assets                           | 59,484,716              | 59,455,500    | 18,568,859               | 17,447,619    | 78,053,575    | 76,903,119    |
| Deferred outflows of resources         | 384,175                 | 268,920       | 9,751                    | 2,035         | 393,926       | 270,955       |
| Long-term liabilities                  | 18,869,661              | 20,562,447    | 408,273                  | 460,652       | 19,277,934    | 21,023,099    |
| Other liabilities                      | 1,512,966               | 987,238       | 426,812                  | 423,153       | 1,939,778     | 1,410,391     |
| Total liabilities                      | 20,382,627              | 21,549,685    | 835,085                  | 883,805       | 21,217,712    | 22,433,490    |
| Deferred inflows of resources          | -                       | 153,138       | -                        | 11,800        | -             | 164,938       |
| Net position:                          |                         |               |                          |               |               |               |
| Net Investment in<br>capital assets    | 29,029,281              | 29,737,529    | 14,904,810               | 14,580,567    | 43,934,091    | 44,318,096    |
| Restricted                             | 4,048,187               | 3,652,211     | -                        | -             | 4,048,187     | 3,652,211     |
| Unrestricted                           | 6,408,796               | 4,631,857     | 2,838,715                | 1,973,482     | 9,247,511     | 6,605,339     |
| Total Net Position                     | \$ 39,486,264           | \$ 38,021,597 | \$ 17,743,525            | \$ 16,554,049 | \$ 57,229,789 | \$ 54,575,646 |

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 \$43,934,091. 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 \$4,048,187 (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 \$9,247,511 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 \$2,654,143 during the current fiscal year. The City's governmental activities increased net position by \$1,464,667. The total cost of all governmental activities this year was \$13,380,104. The amount that taxpayers paid for these activities through property taxes was \$2,593,406, or 19%. The City's business-type activities increased net position by \$1,189,476. The total cost of all business-type activities for fiscal year 2021 was \$2,353,330.

# City of Lake Worth, Texas

## Management's Discussion and Analysis

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

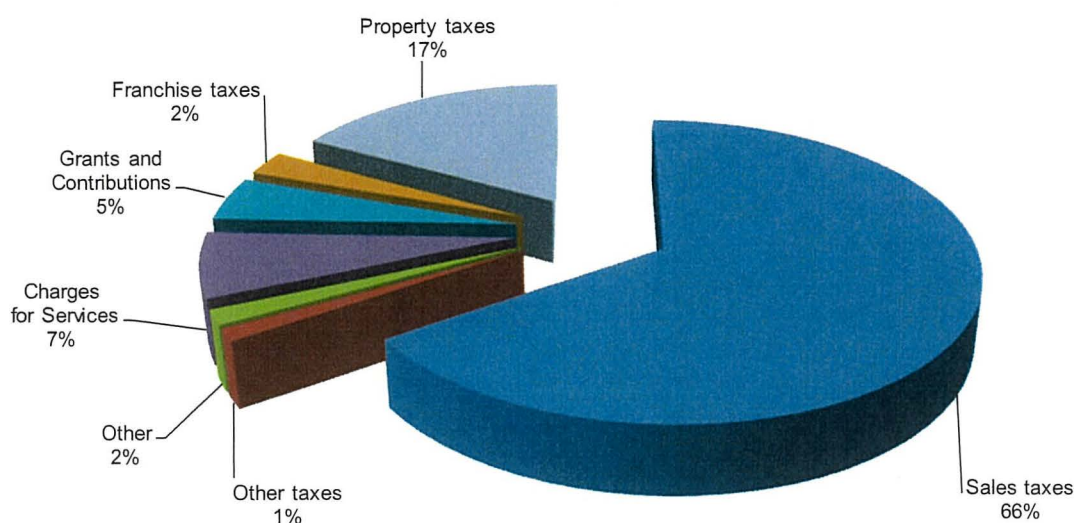
|  | Governmental activities |                      | Business-type activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2021                    | 2020                 | 2021                     | 2020                 | 2021                 | 2020                 |
| <b>Revenues:</b>                                 |                         |                      |                          |                      |                      |                      |
| Program revenues:                                |                         |                      |                          |                      |                      |                      |
| Charges for services                             | \$ 1,091,814            | \$ 883,480           | \$ 2,918,155             | \$ 2,620,889         | \$ 4,009,969         | \$ 3,504,369         |
| Operating grants and contributions               | 734,233                 | 811,084              | -                        | -                    | 734,233              | 811,084              |
| Capital grants and contributions                 | -                       | -                    | 108,806                  | 175,840              | 108,806              | 175,840              |
| General revenues:                                |                         |                      |                          |                      |                      |                      |
| Property taxes                                   | 2,593,406               | 2,199,271            | -                        | -                    | 2,593,406            | 2,199,271            |
| Retail sales tax                                 | 10,059,779              | 10,169,219           | -                        | -                    | 10,059,779           | 10,169,219           |
| Franchise taxes                                  | 400,390                 | 428,065              | -                        | -                    | 400,390              | 428,065              |
| Other taxes                                      | 200,281                 | 172,638              | -                        | -                    | 200,281              | 172,638              |
| Other  | 247,628                 | 453,867              | 83,760                   | 81,023               | 331,388              | 534,890              |
| Gain (loss) on sale of assets                    | (58,680)                | (141,105)            | 8,005                    | 2,456                | (50,675)             | (138,649)            |
| <b>Total revenues</b>                            | <b>15,268,851</b>       | <b>14,976,519</b>    | <b>3,118,726</b>         | <b>2,880,208</b>     | <b>18,387,577</b>    | <b>17,856,727</b>    |
| <b>Expenses:</b>                                 |                         |                      |                          |                      |                      |                      |
| Mayor and council                                | 21,059                  | 19,314               | -                        | -                    | 21,059               | 19,314               |
| General government                               | 2,802,803               | 1,703,838            | -                        | -                    | 2,802,803            | 1,703,838            |
| Police   | 3,852,743               | 3,545,406            | -                        | -                    | 3,852,743            | 3,545,406            |
| Fire protection                                  | 2,552,491               | 2,602,851            | -                        | -                    | 2,552,491            | 2,602,851            |
| Streets  | 1,237,300               | 1,328,724            | -                        | -                    | 1,237,300            | 1,328,724            |
| Library  | 289,146                 | 314,633              | -                        | -                    | 289,146              | 314,633              |
| Parks and recreation                             | 589,452                 | 560,945              | -                        | -                    | 589,452              | 560,945              |
| Maintenance                                      | 70,004                  | 72,261               | -                        | -                    | 70,004               | 72,261               |
| Senior center                                    | 104,225                 | 107,941              | -                        | -                    | 104,225              | 107,941              |
| Municipal court                                  | 246,668                 | 247,378              | -                        | -                    | 246,668              | 247,378              |
| Animal control                                   | 197,837                 | 187,420              | -                        | -                    | 197,837              | 187,420              |
| Emergency management                             | 16,381                  | 10,367               | -                        | -                    | 16,381               | 10,367               |
| Permits and inspections                          | 449,399                 | 397,749              | -                        | -                    | 449,399              | 397,749              |
| Information technology                           | 548,126                 | 478,471              | -                        | -                    | 548,126              | 478,471              |
| Interest and fiscal charges                      | 402,470                 | 286,791              | -                        | -                    | 402,470              | 286,791              |
| Water and sewer                                  | -                       | -                    | 2,353,330                | 2,560,514            | 2,353,330            | 2,560,514            |
| <b>Total expenses</b>                            | <b>13,380,104</b>       | <b>11,864,089</b>    | <b>2,353,330</b>         | <b>2,560,514</b>     | <b>15,733,434</b>    | <b>14,424,603</b>    |
| <b>Increase in net position before transfers</b> | <b>1,888,747</b>        | <b>3,112,430</b>     | <b>765,396</b>           | <b>319,694</b>       | <b>2,654,143</b>     | <b>3,432,124</b>     |
| <b>Transfers</b>                                 | <b>(424,080)</b>        | <b>(2,944,569)</b>   | <b>424,080</b>           | <b>2,944,569</b>     | <b>-</b>             | <b>-</b>             |
| <b>Increase in net position</b>                  | <b>1,464,667</b>        | <b>167,861</b>       | <b>1,189,476</b>         | <b>3,264,263</b>     | <b>2,654,143</b>     | <b>3,432,124</b>     |
| <b>Net position, beginning of year</b>           | <b>38,021,597</b>       | <b>37,853,736</b>    | <b>16,554,049</b>        | <b>13,289,786</b>    | <b>54,575,646</b>    | <b>51,143,522</b>    |
| <b>Net position, end of year</b>                 | <b>\$ 39,486,264</b>    | <b>\$ 38,021,597</b> | <b>\$ 17,743,525</b>     | <b>\$ 16,554,049</b> | <b>\$ 57,229,789</b> | <b>\$ 54,575,646</b> |

**Governmental activities.** Governmental activities increased the City's net position by \$1,464,667. Key elements of this increase are as follows:

- Increase in general revenues due to an approximate 18% increase in property taxes; and
- Decrease of approximately 86% in transfers out due to a capital asset transfer from the General Fund to the Water and Sewer Fund in the prior year.

## 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 \$1,189,476.

Operating revenue increased by \$297,266 from the prior year primarily due to an increase in water and sewer sales. Operating expenses decreased by \$207,184 from the prior year primarily due to a decrease in water purchases and sewer disposal charges. Transfers in from governmental activities decreased by \$2,520,489 from the prior year due to a capital asset transfer from the General Fund to the Water and Sewer Fund in 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 \$16,569,388, which is a decrease of \$810,700 in comparison with the prior year. \$9,826,014 or 59% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. Assigned fund balance is \$822,577, committed fund balance is \$405,288 and non-spendable fund balance is \$45,324. 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 (\$52,450), and to fund capital projects (\$1,444,878), street maintenance (\$1,489,550), crime control (\$854,244), public educational government channel (\$104,136), parks and recreation (\$217,938), culture and tourism (\$1,137,531) and other City related expenditures (\$169,458).

## **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 \$12,598,869, of which \$9,826,014 represented unassigned fund balance, or 78% 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 98%, or approximately 357 days of total fund expenditures.

The fund balance of the City's general fund increased by \$1,739,698 during the current fiscal year. Key elements of the increase are as follows:

- Total revenues in the general fund decreased by \$44,980, or 0.4%. The decrease is primarily due to a decrease in grant revenue of \$152,878 and a decrease in investment earnings of \$88,448, offset by increases in permits and fees of \$101,120 and in fines revenue of \$93,048.
- Total expenditures in the general fund decreased by \$792,949, or 7.3%. The decrease is primarily due to a decrease in capital outlay.

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

Property tax revenue slightly exceeded the budgeted amount due to an actual collection rate for the year of 99.06%, while the budget assumed a 98% collection rate.

Sales tax revenue was approximately \$925,000 over budget. With continuing pandemic concerns, sales tax budget projections were extremely conservative. However, the city did not realize significant pandemic-related decreases in sales tax revenue. Fiscal year 2021 sales tax revenue was down less than 1% (about \$84,000) from fiscal year 2020.

