

CITY OF LAKE WORTH, TEXAS

**Annual Financial Report
For the Fiscal Year Ended September 30, 2022**

City of Lake Worth, Texas
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For the Fiscal Year Ended September 30, 2022

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

2022 City Council

Walter Bowen, Mayor

Coy Pennington, Mayor Pro Tem

Jim Smith

Geoffrey White

Sue Wenger

Sherrie Watkins

Gary Stuard

Jerry Cox

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 Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Worth, Texas as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As described in Note A to the financial statements, in fiscal year 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 modified approach for infrastructure on pages 6-16 and 61-67 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 13, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 13, 2023

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, 2022. 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 and deferred inflows of resources at the close of fiscal year 2022 by \$61,691,703 (*net position*). Of this amount, \$4,390,603 is restricted for specific purposes and \$12,565,634 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB Statement No. 34, net position also reflects \$44,735,466 that is the net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a fund balance at year-end of \$17,674,461, of which \$4,980,521 represents restricted fund balance, \$403,697 represents committed fund balance, \$272,988 represents assigned fund balance, \$66,840 represents non-spendable fund balance, and \$11,950,415 represents unassigned fund balance.
- The general fund unassigned fund balance of \$11,950,415 equals 97% of total general fund expenditures.
- The City's total long-term liabilities decreased by \$2,530,813 during the current fiscal year primarily due to 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 18 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, Debt Service Fund, Capital Projects Fund, and Crime Control & Prevention District 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.

City of Lake Worth, Texas

Management's Discussion and Analysis

The City adopts an annual appropriated budget for its General Fund, Crime Control & Prevention District 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 Crime Control & Prevention District Fund to demonstrate compliance with this budget. A budgetary comparison schedule is not required for the Street Maintenance Fund because it is not considered to be a major fund.

The governmental fund financial statements can be found beginning on page 20 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 23 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 26 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 28 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 \$61,691,703 as of September 30, 2022.

City of Lake Worth's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 20,082,348	\$ 18,074,328	\$ 4,680,887	\$ 3,529,049	\$ 24,763,235	\$ 21,603,377
Capital assets, net of depreciation/amortization	42,014,200	41,410,388	15,504,178	15,039,810	57,518,378	56,450,198
Total assets	62,096,548	59,484,716	20,185,065	18,568,859	82,281,613	78,053,575
Deferred outflows of resources	251,773	384,175	3,519	9,751	255,292	393,926
Long-term liabilities	17,103,936	18,869,661	365,214	408,273	17,469,150	19,277,934
Other liabilities	2,409,658	1,512,966	581,248	426,812	2,990,906	1,939,778
Total liabilities	19,513,594	20,382,627	946,462	835,085	20,460,056	21,217,712
Deferred inflows of resources	365,889	-	19,257	-	385,146	-
Net position:						
Net investment in capital assets	29,371,371	29,029,281	15,364,095	14,904,810	44,735,466	43,934,091
Restricted	4,390,603	4,048,187	-	-	4,390,603	4,048,187
Unrestricted	8,706,864	6,408,796	3,858,770	2,838,715	12,565,634	9,247,511
Total Net Position	\$ 42,468,838	\$ 39,486,264	\$ 19,222,865	\$ 17,743,525	\$ 61,691,703	\$ 57,229,789

The City's net investment in capital assets (e.g., land, building, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding is \$44,735,466. 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 \$4,390,603 (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 \$12,565,634 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 \$4,461,914 during the current fiscal year. The City's governmental activities increased net position by \$2,982,574. The total cost of all governmental activities this year was \$13,910,481. The amount that taxpayers paid for these activities through property taxes was \$2,621,017, or 19%. The City's business-type activities increased net position by \$1,479,340. The total cost of all business-type activities for fiscal year 2022 was \$2,647,111.