Fees related to development totaled just over \$310,000, \$61,000 over budget. The excess revenues were related to new developments during the year, the largest of which were a Dollar General, an HTeaO, and a small strip shopping center.

#### **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, 2021, amounts to \$56,450,198 (net of accumulated depreciation). Investments in capital assets related to governmental activities (\$41,410,388) 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 (\$15,039,810) 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;
- Replaced hot water heater;
- Purchase of a forcible entry training door; and
- Replaced exercise equipment.

##### Police Department

- Two (2) new K-9 dogs.

# City of Lake Worth, Texas

## Management's Discussion and Analysis

### Administration & Information Technology

- Fencing replaced at the administrative municipal complex;
- Purchased virtual meeting system for City Council chambers; and
- Continuation of the City Hall, Conference Room, and Kitchen/Break Room remodels that started in February 2021.

### Street Department

- Continuation of the Public Works facility remodel that started in February 2021;
- Purchase of an asphalt roller;
- Purchase of a 61" deck mower;
- Purchase of an air-tow trailer; and
- Numerous concrete curb and gutter replacement projects.

### Parks

- Lake Worth monument sign located on east bound Loop 820 was completed; and
- Purchase of a zero-turn mower.

### Water Sewer Fund

- 12" water line (installed by developer) connecting City service lines on Boat Club Road to Lakeside Drive;
- Began Pueblo Trail water and sewer lines replacement project;
- Continued Hiawatha Trail utilities project; and
- Caddo lift station sewer pump was replaced.

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

|                               | Governmental Activities |                      | Business-type Activities |                      | Total                |                      |
|-------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                               | 2021                    | 2020                 | 2021                     | 2020                 | 2021                 | 2020                 |
| Land                          | \$ 1,729,334            | \$ 1,729,334         | \$ 46,240                | \$ 46,240            | \$ 1,775,574         | \$ 1,775,574         |
| Construction in progress      | 1,188,804               | 1,455,586            | 769,007                  | 608,836              | 1,957,811            | 2,064,422            |
| Buildings and improvements    | 9,706,742               | 9,960,319            | 92,622                   | 102,003              | 9,799,364            | 10,062,322           |
| Infrastructure                | 24,678,418              | 24,678,418           | -                        | -                    | 24,678,418           | 24,678,418           |
| Water and sewer system        | -                       | -                    | 13,546,381               | 13,311,146           | 13,546,381           | 13,311,146           |
| Equipment and vehicles        | 3,928,564               | 3,134,503            | 585,560                  | 662,342              | 4,514,124            | 3,796,845            |
| Office furniture and fixtures | 178,526                 | 153,358              | -                        | -                    | 178,526              | 153,358              |
| <b>Total</b>                  | <b>\$ 41,410,388</b>    | <b>\$ 41,111,518</b> | <b>\$ 15,039,810</b>     | <b>\$ 14,730,567</b> | <b>\$ 56,450,198</b> | <b>\$ 55,842,085</b> |

Additional information on the City's capital assets can be found in Note G on pages 41 through 43 of this report.

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

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

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

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

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

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

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

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

For fiscal year 2021, the City estimated that \$1,199,298 was needed to meet this goal. The actual amount used for maintenance and preservation of the City's roads was \$1,175,347.

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

# City of Lake Worth, Texas

## Management's Discussion and Analysis

**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<br>Activities | Business-type<br>Activities | Total                    |
|------------------------------|----------------------------|-----------------------------|--------------------------|
| General obligation bonds     | \$ 8,165,000               | \$ -                        | \$ 8,165,000             |
| Certificates of obligation   | 5,325,000                  | -                           | 5,325,000                |
| Utility system revenue bonds | -                          | 135,000                     | 135,000                  |
| Premium on debt issued       | 547,946                    | -                           | 547,946                  |
| Net pension liability        | 4,080,170                  | 231,022                     | 4,311,192                |
| Compensated absences         | 420,444                    | 23,504                      | 443,948                  |
| Total OPEB liability         | 331,101                    | 18,747                      | 349,848                  |
| <br>Total                    | <br><u>\$ 18,869,661</u>   | <br><u>\$ 408,273</u>       | <br><u>\$ 19,277,934</u> |

The City's total long-term debt decreased by a net amount of \$1,745,165 during the current fiscal year primarily as a result of principal payments made on outstanding debt and decreases in net pension liability. The City's premium on debt issued, net pension liability, and compensated absences all decreased in the current fiscal year, while the City's Total OPEB liability increased. For governmental activities, the City made principal payments on bonded debt on its General Obligation Bonds and Certificates of Obligation. For business-type activities, the City made principal payments for revenue bond debt for the Utility System Revenue Bonds.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2020-2021 was \$0.469212 per \$100 assessed valuation, of which \$0.202000 was for maintenance and operations and \$0.267212 was for debt service.

Additional information on the City's long-term debt can be found in Note H on pages 44 through 46 of this report.

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

The annual budget is developed to provide efficient, effective, and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources, and establishes its priorities. In considering the City budget for fiscal year 2022, the City Council and administration considered the following factors:

Fortunately, the impact of the COVID-19 pandemic on the City's financial performance has not been nearly as severe as anticipated, especially in the City's General Fund. In particular, sales tax revenue has performed unexpectedly well following initial declines at the onset of the shut-down in early 2020. The positive sales tax revenue stream is likely due to the retail demographic in Lake Worth, which is comprised of mid-level retail establishments. Their sales did not suffer as much as that of high-end retail establishments.



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

Property tax revenues are budgeted to increase by 3.4% in the General Fund due to increased property values. Total assessed property values for fiscal year 2022 were estimated at \$560,311,292 up \$19,444,272, or 3.6%, when compared to fiscal year 2021. The adopted property tax rate for fiscal year 2022 is \$0.458548 per \$100 valuation. This is a decrease of \$0.010664 per \$100 valuation, or 2.27%. The maintenance and operations portion of the tax rate increased 0.38%, from \$0.202000 to \$0.202760; the interest and sinking portion of the tax rate decreased 4.28%, from \$0.267212 to \$0.255788.

General Fund budgeted expenses for fiscal year 2022 total \$11,929,289, approximately 6% more than estimated totals for the previous budget year. This increase can be attributed to additional personnel and capital purchases included in the budget. Funding for three (3) new full-time positions, a Firefighter, a Detective, and a Code Compliance Officer, total \$276,000. Capital purchases included in the budget total \$672,579.

Compared to estimated totals for the fiscal year ended September 30, 2021, the Water/Sewer Fund fiscal year 2022 budget reflects a 0.11% increase in revenues and a 1.35% decrease in expenses. Capital purchases included in the budget total \$82,271.

### **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, 2021**

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total         |
| <b>Assets</b>   |                            |                             |               |
| Cash and cash equivalents   | \$ 293,666                 | \$ 113,852                  | \$ 407,518    |
| Investments   | 11,948,768                 | 2,779,028                   | 14,727,796    |
| Receivables (net of allowances for<br>uncollectibles of \$38,392) |                            |                             |               |
| Accounts  | -                          | 404,057                     | 404,057       |
| Property taxes  | 40,175                     | -                           | 40,175        |
| Other   | 78,500                     | 3,105                       | 81,605        |
| Due from other governments  | 1,742,867                  | -                           | 1,742,867     |
| Internal balances   | 18,581                     | (18,581)                    | -             |
| Prepaid expenses  | 45,324                     | 478                         | 45,802        |
| Restricted investments  | 3,906,447                  | 247,110                     | 4,153,557     |
| Capital assets  |                            |                             |               |
| Infrastructure using modified approach                            | 24,678,418                 | -                           | 24,678,418    |
| Land and construction in progress                                 | 2,918,138                  | 815,247                     | 3,733,385     |
| Other capital assets, net of depreciation                         | 13,813,832                 | 14,224,563                  | 28,038,395    |
| Total capital assets  | 41,410,388                 | 15,039,810                  | 56,450,198    |
| Total assets  | 59,484,716                 | 18,568,859                  | 78,053,575    |
| <b>Deferred outflows of resources</b>                             |                            |                             |               |
| Deferred loss on refunding  | 211,961                    | -                           | 211,961       |
| Deferred outflows of resources - pension                          | 106,830                    | 6,049                       | 112,879       |
| Deferred outflows of resources - OPEB                             | 65,384                     | 3,702                       | 69,086        |
| Total deferred outflows of resources                              | 384,175                    | 9,751                       | 393,926       |
| <b>Liabilities</b>  |                            |                             |               |
| Accounts payable and accrued expenses                             | 793,664                    | 208,225                     | 1,001,889     |
| Interest payable  | 48,201                     | -                           | 48,201        |
| Unearned grant revenue  | 606,603                    | -                           | 606,603       |
| Payable from restricted funds:                                    |                            |                             |               |
| Customer deposits   | 383                        | 216,301                     | 216,684       |
| Due to other governments  | 64,115                     | 2,286                       | 66,401        |
| Long-term liabilities   |                            |                             |               |
| Due within one year   | 1,987,129                  | 38,504                      | 2,025,633     |
| Due in more than one year   | 16,882,532                 | 369,769                     | 17,252,301    |
| Total liabilities   | 20,382,627                 | 835,085                     | 21,217,712    |
| <b>Net position</b>   |                            |                             |               |
| Net investment in capital assets                                  | 29,029,281                 | 14,904,810                  | 43,934,091    |
| Restricted for:   |                            |                             |               |
| Debt service  | 75,330                     | -                           | 75,330        |
| Street maintenance  | 1,489,550                  | -                           | 1,489,550     |
| Crime control   | 854,244                    | -                           | 854,244       |
| Public educational government channel                             | 104,136                    | -                           | 104,136       |
| Parks and recreation  | 217,938                    | -                           | 217,938       |
| Culture and tourism   | 1,137,531                  | -                           | 1,137,531     |
| Other   | 169,458                    | -                           | 169,458       |
| Unrestricted  | 6,408,796                  | 2,838,715                   | 9,247,511     |
| Total net position  | \$ 39,486,264              | \$ 17,743,525               | \$ 57,229,789 |

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, 2021

| Functions/Programs                   | Net (Expense) Revenue and |                      |                                    |                                  |                         |                          |
|--------------------------------------|---------------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|
|                                      | Program Revenues          |                      |                                    | Primary Government               |                         |                          |
|                                      | Expenses                  | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities |
| <b>Primary Government</b>            |                           |                      |                                    |                                  |                         |                          |
| Governmental activities              |                           |                      |                                    |                                  |                         |                          |
| Mayor and council                    | \$ 21,059                 | \$ -                 | \$ -                               | \$ -                             | \$ (21,059)             | \$ -                     |
| General government                   | 2,802,803                 | 123,003              | 108,488                            | -                                | (2,571,312)             | -                        |
| Police                               | 3,852,743                 | 483,067              | 193,783                            | -                                | (3,175,893)             | -                        |
| Fire protection                      | 2,552,491                 | -                    | 360,841                            | -                                | (2,191,650)             | -                        |
| Streets                              | 1,237,300                 | -                    | -                                  | -                                | (1,237,300)             | -                        |
| Library                              | 289,146                   | 1,861                | 975                                | -                                | (286,310)               | -                        |
| Parks and recreation                 | 589,452                   | 16,145               | 14,096                             | -                                | (559,211)               | -                        |
| Maintenance                          | 70,004                    | 205,259              | -                                  | -                                | 135,255                 | -                        |
| Senior center                        | 104,225                   | -                    | 400                                | -                                | (103,825)               | -                        |
| Municipal court                      | 246,668                   | 25,107               | -                                  | -                                | (221,561)               | -                        |
| Animal control                       | 197,837                   | 12,644               | 55,650                             | -                                | (129,543)               | -                        |
| Emergency management                 | 16,381                    | -                    | -                                  | -                                | (16,381)                | -                        |
| Permits and inspections              | 449,399                   | 224,728              | -                                  | -                                | (224,671)               | -                        |
| Informational technology             | 548,126                   | -                    | -                                  | -                                | (548,126)               | -                        |
| Interest and fiscal charges          | 402,470                   | -                    | -                                  | -                                | (402,470)               | -                        |
| Total governmental activities        | 13,380,104                | 1,091,814            | 734,233                            | -                                | (11,554,057)            | -                        |
| Business-type activities             |                           |                      |                                    |                                  |                         |                          |
| Water and sewer                      | 2,353,330                 | 2,918,155            | -                                  | 108,806                          | -                       | 673,631                  |
| Total business-type activities       | 2,353,330                 | 2,918,155            | -                                  | 108,806                          | -                       | 673,631                  |
| Total primary government             | \$ 15,733,434             | \$ 4,009,969         | \$ 734,233                         | \$ 108,806                       | (11,554,057)            | 673,631                  |
| General revenues and transfers:      |                           |                      |                                    |                                  |                         |                          |
| Taxes                                |                           |                      |                                    |                                  |                         |                          |
| Property                             |                           |                      |                                    |                                  | 2,593,406               | -                        |
| Retail sales                         |                           |                      |                                    |                                  | 10,059,779              | -                        |
| Franchise                            |                           |                      |                                    |                                  | 400,390                 | -                        |
| Hotel                                |                           |                      |                                    |                                  | 170,655                 | -                        |
| Mixed beverage                       |                           |                      |                                    |                                  | 29,626                  | -                        |
| Interest                             |                           |                      |                                    |                                  | 8,169                   | 1,468                    |
| Gain (loss) on sale of assets        |                           |                      |                                    |                                  | (58,680)                | 8,005                    |
| Other                                |                           |                      |                                    |                                  | 239,459                 | 82,292                   |
| Transfers                            |                           |                      |                                    |                                  | (424,080)               | 424,080                  |
| Total general revenues and transfers |                           |                      |                                    |                                  | 13,018,724              | 515,845                  |
| Change in net position               |                           |                      |                                    |                                  | 1,464,667               | 1,189,476                |
| Net position, beginning of year      |                           |                      |                                    |                                  | 38,021,597              | 16,554,049               |
| Net position, end of year            |                           |                      |                                    |                                  | \$ 39,486,264           | \$ 17,743,525            |

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

**City of Lake Worth, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2021**

|  | General<br>Fund      | Street<br>Maintenance<br>Fund | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-------------------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                      |                               |                         |                             |                                |                                |
| Cash and cash equivalents  | \$ 204,594           | \$ -                          | \$ 11,517               | \$ -                        | \$ 77,555                      | \$ 293,666                     |
| Investments  | 11,948,385           | 1,489,200                     | 40,030                  | 1,624,596                   | 753,004                        | 15,855,215                     |
| Receivables  |                      |                               |                         |                             |                                |                                |
| Property taxes (net of allowances for uncollectibles of \$35,815)  | 17,295               | -                             | 22,880                  | -                           | -                              | 40,175                         |
| Other  | 78,500               | -                             | -                       | -                           | -                              | 78,500                         |
| Due from other governments   | 1,526,908            | -                             | -                       | -                           | 215,959                        | 1,742,867                      |
| Due from other funds   | 18,370               | 2,000                         | 904                     | -                           | 211                            | 21,485                         |
| Prepaid expenses   | 38,112               | -                             | 450                     | -                           | 6,762                          | 45,324                         |
| <b>Total assets</b>  | <b>\$ 13,832,164</b> | <b>\$ 1,491,200</b>           | <b>\$ 75,781</b>        | <b>\$ 1,624,596</b>         | <b>\$ 1,053,491</b>            | <b>\$ 18,077,232</b>           |
| <b>Liabilities</b>   |                      |                               |                         |                             |                                |                                |
| Accounts payable   | \$ 288,606           | \$ 1,650                      | \$ 1                    | \$ 179,718                  | \$ 39,794                      | \$ 509,769                     |
| Accrued liabilities  | 253,389              | -                             | -                       | -                           | 30,506                         | 283,895                        |
| Unearned grant revenue   | 606,603              | -                             | -                       | -                           | -                              | 606,603                        |
| Due to other governments   | 64,115               | -                             | -                       | -                           | -                              | 64,115                         |
| Due to other funds   | 2,904                | -                             | -                       | -                           | -                              | 2,904                          |
| Deposits   | 383                  | -                             | -                       | -                           | -                              | 383                            |
| <b>Total liabilities</b>   | <b>1,216,000</b>     | <b>1,650</b>                  | <b>1</b>                | <b>179,718</b>              | <b>70,300</b>                  | <b>1,467,669</b>               |
| <b>Deferred inflows of resources</b>   |                      |                               |                         |                             |                                |                                |
| Unavailable revenue - property taxes   | 17,295               | -                             | 22,880                  | -                           | -                              | 40,175                         |
| <b>Total deferred inflows of resources</b>   | <b>17,295</b>        | <b>-</b>                      | <b>22,880</b>           | <b>-</b>                    | <b>-</b>                       | <b>40,175</b>                  |
| <b>Fund balances</b>   |                      |                               |                         |                             |                                |                                |
| Non-spendable for:   |                      |                               |                         |                             |                                |                                |
| Prepaid expenses   | 38,112               | -                             | 450                     | -                           | 6,762                          | 45,324                         |
| Restricted for:  |                      |                               |                         |                             |                                |                                |
| Debt service   | -                    | -                             | 52,450                  | -                           | -                              | 52,450                         |
| Capital projects   | -                    | -                             | -                       | 1,444,878                   | -                              | 1,444,878                      |
| Street maintenance   | -                    | 1,489,550                     | -                       | -                           | -                              | 1,489,550                      |
| Crime control  | -                    | -                             | -                       | -                           | 854,244                        | 854,244                        |
| Public educational government channel  | -                    | -                             | -                       | -                           | 104,136                        | 104,136                        |
| Parks and recreation   | 217,938              | -                             | -                       | -                           | -                              | 217,938                        |
| Culture and tourism  | 1,137,531            | -                             | -                       | -                           | -                              | 1,137,531                      |
| Other  | 151,409              | -                             | -                       | -                           | 18,049                         | 169,458                        |
| Committed for:   |                      |                               |                         |                             |                                |                                |
| Fire protection / truck maintenance  | 53,844               | -                             | -                       | -                           | -                              | 53,844                         |
| Animal control equipment and facilities  | 3,395                | -                             | -                       | -                           | -                              | 3,395                          |
| Street improvements  | 348,049              | -                             | -                       | -                           | -                              | 348,049                        |
| Assigned for:  |                      |                               |                         |                             |                                |                                |
| Vehicle purchase   | 101,000              | -                             | -                       | -                           | -                              | 101,000                        |
| Building improvements  | 167,750              | -                             | -                       | -                           | -                              | 167,750                        |
| Utility project  | 164,959              | -                             | -                       | -                           | -                              | 164,959                        |
| Parks and recreation   | 161,220              | -                             | -                       | -                           | -                              | 161,220                        |
| Vehicle replacement  | 227,648              | -                             | -                       | -                           | -                              | 227,648                        |
| Unassigned   | 9,826,014            | -                             | -                       | -                           | -                              | 9,826,014                      |
| <b>Total fund balances</b>   | <b>12,598,869</b>    | <b>1,489,550</b>              | <b>52,900</b>           | <b>1,444,878</b>            | <b>983,191</b>                 | <b>16,569,388</b>              |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b>   | <b>\$ 13,832,164</b> | <b>\$ 1,491,200</b>           | <b>\$ 75,781</b>        | <b>\$ 1,624,596</b>         | <b>\$ 1,053,491</b>            |                                |
| Amounts reported for governmental activities in the statement of net position are different because:   |                      |                               |                         |                             |                                |                                |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  |                      |                               |                         |                             |                                | 41,410,388                     |
| Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.  |                      |                               |                         |                             |                                | 384,175                        |
| Property taxes receivable, net of allowance, are not available to pay for current period expenditures and, therefore, are deferred in the funds.   |                      |                               |                         |                             |                                | 40,175                         |
| Some liabilities, including general obligation bonds, accrued interest payable, certificates of obligation, premiums on debt, 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. |                      |                               |                         |                             |                                | (18,917,862)                   |
| <b>Net position of governmental activities - statement of net position</b>   |                      |                               |                         |                             |                                | <b>\$ 39,486,264</b>           |