City of Lake Worth, Texas

Management's Discussion and Analysis

City of Lake Worth's Changes in Net Position

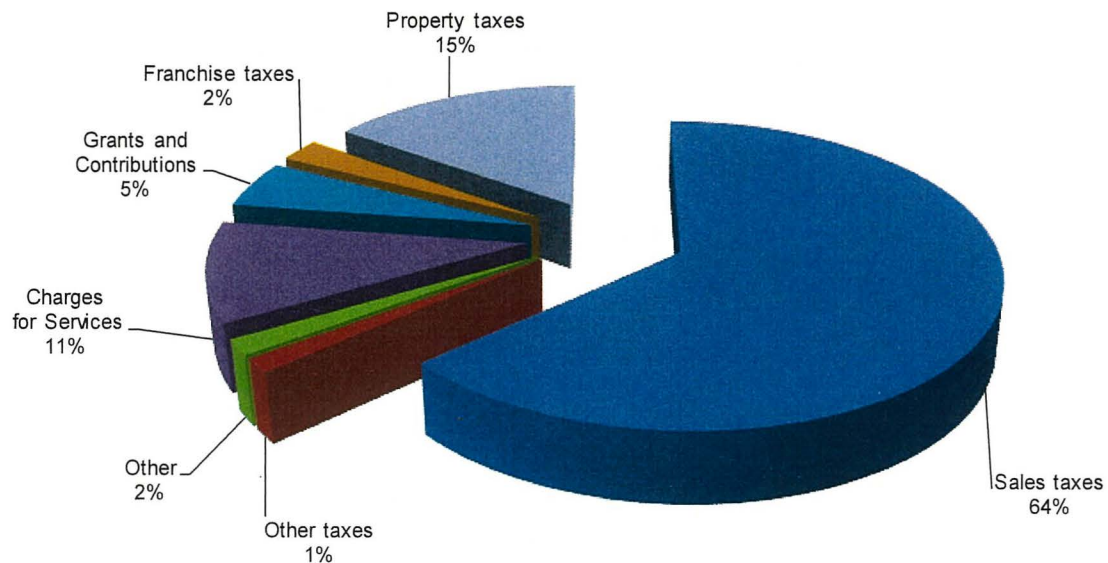
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,855,226	\$ 1,091,814	\$ 3,311,877	\$ 2,918,155	\$ 5,167,103	\$ 4,009,969
Operating grants and contributions	880,592	734,233	-	-	880,592	734,233
Capital grants and contributions	-	-	182,618	108,806	182,618	108,806
General revenues:						
Property taxes	2,621,017	2,593,406	-	-	2,621,017	2,593,406
Retail sales tax	11,017,311	10,059,779	-	-	11,017,311	10,059,779
Franchise taxes	426,621	400,390	-	-	426,621	400,390
Other taxes	255,330	200,281	-	-	255,330	200,281
Interest	115,437	8,169	27,278	1,468	142,715	9,637
Other	285,254	239,459	58,558	82,292	343,812	321,751
Gain (loss) on sale of assets	(11,178)	(58,680)	(6,435)	8,005	(17,613)	(50,675)
Total revenues	17,445,610	15,268,851	3,573,896	3,118,726	21,019,506	18,387,577
Expenses:						
Mayor and council	36,583	21,059	-	-	36,583	21,059
General government	1,870,325	2,802,803	-	-	1,870,325	2,802,803
Police	4,697,468	3,852,743	-	-	4,697,468	3,852,743
Fire protection	2,925,075	2,552,491	-	-	2,925,075	2,552,491
Streets	1,339,382	1,237,300	-	-	1,339,382	1,237,300
Library	314,011	289,146	-	-	314,011	289,146
Parks and recreation	578,526	589,452	-	-	578,526	589,452
Maintenance	74,225	70,004	-	-	74,225	70,004
Senior center	104,624	104,225	-	-	104,624	104,225
Municipal court	255,585	246,668	-	-	255,585	246,668
Animal control	198,998	197,837	-	-	198,998	197,837
Emergency management	81,565	16,381	-	-	81,565	16,381
Permits and inspections	508,979	449,399	-	-	508,979	449,399
Information technology	554,157	548,126	-	-	554,157	548,126
Interest and fiscal charges	370,978	402,470	-	-	370,978	402,470
Water and sewer	-	-	2,647,111	2,353,330	2,647,111	2,353,330
Total expenses	13,910,481	13,380,104	2,647,111	2,353,330	16,557,592	15,733,434
Increase in net position before transfers	3,535,129	1,888,747	926,785	765,396	4,461,914	2,654,143
Transfers	(552,555)	(424,080)	552,555	424,080	-	-
Increase in net position	2,982,574	1,464,667	1,479,340	1,189,476	4,461,914	2,654,143
Net position, beginning of year	39,486,264	38,021,597	17,743,525	16,554,049	57,229,789	54,575,646
Net position, end of year	\$ 42,468,838	\$ 39,486,264	\$ 19,222,865	\$ 17,743,525	\$ 61,691,703	\$ 57,229,789

Governmental activities. Governmental activities increased the City's net position by \$2,982,574. Key elements of this increase are as follows:

- Increase in general revenues due to an approximate 70% increase in charges for services primarily due to the implementation of a stormwater utility fee and an increase in permit revenue; and
- Decrease of approximately 33% in general government expenditures primarily as a result of a water meter replacement project that took place 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 \$1,479,340.

Operating revenue increased by increased from the prior year primarily due to an increase in water and sewer sales. Operating expenses increased by \$293,781 from the prior year primarily due to an increase in water purchases, sewer disposal charges, and depreciation/amortization expense.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$17,674,461, which is an increase of \$1,105,073 in comparison with the prior year. \$11,950,415 or 68% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. Assigned fund balance is \$272,988, committed fund balance is \$403,697, and non-spendable fund balance is \$66,840. 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 (\$51,426), and to fund capital projects (\$469,930), street maintenance (\$1,570,093), crime control (\$946,645), public educational government channel (\$115,127), parks and recreation (\$217,386), culture and tourism (\$1,247,793) and other City related expenditures (\$213,889).

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 \$14,487,456, of which \$11,950,415 represented unassigned fund balance, or 82% 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 97%, or approximately 356 days of total fund expenditures.

The fund balance of the City's general fund increased by \$1,888,587 during the current fiscal year. Key elements of the increase are as follows:

- Total revenues in the general fund increased by \$1,938,032, or 16%. The increase is primarily due to an increase in retail sales tax revenue and an increase in permits and fees revenue.
- Total expenditures in the general fund increased by \$2,115,967, or 21%. The increase is primarily due to increases in capital outlay and police expenditures related to increases in salaries and wages.

GENERAL FUND BUDGETARY HIGHLIGHTS

Property tax revenue exceeded the budgeted amount due to an actual collection rate for the year of 99.03%, while the budget assumed a 97.4% collection rate. Additionally, the budget was calculated on taxable property values of \$560,311,292, but the actual amount, including adjustments to values made after the original tax levy, was \$568,329,950.

Sales tax revenue was approximately \$1,252,700 over the amount originally budgeted. The budget was increased by \$500,000 (from \$8,400,000 to \$8,900,000) at mid-year but the sales tax performance during the last half of the budget year continued to exceed expectations. The budget projections remained conservative in anticipation of a decline in retail sales due to historic inflation. However, the City did not realize significant inflation-related decreases in sales tax revenue. Overall, sales tax revenue increased by approximately 9.35% in fiscal year 2022 as compared to fiscal year 2021.

Realizing that the City's most valuable asset is its employees, the excess sales tax revenue was partially utilized to fund an inflation-related relief stipend, which cost \$365,275. It consisted of a one-time payment to relieve the burden of inflation on the City's workforce.

Fees related to development were originally budgeted at \$182,250 which was increased to \$731,758. A large portion of the increase is accounted for in a large multi-family development. Other contributors to the increased revenues were a major remodel of Wal-Mart and renovation of a second-generation facility now occupied by Big Lots. The actual amount for the fiscal year was \$912,350 (\$180,592 or 25%) over the final budgeted amount.

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, 2022, amounts to \$57,518,378 (net of accumulated depreciation/amortization). Investments in capital assets related to governmental activities (\$42,014,200) include land, construction in progress, infrastructure, buildings and improvements, equipment and vehicles, office furniture and fixtures, and right-of-use assets. The City's investments in capital assets related to business-type activities (\$15,504,178) include land, the water and sewer system, construction in progress, buildings and improvements, machinery and equipment, and right-of-use assets.

City of Lake Worth, Texas

Management's Discussion and Analysis

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

Fire Department

- Purchase of a defibrillator;
- Began the installation of Opticom traffic control system; and
- Began planning for the construction of a new fire station.

Police Department

- Installation of new flooring;
- Purchase of a 2018 GMC Denali (awarded by Tarrant County District Court);
- Replacement of rolling overhead doors for sally port; and
- Began installation of new LED lighting.