**City of Lake Worth, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**September 30, 2021**

|   | General<br>Fund      | Street<br>Maintenance<br>Fund | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                      |                               |                         |                             |                                |                                |
| Taxes   | \$ 10,546,775        | \$ -                          | \$ 1,477,260            | \$ -                        | \$ 1,232,048                   | \$ 13,256,083                  |
| Fines   | 484,928              | -                             | -                       | -                           | -                              | 484,928                        |
| Interlocal services                                       | 418,240              | -                             | -                       | -                           | 93,090                         | 511,330                        |
| Permits and fees  | 348,235              | -                             | -                       | -                           | 20,583                         | 368,818                        |
| Charges for services                                      | 221,404              | -                             | -                       | -                           | -                              | 221,404                        |
| Grants  | 166,335              | -                             | -                       | -                           | -                              | 166,335                        |
| Investment earnings                                       | 5,725                | 670                           | 165                     | 1,282                       | 327                            | 8,169                          |
| Miscellaneous   | 291,754              | 60                            | -                       | 131                         | 20,746                         | 312,691                        |
| <b>Total revenues</b>                                     | <b>12,483,396</b>    | <b>730</b>                    | <b>1,477,425</b>        | <b>1,413</b>                | <b>1,366,794</b>               | <b>15,329,758</b>              |
| <b>Expenditures</b>                                       |                      |                               |                         |                             |                                |                                |
| Current   |                      |                               |                         |                             |                                |                                |
| Mayor and council   | 7,009                | -                             | -                       | -                           | -                              | 7,009                          |
| General government  | 1,317,319            | -                             | -                       | 1,318,332                   | -                              | 2,635,651                      |
| Police  | 2,630,136            | -                             | -                       | -                           | 1,111,632                      | 3,741,768                      |
| Fire protection   | 2,472,691            | -                             | -                       | -                           | -                              | 2,472,691                      |
| Streets   | 958,060              | 217,287                       | -                       | -                           | -                              | 1,175,347                      |
| Library   | 288,219              | -                             | -                       | -                           | -                              | 288,219                        |
| Parks and recreation                                      | 450,399              | -                             | -                       | -                           | -                              | 450,399                        |
| Maintenance   | 69,116               | -                             | -                       | -                           | -                              | 69,116                         |
| Senior center   | 96,332               | -                             | -                       | -                           | -                              | 96,332                         |
| Municipal court   | 252,025              | -                             | -                       | -                           | -                              | 252,025                        |
| Animal control  | 180,345              | -                             | -                       | -                           | -                              | 180,345                        |
| Emergency management                                      | 16,381               | -                             | -                       | -                           | -                              | 16,381                         |
| Permits and inspections                                   | 458,495              | -                             | -                       | -                           | -                              | 458,495                        |
| Informational technology                                  | 530,461              | -                             | -                       | -                           | -                              | 530,461                        |
| Capital outlay  | 317,786              | -                             | -                       | 940,657                     | 19,000                         | 1,277,443                      |
| Debt service  |                      |                               |                         |                             |                                |                                |
| Principal   | -                    | -                             | 1,580,000               | -                           | -                              | 1,580,000                      |
| Interest  | -                    | -                             | 484,696                 | -                           | -                              | 484,696                        |
| <b>Total expenditures</b>                                 | <b>10,044,774</b>    | <b>217,287</b>                | <b>2,064,696</b>        | <b>2,258,989</b>            | <b>1,130,632</b>               | <b>15,716,378</b>              |
| Excess (deficiency) of revenues over (under) expenditures | 2,438,622            | (216,557)                     | (587,271)               | (2,257,576)                 | 236,162                        | (386,620)                      |
| Other financing sources (uses)                            |                      |                               |                         |                             |                                |                                |
| Transfers in  | 109,782              | 402,000                       | 596,223                 | -                           | -                              | 1,108,005                      |
| Transfers out   | (808,706)            | -                             | -                       | (631,961)                   | (91,418)                       | (1,532,085)                    |
| <b>Total other financing sources (uses)</b>               | <b>(698,924)</b>     | <b>402,000</b>                | <b>596,223</b>          | <b>(631,961)</b>            | <b>(91,418)</b>                | <b>(424,080)</b>               |
| <b>Total changes in fund balances</b>                     | <b>1,739,698</b>     | <b>185,443</b>                | <b>8,952</b>            | <b>(2,889,537)</b>          | <b>144,744</b>                 | <b>(810,700)</b>               |
| Fund balance, beginning of year                           | 10,859,171           | 1,304,107                     | 43,948                  | 4,334,415                   | 838,447                        | 17,380,088                     |
| <b>Fund balances, end of year</b>                         | <b>\$ 12,598,869</b> | <b>\$ 1,489,550</b>           | <b>\$ 52,900</b>        | <b>\$ 1,444,878</b>         | <b>\$ 983,191</b>              | <b>\$ 16,569,388</b>           |

**City of Lake Worth, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of the Governmental Funds to the Change in**  
**Net Position of Governmental Activities in the Statement of Activities**  
**For the Fiscal Year Ended September 30, 2021**

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

|  |    |           |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | (810,700) |
|--|----|-----------|

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       | \$ 1,277,443     |  |         |
| Depreciation expense | <u>(919,892)</u> |  | 357,551 |

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

|                        |  |          |
|------------------------|--|----------|
| Loss on sale of assets |  | (58,680) |
|------------------------|--|----------|

The change in property tax receivable, net of allowance, is reported as revenue in the statement of activities; however, this change does not provide current financial resources and is, therefore, not reported as revenue in the funds.

(2,227)

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                       | \$ (7,230)      |  |         |
| Accrued interest                           | 18,827          |  |         |
| Amortization of premium on debt            | 90,458          |  |         |
| Amortization of deferred loss on refunding | (27,057)        |  |         |
| Net pension liability                      | 96,956          |  |         |
| Total OPEB liability                       | <u>(67,398)</u> |  | 104,556 |

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.

258,685

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.

35,482

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.

|                           |           |  |                  |
|---------------------------|-----------|--|------------------|
| Bond principal repayments | 1,580,000 |  | <u>1,580,000</u> |
|---------------------------|-----------|--|------------------|

|   |    |                  |
|---|----|------------------|
| Change in net position of governmental activities - statement of activities | \$ | <u>1,464,667</u> |
|---|----|------------------|

**City of Lake Worth, Texas**  
**Statement of Net Position**  
**Enterprise Fund**  
**September 30, 2021**

|   | <u>Water and<br/>Sewer Fund</u> |
|---|---------------------------------|
| <b>Assets</b>   |                                 |
| Current assets  |                                 |
| Cash and cash equivalents   | \$ 113,852                      |
| Investments   | 2,779,028                       |
| Receivables   |                                 |
| Accounts (net of allowances for<br>uncollectible accounts of \$2,577) | 404,057                         |
| Other   | 3,105                           |
| Prepaid expenses  | 478                             |
| Total current assets  | <u>3,300,520</u>                |
| Noncurrent assets   |                                 |
| Restricted assets   |                                 |
| Investments   | 247,110                         |
| Capital assets  |                                 |
| Land  | 46,240                          |
| Construction in progress  | 769,007                         |
| Buildings and improvements  | 158,763                         |
| Water and sewer system  | 19,315,180                      |
| Machinery and equipment   | 1,728,254                       |
| Less accumulated depreciation   | <u>(6,977,634)</u>              |
| Total noncurrent assets   | <u>15,286,920</u>               |
| Total assets  | <u>18,587,440</u>               |
| <b>Deferred outflows of resources</b>                                 |                                 |
| Deferred outflows of resources - pension                              | 6,049                           |
| Deferred outflows of resources - OPEB                                 | <u>3,702</u>                    |
| Total deferred outflows of resources                                  | <u>9,751</u>                    |
| <b>Liabilities</b>  |                                 |
| Current liabilities   |                                 |
| Payable from current assets   |                                 |
| Accounts payable  | 193,036                         |
| Accrued liabilities   | 15,189                          |
| Due to other funds  | 18,581                          |
| Due to other governments  | 2,286                           |
| Compensated absences  | 23,504                          |
| Current portion of bonds payable                                      | <u>15,000</u>                   |
| Total current liabilities   | 267,596                         |
| Noncurrent liabilities  |                                 |
| Payable from restricted assets  |                                 |
| Customer deposits   | 216,301                         |
| Net pension liability   | 231,022                         |
| Total OPEB liability  | 18,747                          |
| Bonds payable   | <u>120,000</u>                  |
| Total noncurrent liabilities  | <u>586,070</u>                  |
| Total liabilities   | <u>853,666</u>                  |
| <b>Net Position</b>   |                                 |
| Net investment in capital assets                                      | 14,904,810                      |
| Unrestricted  | <u>2,838,715</u>                |
| Total net position  | <u>\$ 17,743,525</u>            |



**City of Lake Worth, Texas**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2021**

|   | <u>Water and<br/>Sewer Fund</u> |
|---|---------------------------------|
| Operating revenues                        |                                 |
| Water services                            | \$ 1,551,235                    |
| Sewer services                            | 1,358,191                       |
| Other operating revenues                  | <u>8,729</u>                    |
| Total operating revenues                  | <u>2,918,155</u>                |
| Operating expenses                        |                                 |
| Personnel services                        | 446,719                         |
| Contractual services                      | 155,562                         |
| Water purchases                           | 503,564                         |
| Disposal charge - sewer                   | 560,556                         |
| Supplies and maintenance                  | 178,442                         |
| Other operating expenses                  | 4,604                           |
| Depreciation                              | <u>503,883</u>                  |
| Total operating expenses                  | <u>2,353,330</u>                |
| Operating income                          | <u>564,825</u>                  |
| Nonoperating revenues (expenses)          |                                 |
| Gain on disposal of assets                | 8,005                           |
| Interest income                           | 1,468                           |
| Miscellaneous                             | <u>82,292</u>                   |
| Total non-operating revenues (expenses)   | <u>91,765</u>                   |
| Income before contributions and transfers | 656,590                         |
| Donated capital asset                     | 108,806                         |
| Transfers in                              | 787,002                         |
| Transfers out                             | <u>(362,922)</u>                |
| Total contributions and transfers         | <u>532,886</u>                  |
| Change in net position                    | 1,189,476                       |
| Net position, beginning of year           | <u>16,554,049</u>               |
| Net position, end of year                 | <u><u>\$ 17,743,525</u></u>     |

**City of Lake Worth, Texas**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2021**

|   | <b>Water and<br/>Sewer Fund</b> |
|---|---------------------------------|
| <b>Cash flows from operating activities:</b>  |                                 |
| Cash received from customers  | \$ 2,913,004                    |
| Cash paid to suppliers  | (1,405,804)                     |
| Cash paid to employees  | (508,788)                       |
|   | <u>998,412</u>                  |
| Net cash provided by operating activities   | <u>998,412</u>                  |
| <b>Cash flows from noncapital financing activities:</b>                                     |                                 |
| Cash received from other funds  | 1,009,840                       |
| Cash paid to other funds  | (345,887)                       |
| Miscellaneous receipts  | 82,292                          |
|   | <u>746,245</u>                  |
| Net cash provided by noncapital financing activities  | <u>746,245</u>                  |
| <b>Cash flows from capital and related financing activities:</b>                            |                                 |
| Acquisition of capital assets   | (714,315)                       |
| Proceeds from disposal of capital assets  | 18,000                          |
| Principal payments on long-term debt  | (15,000)                        |
|   | <u>(711,315)</u>                |
| Net cash used in capital and related financing activities                                   | <u>(711,315)</u>                |
| <b>Cash flows from investing activities:</b>  |                                 |
| Change in investments   | (1,009,918)                     |
| Interest income   | 1,468                           |
|   | <u>(1,008,450)</u>              |
| Net cash used in investing activities   | <u>(1,008,450)</u>              |
| Net increase in cash  | 24,892                          |
| Cash and cash equivalents at beginning of year  | <u>88,960</u>                   |
| Cash and cash equivalents at end of year  | <u>\$ 113,852</u>               |
| <b>Reconciliation of operating income to net cash<br/>provided by operating activities:</b> |                                 |
| Operating income  | \$ 564,825                      |
| Adjustments to reconcile operating income to net<br>cash provided by operating activities:  |                                 |
| Depreciation  | 503,883                         |
| (Increase) decrease in:   |                                 |
| Accounts receivable   | (16,582)                        |
| Prepaid expenses  | (478)                           |
| Deferred outflows of resources - pension  | (17,849)                        |
| Deferred outflows of resources - OPEB   | (1,667)                         |
| Increase (decrease) in:   |                                 |
| Accounts payable and accrued liabilities  | (7,772)                         |
| Compensated absences  | 1,846                           |
| Net pension liability   | (41,191)                        |
| Total OPEB liability  | 1,966                           |
| Customer deposits   | 11,431                          |
|   | <u>998,412</u>                  |
| Net cash provided by operating activities   | <u>\$ 998,412</u>               |
| <b>Non-cash Capital and Related Financing Activities:</b>                                   |                                 |
| Acquisition of capital assets - donated   | \$ 108,806                      |
|   | <u>108,806</u>                  |
| Total non-cash capital and related financing activities                                     | <u>\$ 108,806</u>               |

**City of Lake Worth, Texas**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**September 30, 2021**

|   | <u>Insurance<br/>Trust Fund</u> |
|---|---------------------------------|
| <b>Assets</b>                                 |                                 |
| Total assets                                  | \$ -                            |
| <b>Liabilities</b>                            |                                 |
| Total liabilities                             | -                               |
| <b>Net position</b>                           |                                 |
| 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, 2021**

|                                 | <u>Insurance<br/>Trust Fund</u> |
|---------------------------------|---------------------------------|
| <b>Additions</b>                |                                 |
| Contributions:                  |                                 |
| Employer                        | \$ 677,847                      |
| Employee                        | <u>94,058</u>                   |
| Total additions                 | <u>771,905</u>                  |
| <b>Deductions</b>               |                                 |
| Insurance benefit payments      | <u>771,905</u>                  |
| Total deductions                | <u>771,905</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, 2021**

**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 operations and so data from this unit is combined with the data of the primary government.

**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 a 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 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. The blended component unit has a September 30th year-end.

**Government-wide Statements**

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the City. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds to aid financial management activities and to demonstrate legal compliance. Separate financial statements are provided for governmental activities and proprietary activities. These statements present each major fund as a separate column on the fund financial statements, while all nonmajor funds are aggregated and presented in a single column. Detailed statements for nonmajor funds are presented within the Supplementary Information section.

The City's fiduciary funds are presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (health, dental, and vision plan participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources while modified accrual is used for the basis of accounting. The City reports the following major governmental funds:

General Fund is the main operating fund of the City. The fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

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 by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

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.

Street Maintenance Fund is utilized for street improvements or maintenance expenditures within the City.

In addition to the major funds listed above, the City reports the following nonmajor governmental funds: the Crime Control District Fund, the Public Educational Government Channel Fund, the Municipal Jury Fund, and the Local Truancy Prevention Fund.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Proprietary Funds**

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position.

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. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, personnel and contractual services, supplies and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary fund:

Water and Sewer Fund accounts for the provision of regional water, wastewater, and reclaimed water services to residential, commercial, industrial, and irrigation customers. Activities of the fund include administration, engineering, water and wastewater treatment, billing and collection services, operations and maintenance of the system, and funding for capital improvements to ensure system reliability, comply with regulatory requirements, meet corporate priorities, and serve anticipated growth. Debt is issued for large capital projects. All costs are financed through charges and rates based on the amount of service used, which is billed to customers and collected on a monthly basis. Rates are reviewed regularly and adjusted as necessary to ensure the integrity of the system.

**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 reports the Insurance Trust Fund as a fiduciary fund. The Insurance Trust 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.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements, the proprietary fund, and the fiduciary fund are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included in the Statement of Net Position. 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. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been met.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

The governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Revenues from taxes are considered available if received within 60 days after the fiscal year-end. Revenue from contributions and other grants are recognized when applicable eligibility requirements, including time requirements, are met and are considered available if received within 60 days after the fiscal year-end. Program revenues such as fines, licenses and permits, and other charges for services are considered to be measurable and available when cash is received. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities, such as compensated absences, net pension liabilities, and total other post-employment benefits, which are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GAAP.

**Budgets and Budgetary Accounting**

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

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



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**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 of at least two years following the acquisition date. 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 | 10-15 years |
| Water and sewer system     | 10-65 years |
| Equipment and vehicles     | 3-10 years  |
| Furniture and fixtures     | 3-10 years  |

The City has elected to use the modified approach for the reporting of infrastructure assets 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.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**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, the pension plan, and the other post-employment benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note K related to the pension plan and 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 unavailable revenue from property taxes reported in the governmental balance sheet.

**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 Council or the City Manager. Unassigned fund balance is the amounts in the general fund in excess of what can be classified in one of the other four categories of fund balance. Unassigned amounts are technically available for any purpose.

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.

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

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Net Position**

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

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

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

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

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

**Concentration of Credit Risk**

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

**Pensions**

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

**Other Post-Employment Benefits**

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

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

Risk Management

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

There have been no significant reductions in coverage in the current 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.

Implementation of New Accounting Standard

During the year ended September 30, 2021, the City implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. There were no changes to the methods of recording or reporting the City activities as a result of this implementation.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 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 difference are as follows:

|  |                             |
|--|-----------------------------|
| Bonds payable  | \$ 8,165,000                |
| Certificates of obligation   | 5,325,000                   |
| Unamortized premium on debt  | 547,946                     |
| Accrued interest payable   | 48,201                      |
| Net pension liability  | 4,080,170                   |
| Total OPEB liability   | 331,101                     |
| Compensated absences   | <u>420,444</u>              |
| Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities | <u><u>\$ 18,917,862</u></u> |

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

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

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

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

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;
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, 2021 were in the following eligible local government investment pools: LOGIC, TexSTAR, Lone Star, 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, 2021**

**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 City holds investments in the Government Overnight Funds and those funds are rated AAAm by Standard and Poor's.

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.

|   | September 30,<br>2021 | Weighted<br>Average<br>Maturity<br>(in days) |
|---|-----------------------|--|
| Investments measured at amortized cost/NAV: |                       |  |
| LOGIC                                       | \$ 4,990,936          | 55   |
| Lone Star                                   | 4,955,044             | 48   |
| TexPool                                     | 4,397,872             | 34   |
| TexSTAR                                     | 4,537,501             | 43   |
|   | <u>18,881,353</u>     |  |
| Total investments at amortized cost/NAV     | <u>\$ 18,881,353</u>  |  |

**Interest Rate Risk** – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter-term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. As of September 30, 2021, the City's investments included investment pools and therefore were not exposed to interest rate risk.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity (WAM) of its portfolio. The City's policy is that the City's entire portfolio shall have a maximum WAM of 270 days.

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, 2021, TexPool, TexSTAR, Lone Star, and LOGIC investment pools were rated AAAm by Standard and Poor's.

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

|   | <u>Maximum<br/>Percentage<br/>of Portfolio</u> |
|---|--|
| U.S. Treasury Obligations   | 100%   |
| U.S. Government Agency Securities and Instrumentalities of<br>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, 2021, 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, 2021, the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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.

The City has estimated an allowance for uncollectible property taxes to be those receivable property taxes greater than five years outstanding.

**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.

**Note F. Interfund Activity**

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2021:

| <u>Receivable Fund</u>      | <u>Payable Fund</u>  | <u>Amount</u>    |
|-----------------------------|----------------------|------------------|
| General fund                | Water and sewer fund | \$ 18,370        |
| Debt service fund           | General fund         | 904              |
| Crime control district fund | Water and sewer fund | 211              |
| Street maintenance fund     | General fund         | 2,000            |
| Total                       |                      | <u>\$ 21,485</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.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**Note F. Interfund Activity (Continued)**

Interfund transfers during the year were as follows:

|                             | <u>Transfers Out</u> |                     |
|-----------------------------|----------------------|---------------------|
| General fund                |                      | \$ 808,706          |
| Capital projects fund       |                      | 631,961             |
| Crime control district fund |                      | 91,418              |
| Water and sewer fund        |                      | <u>362,922</u>      |
|                             |                      | <u>\$ 1,895,007</u> |
|                             |                      |                     |
|                             | <u>Transfers in</u>  |                     |
| General fund                |                      | \$ 109,782          |
| Debt service fund           |                      | 596,223             |
| Street maintenance fund     |                      | 402,000             |
| Water and sewer fund        |                      | <u>787,002</u>      |
|                             |                      | <u>\$ 1,895,007</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, 2021**

**Note G. Capital Assets**

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

|  | Balance<br>10/1/2020 | Transfers/<br>Additions | Transfers/<br>Deletions | Balance<br>9/30/2021 |
|--|----------------------|-------------------------|-------------------------|----------------------|
| <b>Governmental activities</b>               |                      |                         |                         |                      |
| Capital assets using modified approach       |                      |                         |                         |                      |
| Infrastructure                               | \$ 24,678,418        | \$ -                    | \$ -                    | \$ 24,678,418        |
| Total capital assets using modified approach | 24,678,418           | -                       | -                       | 24,678,418           |
| Capital assets not being depreciated         |                      |                         |                         |                      |
| Construction in progress                     | 1,455,586            | 1,083,074               | 1,349,856               | 1,188,804            |
| Land   | 1,729,334            | -                       | -                       | 1,729,334            |
| Total capital assets not being depreciated   | 3,184,920            | 1,083,074               | 1,349,856               | 2,918,138            |
| Other capital assets                         |                      |                         |                         |                      |
| Buildings and improvements                   | 13,599,313           | 85,456                  | 6,988                   | 13,677,781           |
| Equipment and vehicles                       | 6,640,711            | 1,387,393               | 496,893                 | 7,531,211            |
| Office furniture and fixtures                | 691,495              | 71,375                  | 69,382                  | 693,488              |
| Total other capital assets                   | 20,931,519           | 1,544,224               | 573,263                 | 21,902,480           |
| Less accumulated depreciation for:           |                      |                         |                         |                      |
| Buildings and improvements                   | 3,638,994            | 334,846                 | 2,801                   | 3,971,039            |
| Equipment and vehicles                       | 3,506,208            | 542,149                 | 445,710                 | 3,602,647            |
| Office furniture and fixtures                | 538,137              | 42,897                  | 66,072                  | 514,962              |
| Total accumulated depreciation               | 7,683,339            | 919,892                 | 514,583                 | 8,088,648            |
| Other capital assets, net                    | 13,248,180           | 624,332                 | 58,680                  | 13,813,832           |
| Governmental activities capital assets, net  | <u>\$ 41,111,518</u> | <u>\$ 1,707,406</u>     | <u>\$ 1,408,536</u>     | <u>\$ 41,410,388</u> |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

|  | Balance<br>10/1/2020 | Transfers/<br>Additions | Transfers/<br>Deletions | Balance<br>9/30/2021 |
|--|----------------------|-------------------------|-------------------------|----------------------|
| <b>Business-type activities</b>              |                      |                         |                         |                      |
| Capital assets not being depreciated         |                      |                         |                         |                      |
| Land   | \$ 46,240            | \$ -                    | \$ -                    | \$ 46,240            |
| Construction in progress                     | 608,836              | 679,211                 | 519,040                 | 769,007              |
|  | <u>655,076</u>       | <u>679,211</u>          | <u>519,040</u>          | <u>815,247</u>       |
| Total capital assets not being depreciated   | 655,076              | 679,211                 | 519,040                 | 815,247              |
| Other capital assets                         |                      |                         |                         |                      |
| Water and sewer system                       | 18,673,145           | 642,035                 | -                       | 19,315,180           |
| Buildings and improvements                   | 165,751              | -                       | 6,988                   | 158,763              |
| Machinery and equipment                      | 2,317,930            | 20,916                  | 610,592                 | 1,728,254            |
|  | <u>21,156,826</u>    | <u>662,951</u>          | <u>617,580</u>          | <u>21,202,197</u>    |
| Total other capital assets                   | 21,156,826           | 662,951                 | 617,580                 | 21,202,197           |
| Less accumulated depreciation for:           |                      |                         |                         |                      |
| Water and sewer system                       | 5,361,999            | 406,800                 | -                       | 5,768,799            |
| Buildings and improvements                   | 63,748               | 5,194                   | 2,801                   | 66,141               |
| Machinery and equipment                      | 1,655,588            | 91,889                  | 604,783                 | 1,142,694            |
|  | <u>7,081,335</u>     | <u>503,883</u>          | <u>607,584</u>          | <u>6,977,634</u>     |
| Total accumulated depreciation               | 7,081,335            | 503,883                 | 607,584                 | 6,977,634            |
| Other capital assets, net                    | 14,075,491           | 159,068                 | 9,996                   | 14,224,563           |
| Business-type activities capital assets, net | <u>\$ 14,730,567</u> | <u>\$ 838,279</u>       | <u>\$ 529,036</u>       | <u>\$ 15,039,810</u> |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