Administration & Information Technology

- Purchase of a new air conditioning unit for City Hall lobby, conference room, and customer service areas;
- Purchase of a new air conditioning unit for City Hall's IT room;
- Began the installation of new LED lighting; and
- Completed the remodel projects for City Hall, the conference room, and the kitchen/break room.

Animal Control

- Installation of an attached carport.

Street Department

- Completed the Public Works facility remodel;
- Purchase a dump truck;
- Purchase of a rotary cutter;
- Purchase of a salt and sand spreader;
- Continuation of the Azle Avenue improvement project; and
- Completion of numerous curb and gutter replacement projects.

Water Sewer Fund

- Purchase of a sewer jetter;
- Continuation of the Pueblo Trail water and sewer lines replacement project;
- Completed the Hiawatha Trail water and sewer line replacement project; and
- Replacement of the Marina lift station sewer pump.

City of Lake Worth, Texas

Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,729,334	\$ 1,729,334	\$ 46,240	\$ 46,240	\$ 1,775,574	\$ 1,775,574
Construction in progress	528,490	1,188,804	884,173	769,007	1,412,663	1,957,811
Buildings and improvements	10,407,494	9,706,742	100,583	92,622	10,508,077	9,799,364
Infrastructure	24,792,383	24,678,418	-	-	24,792,383	24,678,418
Water and sewer system	-	-	13,835,977	13,546,381	13,835,977	13,546,381
Equipment and vehicles	3,631,104	3,928,564	596,535	585,560	4,227,639	4,514,124
Office furniture and fixtures	141,541	178,526	-	-	141,541	178,526
Right-of-use assets *	783,854	655,745	40,670	66,284	824,524	722,029
Total	\$ 42,014,200	\$ 42,066,133	\$ 15,504,178	\$ 15,106,094	\$ 57,518,378	\$ 57,172,227

*Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

Additional information on the City's capital assets can be found in Note G on pages 42 through 44 of this report.

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

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

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

<u>Condition rating</u>	<u>2022</u>	<u>2019</u>
At least 0-1	0.00%	0.00%
At least 2-3	91.28%	67.85%
At least 3-4	7.92%	25.84%
At least 4	0.80%	6.31%

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

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

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

For fiscal year 2022, the City estimated that \$1,443,600 was needed to meet this goal. The actual amount used for maintenance and preservation of the City's roads was \$1,251,183.

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

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

City of Lake Worth's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 7,045,000	\$ -	\$ 7,045,000
Certificates of obligation	4,975,000	-	4,975,000
Utility system revenue bonds	-	120,000	120,000
Premium on debt issued	463,560	-	463,560
Net pension liability	2,978,688	156,773	3,135,461
Compensated absences	456,816	24,894	481,710
Total OPEB liability	370,769	19,514	390,283
Lease liability	814,103	44,033	858,136
	<u>\$ 17,103,936</u>	<u>\$ 365,214</u>	<u>\$ 17,469,150</u>
Total			

The City's total long-term debt decreased by a net amount of \$2,530,813 during the current fiscal year primarily as a result of principal payments made on outstanding debt and a reduction in the net pension liability. The City's premium on debt issued and net pension liability decreased in the current fiscal year, while the City's compensated absences, total OPEB liability, and lease liability all 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 2021-2022 was \$0.458548 per \$100 assessed valuation, of which \$0.20276 was for maintenance and operations and \$0.25579 was for debt service.

Additional information on the City's long-term debt can be found in Note H on pages 45 through 48 of this report.

City of Lake Worth, Texas

Management's Discussion and Analysis

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 2023, the City Council and administration considered the following factors:

Thus far, the impact of historic inflation on the City's financial performance has not been as severe as anticipated. Sales tax revenue continues to grow, likely due to the retail demographic in the City, which is comprised of mid-level retail establishments. The sales at these establishments have likely not suffered as much as that of high-end retail establishments. Sales tax is budgeted to remain flat for the fiscal year 2023 budget, but will likely be increased due to final revenue for fiscal year 2022 being more than anticipated.