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

**Governmental activities:**

|                               |                   |
|-------------------------------|-------------------|
| Mayor and council             | \$ 14,050         |
| General government            | 205,353           |
| Police                        | 217,843           |
| Fire                          | 186,778           |
| Streets                       | 78,942            |
| Library                       | 9,880             |
| Parks and recreation          | 149,518           |
| Maintenance                   | 3,552             |
| Senior center                 | 9,687             |
| Municipal court               | 967               |
| Animal control                | 22,924            |
| Permits and inspections       | 6                 |
| Information technology        | <u>20,392</u>     |
| Total governmental activities | <u>\$ 919,892</u> |

**Business-type activities:**

|                                |                   |
|--------------------------------|-------------------|
| Water and sewer                | <u>\$ 503,883</u> |
| Total business-type activities | <u>\$ 503,883</u> |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 2021 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%.
- The bond was fully repaid during fiscal year 2021.

*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 \$1,660,000 at September 30, 2021.

*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 \$6,505,000 at September 30, 2021.

**Certificates of Obligation**

*Combination Tax and Revenue Certificates of Obligation, Series 2020*

- For the purchase of fire truck(s), and to finance street improvement projects and various remodels and additions to City facilities.
- 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 \$5,325,000 at September 30, 2021.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

The annual requirements to amortize long-term debt as of September 30, 2021 are as follows:

| Year<br>Ending | General Obligation Bonds |                     | Certificates of Obligation |                   |
|----------------|--------------------------|---------------------|----------------------------|-------------------|
|                | Principal                | Interest            | Principal                  | Interest          |
| 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           | 1,100,000                | 140,800             | 400,000                    | 78,318            |
| 2027-2031      | 2,420,000                | 151,800             | 1,835,000                  | 268,790           |
| 2032-2036      | -                        | -                   | 850,000                    | 134,790           |
| 2037-2041      | -                        | -                   | 755,000                    | 42,300            |
| Total          | <u>\$ 8,165,000</u>      | <u>\$ 1,171,883</u> | <u>\$ 5,325,000</u>        | <u>\$ 950,720</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 \$135,000 at September 30, 2021, bearing 0% interest.

The annual requirements to amortize long-term debt as of September 30, 2021 are as follows:

| Fiscal<br>Year<br>Ending | Utility System<br>Revenue Bonds<br>Principal |
|--------------------------|--|
| 2022                     | \$ 15,000                                    |
| 2023                     | 15,000                                       |
| 2024                     | 15,000                                       |
| 2025                     | 15,000                                       |
| 2026                     | 15,000                                       |
| 2027-2031                | <u>60,000</u>                                |
| Total                    | <u>\$ 135,000</u>                            |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, 2021:

|                                 | Balance<br>10/1/2020 | Additions    | Retirements  | Balance<br>9/30/2021 | Due Within<br>One Year |
|---------------------------------|----------------------|--------------|--------------|----------------------|------------------------|
| <u>Governmental activities</u>  |                      |              |              |                      |                        |
| General obligation bonds        | \$ 9,455,000         | \$ -         | \$ 1,290,000 | \$ 8,165,000         | \$ 1,120,000           |
| Certificates of obligation      | 5,615,000            | -            | 290,000      | 5,325,000            | 350,000                |
| Unamortized debt premium        | 638,404              | -            | 90,458       | 547,946              | 96,685                 |
| Net pension liability           | 4,177,126            | 890,147      | 987,103      | 4,080,170            | -                      |
| Compensated absences            | 413,214              | 7,230        | -            | 420,444              | 420,444                |
| Total OPEB liability            | 263,703              | 75,069       | 7,671        | 331,101              | -                      |
| Total governmental activities   | 20,562,447           | 972,446      | 2,665,232    | 18,869,661           | 1,987,129              |
| <u>Business-type activities</u> |                      |              |              |                      |                        |
| Utility system revenue bonds    | 150,000              | -            | 15,000       | 135,000              | 15,000                 |
| Net pension liability           | 272,213              | 48,489       | 89,680       | 231,022              | -                      |
| Compensated absences            | 21,658               | 1,846        | -            | 23,504               | 23,504                 |
| Total OPEB liability            | 16,781               | 4,151        | 2,185        | 18,747               | -                      |
| Total business-type activities  | 460,652              | 54,486       | 106,865      | 408,273              | 38,504                 |
| Total                           | \$ 21,023,099        | \$ 1,026,932 | \$ 2,772,097 | \$ 19,277,934        | \$ 2,025,633           |

**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. All eligible employees are entitled to have their accrued vacation paid out when employment is terminated.

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, 2021 was \$443,948.



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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  | \$ 7,376                     |
| Court technology  | 12,647                       |
| Court security  | 93,713                       |
| Confiscated property  | 3,645                        |
| Police LEOSE  | 2,465                        |
| Fire LEOSE  | 108                          |
| Police department donations   | 24,868                       |
| Fire department donations   | 518                          |
| Library donations   | 1,402                        |
| Senior center donations   | 2,035                        |
| Animal control donations  | 2,632                        |
| Municipal jury  | 353                          |
| Local truancy prevention  | <u>17,696</u>                |
| <br>Total Other Restricted Net Position/<br>Other Restricted Fund Balance | <br><u><u>\$ 169,458</u></u> |

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

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

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

Confiscated property – Property that is confiscated during offenses is restricted until matters have been resolved in court or the appropriate official determines the property is not returnable.

Police and 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.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**Note K. Defined Benefit Pension Plan**

Plan Description

The City participates as one of 895 plans in the defined benefit pension cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at [www.tmr.com](http://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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

|  |                          |
|--|--------------------------|
| Employee deposit rate                                      | 7%                       |
| Matching rate (city to employee)                           | 2 to 1                   |
| Years required for vesting                                 | 5                        |
| Retirement eligibility (expressed<br>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, 2021**

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

*Employees covered by benefit terms.*

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

|  |                       |
|--|-----------------------|
| Inactive employees or beneficiaries currently receiving benefits | 52                    |
| Inactive employees entitled to but not yet receiving benefits    | 71                    |
| Active employees   | <u>97</u>             |
| <br>Total  | <br><u><u>220</u></u> |

**Contributions**

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 16.36% and 16.05% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$1,036,633, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall payroll growth    | 2.75% per year, adjusted down for population declines, if any      |
| 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, 2021**

**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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company, Consultant & Actuaries, focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

| <u>Asset Class</u>    | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return<br/>(Arithmetic)</u> |
|-----------------------|------------------------------|--|
| Global Equity         | 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%  |
| <br>Total             | <br><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 Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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 12/31/2019   | \$ 24,829,973       | \$ 20,380,634  | \$ 4,449,339 |
| Changes for the year:   |                     |                |              |
| Service cost  | 1,018,561           | -              | 1,018,561    |
| Interest  | 1,684,609           | -              | 1,684,609    |
| Difference between expected and actual experience             | 33,886              | -              | 33,886       |
| Contributions - employer                                      | -                   | 930,973        | (930,973)    |
| Contributions - employee                                      | -                   | 406,032        | (406,032)    |
| Net investment income   | -                   | 1,548,599      | (1,548,599)  |
| Benefit payments, including refunds of employee contributions | (764,179)           | (764,179)      | -            |
| Administrative expense  | -                   | (10,010)       | 10,010       |
| Other changes   | -                   | (391)          | 391          |
| Net changes   | 1,972,877           | 2,111,024      | (138,147)    |
| Balance at 12/31/2020   | \$ 26,802,850       | \$ 22,491,658  | \$ 4,311,192 |

*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<br>Discount Rate<br>(5.75%) | Discount Rate<br>(6.75%) | 1% Increase in<br>Discount Rate<br>(7.75%) |
|------------|--|--------------------------|--|
| City's NPL | \$ 8,871,127                               | \$ 4,311,192             | \$ 663,587                                 |

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [www.tmrs.com](http://www.tmrs.com).

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$621,948.

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

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ -  | \$ 133,811                                   |
| Changes in actuarial assumptions                            | 44,028  | -  |
| Difference between projected and actual investment earnings | -   | 571,678                                      |
| Contributions subsequent to the measurement date            | <u>774,340</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 818,368</u>                             | <u>\$ 705,489</u>                            |

\$774,340 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended<br/>December 31:</u> |                     |
|------------------------------------|---------------------|
| 2022                               | \$ (270,334)        |
| 2023                               | (74,499)            |
| 2024                               | (285,607)           |
| 2025                               | (31,021)            |
| 2026                               | <u>-</u>            |
| Total                              | <u>\$ (661,461)</u> |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**Note L. Other Postemployment Benefits**

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for both active and retired employees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded other postemployment benefit (OPEB) plan. Since only the retiree participants qualifies as an OPEB, the SDBF is administered through a non-qualifying trust per paragraph 4, item (b), of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

Benefits Provided

The death benefit for active Members 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.

*Employees covered by benefit terms.*

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

|   |                       |
|---|-----------------------|
| Inactive employees currently receiving benefits               | 35                    |
| Inactive employees entitled to but not yet receiving benefits | 27                    |
| Active employees  | <u>97</u>             |
| <br>Total   | <br><u><u>159</u></u> |

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. 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. As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis.

The City's contributions to the TMRS SDBF for the year ended September 30, 2021 were \$5,223, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.



**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

*Actuarial assumptions:*

The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

|  |                                     |
|--|-------------------------------------|
| Inflation                                | 2.50%                               |
| Salary increases                         | 3.50% to 11.50% including inflation |
| Discount rate                            | 2.00%                               |
| Retirees' share of benefit-related costs | \$0                                 |

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of 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, 2020 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<br/>Liability</u> |
|---|---------------------------------|
| Balance at 12/31/2019   | \$ 280,484                      |
| Changes for the year:   |                                 |
| Service cost  | 15,661                          |
| Interest on Total OPEB Liability                              | 7,905                           |
| Changes of benefit terms including<br>TMRS plan participation | -                               |
| Differences between expected and<br>actual experience         | (6,365)                         |
| Changes in assumptions or other<br>inputs                     | 53,903                          |
| Benefit payments  | <u>(1,740)</u>                  |
| Net changes   | <u>69,364</u>                   |
| Balance at 12/31/2020   | <u><u>\$ 349,848</u></u>        |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

|                             | 1% Decrease in<br>Discount Rate<br>(1.00%) | Discount Rate<br>(2.00%) | 1% Increase in<br>Discount Rate<br>(3.00%) |
|-----------------------------|--|--------------------------|--|
| City's Total OPEB Liability | \$ 443,164                                 | \$ 349,848               | \$ 280,383                                 |

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$37,439.

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience          | \$ -                                 | \$ 13,802                           |
| Changes in actuarial assumptions or other inputs            | 78,154                               | -                                   |
| Difference between projected and actual investment earnings | -                                    | -                                   |
| Contributions subsequent to the measurement date            | 4,734                                | -                                   |
| Total   | <u>\$ 82,888</u>                     | <u>\$ 13,802</u>                    |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

The City reported \$4,734 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended<br>December 31: |    |               |
|----------------------------|----|---------------|
|                            |    |               |
| 2022                       | \$ | 13,873        |
| 2023                       |    | 13,873        |
| 2024                       |    | 13,315        |
| 2025                       |    | 11,988        |
| 2026                       |    | 10,067        |
| Thereafter                 |    | <u>1,236</u>  |
| Total                      | \$ | <u>64,352</u> |

**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 vehicles from Enterprise Fleet Management with a \$19,322 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, 2021 are as follows:

| Year Ended<br>September 30, |    | Amount         |
|-----------------------------|----|----------------|
| 2022                        | \$ | 286,595        |
| 2023                        |    | 284,579        |
| 2024                        |    | 210,187        |
| 2025                        |    | 81,138         |
| 2026                        |    | <u>11,738</u>  |
| Total                       | \$ | <u>874,237</u> |

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**Note N. Other Commitments and Contingencies**

The City has the following commitments:

- The City contracted with Protection 1 for alarm and monitoring services with monthly payments of \$1,825, with variable beginning and ending dates.
- The City contracted with Spectrum Business for internet services for the library with monthly payments of \$1,031 for 3 years beginning in February 2020.
- The City contracted with QuickData for alarm monitoring services with annual payments of \$3,240 for 2 years beginning on February 1, 2020.
- The City contracted with SHI for software licenses with annual payments of \$25,703 for 3 years beginning on November 10, 2020.
- The City contracted with AT&T for secondary internet services with monthly payments of \$591 for 3 years beginning in December 2020.

The City of Lake Worth has the following additional commitments and contingencies at September 30, 2021:

- The City contracted with Progressive Waste Solutions for garbage disposal on April 1, 2016 for 60 months. The contract was renewed in March 2021 for an additional 60-month period. 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, 2021, the City expensed \$200,282 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, 2021, the City's expenses in the Water and Sewer fund for water and sewer treatment were \$503,564 and \$560,556, respectively.

In addition, the City has been named as a defendant in several lawsuits, the outcomes of which are not determinable at this time. Therefore, the City has not recorded a liability related to these lawsuits.

**City of Lake Worth, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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 \$503,564 and \$560,556 for treated water and sewer treatment service, respectively, totaling \$1,064,120 which is 45% of the City's Water and Sewer fund total operating expenses.

**Note P. Subsequent Events**

The City evaluated subsequent events through March 10, 2022, 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, 2021**

|   | <b>Budgeted Amounts</b> |              | <b>Actual Amounts</b> | <b>Variance with Final Budget Favorable (Unfavorable)</b> |
|---|-------------------------|--------------|-----------------------|---|
|   | <b>Original</b>         | <b>Final</b> |                       |   |
| <b>Revenues</b>   |                         |              |                       |   |
| Taxes   | \$ 8,614,450            | \$ 9,523,671 | \$ 10,546,775         | \$ 1,023,104  |
| Fines   | 376,925                 | 458,899      | 484,928               | 26,029  |
| Interlocal services                                       | 418,234                 | 418,234      | 418,240               | 6   |
| Permits and fees  | 212,800                 | 271,962      | 348,235               | 76,273  |
| Charges for services                                      | 229,188                 | 210,085      | 221,404               | 11,319  |
| Grants  | -                       | 133,488      | 166,335               | 32,847  |
| Investment earnings                                       | 35,500                  | 5,613        | 5,725                 | 112   |
| Miscellaneous   | 103,630                 | 166,978      | 291,754               | 124,776   |
| Total revenues  | 9,990,727               | 11,188,930   | 12,483,396            | 1,294,466   |
| <b>Expenditures</b>                                       |                         |              |                       |   |
| Mayor and council   | 18,178                  | 17,678       | 7,009                 | 10,669  |
| General government  | 1,315,259               | 1,501,122    | 1,317,319             | 183,803   |
| Police  | 2,733,318               | 2,692,467    | 2,630,136             | 62,331  |
| Fire protection   | 2,492,971               | 2,501,519    | 2,472,691             | 28,828  |
| Streets   | 965,778                 | 969,298      | 958,060               | 11,238  |
| Library   | 293,003                 | 297,713      | 288,219               | 9,494   |
| Parks and recreation                                      | 459,297                 | 481,165      | 450,399               | 30,766  |
| Maintenance   | 75,162                  | 73,702       | 69,116                | 4,586   |
| Senior center   | 101,666                 | 101,620      | 96,332                | 5,288   |
| Municipal court   | 257,736                 | 255,158      | 252,025               | 3,133   |
| Animal control  | 182,212                 | 186,335      | 180,345               | 5,990   |
| Emergency management                                      | 14,200                  | 15,200       | 16,381                | (1,181)   |
| Permits and inspections                                   | 489,520                 | 493,724      | 458,495               | 35,229  |
| Informational technology                                  | 561,698                 | 573,003      | 530,461               | 42,542  |
| Capital outlay  | 91,675                  | 424,288      | 317,786               | 106,502   |
| Total expenditures  | 10,051,673              | 10,583,992   | 10,044,774            | 539,218   |
| Excess (deficiency) of revenues over (under) expenditures | (60,946)                | 604,938      | 2,438,622             | 1,833,684   |
| Other financing sources (uses)                            |                         |              |                       |   |
| Transfers in  | 175,667                 | 109,782      | 109,782               | -   |
| Transfers out   | (388,477)               | (794,517)    | (808,706)             | (14,189)  |
| Total other financing sources (uses)                      | (212,810)               | (684,735)    | (698,924)             | (14,189)  |
| Change in fund balance                                    | \$ (273,756)            | \$ (79,797)  | 1,739,698             | \$ 1,819,495  |
| Fund balance, beginning of year                           |                         |              | 10,859,171            |   |
| Fund balance, end of year                                 |                         |              | \$ 12,598,869         |   |

**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, 2021**

|  | <b>Budgeted Amounts</b> |                   | <b>Actual</b>       | <b>Variance with</b> |
|--|-------------------------|-------------------|---------------------|----------------------|
|  | <b>Original</b>         | <b>Final</b>      | <b>Amounts</b>      | <b>Final Budget</b>  |
|  |                         |                   |                     | <b>Favorable</b>     |
|  |                         |                   |                     | <b>(Unfavorable)</b> |
| <b>Revenues</b>                              |                         |                   |                     |                      |
| Investment earnings                          | \$ 5,000                | \$ 500            | \$ 670              | \$ 170               |
| Miscellaneous                                | 50                      | 50                | 60                  | 10                   |
| Total revenues                               | 5,050                   | 550               | 730                 | 180                  |
| <b>Expenditures</b>                          |                         |                   |                     |                      |
| Streets                                      | 175,000                 | 230,000           | 217,287             | 12,713               |
| Total expenditures                           | 175,000                 | 230,000           | 217,287             | 12,713               |
| Deficiency of revenues<br>under expenditures | (169,950)               | (229,450)         | (216,557)           | 12,893               |
| Other financing sources                      |                         |                   |                     |                      |
| Transfers in                                 | -                       | 402,000           | 402,000             | -                    |
| Change in fund balance                       | <u>\$ (169,950)</u>     | <u>\$ 172,550</u> | 185,443             | <u>\$ 12,893</u>     |
| Fund balance, beginning of year              |                         |                   | 1,304,107           |                      |
| Fund balance, end of year                    |                         |                   | <u>\$ 1,489,550</u> |                      |



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

| <b>Texas Municipal Retirement System (TMRS)</b>                              |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Measurement Date - December 31st*:</b>                                    | <b>2020</b>          | <b>2019</b>          | <b>2018</b>          | <b>2017</b>          | <b>2016</b>          | <b>2015</b>          | <b>2014</b>          |
| <b>Total Pension Liability (a)</b>   |                      |                      |                      |                      |                      |                      |                      |
| Beginning Balance  | \$ 24,829,973        | \$ 22,755,954        | \$ 20,384,429        | \$ 18,667,322        | \$ 17,446,907        | \$ 16,274,524        | \$ 14,951,418        |
| Service cost   | 1,018,561            | 1,008,996            | 942,670              | 765,394              | 725,539              | 660,172              | 618,120              |
| Interest   | 1,684,609            | 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                            | 33,886               | 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                | (764,179)            | (810,603)            | (755,858)            | (666,507)            | (456,414)            | (519,749)            | (390,423)            |
| End of Year Balance  | <u>\$ 26,802,850</u> | <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> |
| <b>Plan Fiduciary Net Position (b)</b>                                       |                      |                      |                      |                      |                      |                      |                      |
| Beginning Balance  | \$ 20,380,634        | \$ 17,167,128        | \$ 17,395,684        | \$ 14,978,269        | \$ 13,590,899        | \$ 13,230,933        | \$ 12,109,051        |
| Contributions - employer   | 930,973              | 978,333              | 730,817              | 697,051              | 632,864              | 589,336              | 546,093              |
| Contributions - employee   | 406,032              | 404,987              | 328,456              | 321,577              | 303,290              | 283,336              | 281,189              |
| Net investment income  | 1,548,599            | 2,656,235            | (521,374)            | 2,076,598            | 918,562              | 19,522               | 692,850              |
| Benefit payments, including refunds of employee contributions                | (764,179)            | (810,603)            | (755,858)            | (666,507)            | (456,414)            | (519,749)            | (390,423)            |
| Administrative expense   | (10,010)             | (14,996)             | (10,071)             | (10,758)             | (10,373)             | (11,891)             | (7,232)              |
| Other changes  | (391)                | (450)                | (526)                | (546)                | (559)                | (588)                | (595)                |
| End of Year Balance  | <u>\$ 22,491,658</u> | <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> |
| <b>Net Pension Liability (a) - (b)</b>                                       |                      |                      |                      |                      |                      |                      |                      |
| Beginning Balance  | \$ 4,449,339         | \$ 5,588,826         | \$ 2,988,745         | \$ 3,689,053         | \$ 3,856,008         | \$ 3,043,591         | \$ 2,842,367         |
| Service cost   | 1,018,561            | 1,008,996            | 942,670              | 765,394              | 725,539              | 660,172              | 618,120              |
| Interest   | 1,684,609            | 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                            | 33,886               | 254,479              | (967,282)            | 354,838              | (235,459)            | (36,943)             | 40,840               |
| Changes of assumptions   | -                    | 78,424               | -                    | -                    | -                    | (75,228)             | -                    |
| Contributions - employer   | (930,973)            | (978,333)            | (730,817)            | (697,051)            | (632,864)            | (589,336)            | (546,093)            |
| Contributions - employee   | (406,032)            | (404,987)            | (328,456)            | (321,577)            | (303,290)            | (283,336)            | (281,189)            |
| Net investment income  | (1,548,599)          | (2,656,235)          | 521,374              | (2,076,598)          | (918,562)            | (19,522)             | (692,850)            |
| Administrative expense   | 10,010               | 14,996               | 10,071               | 10,758               | 10,373               | 11,891               | 7,232                |
| Other changes  | 391                  | 450                  | 526                  | 546                  | 559                  | 588                  | 595                  |
| End of Year Balance  | <u>\$ 4,311,192</u>  | <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 | 83.92%               | 82.08%               | 75.44%               | 85.34%               | 80.24%               | 77.90%               | 81.30%               |
| Covered payroll  | \$ 5,800,460         | \$ 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                     | 74.33%               | 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.

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

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

| <b>Texas Municipal Retirement System (TMRS)</b>  |                  |                |                |                |                |                |                |
|--|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Year Ended September 30th*:</b>   | <b>2021</b>      | <b>2020</b>    | <b>2019</b>    | <b>2018</b>    | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    |
| The City's actuarially determined contribution   | \$ 1,036,633     | \$ 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  | <u>1,036,633</u> | <u>940,823</u> | <u>916,965</u> | <u>714,470</u> | <u>664,926</u> | <u>599,053</u> | <u>587,081</u> |
| The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution | <u>\$ -</u>      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered payroll  | \$ 6,367,351     | \$ 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  | 16.28%           | 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 | 25 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 fully generational basis with scale UMP.<br>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

**Other information:** There were no benefit changes during the year.

\* 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 Three Fiscal Years\*\***

| <b>Texas Municipal Retirement System (TMRS)</b>            |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| <b>Measurement Date - December 31st*:</b>                  | <b>2020</b>       | <b>2019</b>       | <b>2018</b>       |
| Total OPEB Liability - beginning of year                   | \$ 280,484        | \$ 213,747        | \$ 226,031        |
| Service cost   | 15,661            | 11,571            | 12,591            |
| Interest on total OPEB liability                           | 7,905             | 8,102             | 7,654             |
| Changes in benefit terms including TMRS plan participation | -                 | -                 | -                 |
| Difference between expected and actual experience          | (6,365)           | (1,662)           | (13,129)          |
| Changes in assumptions or other inputs                     | 53,903            | 51,040            | (17,210)          |
| Benefit payments   | <u>(1,740)</u>    | <u>(2,314)</u>    | <u>(2,190)</u>    |
| Net changes  | <u>69,364</u>     | <u>66,737</u>     | <u>(12,284)</u>   |
| End of Year Balance  | <u>\$ 349,848</u> | <u>\$ 280,484</u> | <u>\$ 213,747</u> |
| Covered payroll  | \$ 5,800,460      | \$ 5,785,528      | \$ 5,474,274      |
| Total OPEB liability as a percentage of covered payroll    | 6.03%             | 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 Three Fiscal Years\*\***

| <b>Texas Municipal Retirement System (TMRS)</b>  |              |              |              |
|--|--------------|--------------|--------------|
| <b>Year Ended September 30th*:</b>   | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  |
| The City's actuarially determined contribution   | \$ 5,223     | \$ 1,894     | \$ 2,305     |
| The amount of contributions recognized by the plan in relation to the actuarially determined contribution  | 5,223        | 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  | \$ 6,367,351 | \$ 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  | 0.08%        | 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                   | For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.  |
| Inflation                                | 2.50%  |
| Salary Increases                         | 3.50% to 11.50% including inflation  |
| Discount Rate***                         | 2.00%  |
| Retirees' share of benefit-related costs | \$0  |
| Administrative expenses                  | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements 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, 2020.

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

| Condition<br>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                | 6.3106%    |

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 |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
|  | 2021         | 2020         | 2019         | 2018         | 2017         |
| Estimated  | \$ 1,199,298 | \$ 1,701,537 | \$ 1,488,570 | \$ 1,166,615 | \$ 1,155,567 |
| Actual   | 1,175,347    | 1,246,294    | 1,248,476    | 1,005,685    | 964,848      |

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 2021, 2020, or 2018 fiscal years. In fiscal year 2019, the City adopted new criteria for rating the condition of roadways. See the previous two examinations using the old criteria on page 68. The status of the City's roads are rated according to the following new criteria:

| Surface<br>Rating      | Visible Distress  | General Condition<br>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<br>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<br>Rating<br>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 67. The status of the City's roads were previously rated according to the following criteria:

| Surface<br>Rating | Visible Distress   | General Condition<br>Treatment Measures                              | Surface<br>Rating | Visible Distress  | General Condition<br>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 | 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   | 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 | 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   | Show signs of aging, sound structural condition could                | 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, 2021**

|  | Crime<br>Control<br>District<br>Fund | Public<br>Educational<br>Government<br>Channel<br>Fund | Municipal<br>Jury<br>Fund | Local Truancy<br>Prevention<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|--------------------------------------|--|---------------------------|-------------------------------------|--|
| <b>Assets</b>                              |                                      |  |                           |                                     |  |
| Cash and cash equivalents                  | \$ 59,506                            | \$ -   | \$ 353                    | \$ 17,696                           | \$ 77,555                                  |
| Investments                                | 648,868                              | 104,136  | -                         | -                                   | 753,004                                    |
| Due from other governments                 | 215,959                              | -  | -                         | -                                   | 215,959                                    |
| Due from other funds                       | 211                                  | -  | -                         | -                                   | 211  |
| Prepaid expenses                           | 6,762                                | -  | -                         | -                                   | 6,762                                      |
| <b>Total assets</b>                        | <b>\$ 931,306</b>                    | <b>\$ 104,136</b>                                      | <b>\$ 353</b>             | <b>\$ 17,696</b>                    | <b>\$ 1,053,491</b>                        |
| <b>Liabilities and fund balances</b>       |                                      |  |                           |                                     |  |
| <b>Liabilities:</b>                        |                                      |  |                           |                                     |  |
| Accounts payable                           | \$ 39,794                            | \$ -   | \$ -                      | \$ -                                | \$ 39,794                                  |
| Accrued liabilities                        | 30,506                               | -  | -                         | -                                   | 30,506                                     |
| <b>Total liabilities</b>                   | <b>70,300</b>                        | <b>-</b>   | <b>-</b>                  | <b>-</b>                            | <b>70,300</b>                              |
| <b>Fund balances:</b>                      |                                      |  |                           |                                     |  |
| Non-spendable for prepaid expenses         | 6,762                                | -  | -                         | -                                   | 6,762                                      |
| Restricted for:                            |                                      |  |                           |                                     |  |
| Crime control                              | 854,244                              | -  | -                         | -                                   | 854,244                                    |
| Public educational government channel      | -                                    | 104,136  | -                         | -                                   | 104,136                                    |
| Municipal jury                             | -                                    | -  | 353                       | -                                   | 353  |
| Truancy prevention                         | -                                    | -  | -                         | 17,696                              | 17,696                                     |
| <b>Total fund balances</b>                 | <b>861,006</b>                       | <b>104,136</b>   | <b>353</b>                | <b>17,696</b>                       | <b>983,191</b>                             |
| <b>Total liabilities and fund balances</b> | <b>\$ 931,306</b>                    | <b>\$ 104,136</b>                                      | <b>\$ 353</b>             | <b>\$ 17,696</b>                    | <b>\$ 1,053,491</b>                        |



**City of Lake Worth, Texas**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended September 30, 2021**

|   | <b>Crime<br/>Control<br/>District<br/>Fund</b> | <b>Public<br/>Educational<br/>Government<br/>Channel<br/>Fund</b> | <b>Municipal<br/>Jury<br/>Fund</b> | <b>Local Truancy<br/>Prevention<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---|--|---|------------------------------------|--|--|
| <b>Revenues</b>                             |  |   |                                    |  |  |
| Sales tax                                   | \$ 1,232,048                                   | \$ -  | \$ -                               | \$ -   | \$ 1,232,048   |
| Interlocal services                         | 93,090   | -   | -                                  | -  | 93,090   |
| Permits and fees                            | -  | 7,740   | 251                                | 12,592                                       | 20,583   |
| Investment earnings                         | 232  | 95  | -                                  | -  | 327  |
| Miscellaneous                               | 20,746   | -   | -                                  | -  | 20,746   |
| <b>Total revenues</b>                       | <b>1,346,116</b>                               | <b>7,835</b>  | <b>251</b>                         | <b>12,592</b>                                | <b>1,366,794</b>                                     |
| <b>Expenditures</b>                         |  |   |                                    |  |  |
| Police                                      | 1,111,632                                      | -   | -                                  | -  | 1,111,632  |
| Capital outlay                              | 19,000   | -   | -                                  | -  | 19,000   |
| <b>Total expenditures</b>                   | <b>1,130,632</b>                               | <b>-</b>  | <b>-</b>                           | <b>-</b>                                     | <b>1,130,632</b>                                     |
| Excess of revenues over expenditures        | 215,484  | 7,835   | 251                                | 12,592                                       | 236,162  |
| Other financing sources (uses)              |  |   |                                    |  |  |
| Transfers out                               | (91,418)                                       | -   | -                                  | -  | (91,418)   |
| <b>Total other financing sources (uses)</b> | <b>(91,418)</b>                                | <b>-</b>  | <b>-</b>                           | <b>-</b>                                     | <b>(91,418)</b>                                      |
| Changes in fund balances                    | 124,066  | 7,835   | 251                                | 12,592                                       | 144,744  |
| Fund balances, beginning of year            | 736,940  | 96,301  | 102                                | 5,104  | 838,447  |
| Fund balances, end of year                  | <u>\$ 861,006</u>                              | <u>\$ 104,136</u>   | <u>\$ 353</u>                      | <u>\$ 17,696</u>                             | <u>\$ 983,191</u>                                    |

**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, 2021, 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 10, 2022.

**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, with the first letters of each word being capitalized and prominent.

Snow Garrett Williams  
March 10, 2022