Property tax revenues are budgeted to increase by 1.9% in the General Fund due to increased property values. Total assessed property values for fiscal year 2023 were estimated at \$572,735,000, an increase of \$4,405,050 or 0.77% as compared to fiscal year 2022. The adopted property tax rate for fiscal year 2023 is \$0.438928 per \$100 valuation. This is a decrease of \$0.01962 per \$100 valuation, or 4.28%, as compared to fiscal year 2022. The maintenance and operations portion of the tax rate decreased from \$0.202760 to \$0.198241, or 2.23%, and the interest and sinking portion of the tax rate decreased from \$0.25788 to \$0.240687, or 5.9%.

The City budgeted a total of \$13,413,063 for General Fund expenses for fiscal year 2023, an increase of approximately 4.8% as compared to fiscal year 2022 estimated totals. This increase can be attributed to the anticipation of additional personnel and capital purchases. The budget for fiscal year 2023 includes funding for two new full-time positions, a Firefighter and a Police Dispatcher, totaling \$160,000. The budget also includes capital purchases totaling \$686,773 that will be funded with use of prior year unrestricted fund balance, which the City estimated to be approximately \$11,000,000 at the end of fiscal year 2022. Though not included in the budget amounts mentioned above, the City plans to spend an additional \$4,280,000 of its unrestricted fund balance - \$2,680,000 for Azle Avenue improvements and \$1,600,000 for renovation of the multi-purpose facility. These costs will be added to the fiscal year 2023 budget during the mid-year budget process.

Compared to estimated total expenses for fiscal year 2022, the Water/Sewer Fund fiscal year budget reflects a 16.89% increase in expenses. Of the budgeted \$3,374,754 for expenses, \$700,000 is for capital improvements to water and sewer lines. Budgeted revenues total \$3,711,693, an increase of 11.74% from fiscal year 2022. This increase is due to a transfer from the General Fund in the amount of \$500,000 for capital water line improvements.

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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 351,008	\$ 135,561	\$ 486,569
Investments	14,253,500	3,807,399	18,060,899
Receivables (net of allowances for uncollectibles of \$39,573)			
Accounts	1,935	477,219	479,154
Property taxes	46,432	-	46,432
Other	52,892	3,098	55,990
Due from other governments	1,955,568	-	1,955,568
Internal balances	35,127	(35,127)	-
Prepaid expenses	66,840	3,959	70,799
Restricted investments	3,319,046	288,778	3,607,824
Capital assets			
Infrastructure using modified approach	24,792,383	-	24,792,383
Land and construction in progress	2,257,824	930,413	3,188,237
Other capital assets, net of depreciation/amortization	14,963,993	14,573,765	29,537,758
Total capital assets	42,014,200	15,504,178	57,518,378
Total assets	62,096,548	20,185,065	82,281,613
Deferred outflows of resources			
Deferred loss on refunding	184,904	-	184,904
Deferred outflows of resources - OPEB	66,869	3,519	70,388
Total deferred outflows of resources	251,773	3,519	255,292
Liabilities			
Accounts payable and accrued expenses	1,247,869	303,514	1,551,383
Interest payable	48,203	-	48,203
Unearned grant revenue	1,059,004	-	1,059,004
Payable from restricted funds:			
Customer deposits	1,383	257,760	259,143
Due to other governments	53,199	19,974	73,173
Long-term liabilities			
Due within one year	2,335,094	63,844	2,398,938
Due in more than one year	14,768,842	301,370	15,070,212
Total liabilities	19,513,594	946,462	20,460,056
Deferred inflows of resources			
Deferred inflows of resources - pension	365,889	19,257	385,146
Total deferred inflows of resources	365,889	19,257	385,146
Net position			
Net investment in capital assets	29,371,371	15,364,095	44,735,466
Restricted for:			
Debt service	77,326	-	77,326
Street maintenance	1,572,437	-	1,572,437
Crime control	946,645	-	946,645
Public educational government channel	115,127	-	115,127
Parks and recreation	217,386	-	217,386
Culture and tourism	1,247,793	-	1,247,793
Other	213,889	-	213,889
Unrestricted	8,706,864	3,858,770	12,565,634
Total net position	\$ 42,468,838	\$ 19,222,865	\$ 61,691,703

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, 2022

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	Total
Primary Government							
Governmental activities							
Mayor and council	\$ 36,583	\$ -	\$ -	\$ -	\$ (36,583)	\$ -	\$ (36,583)
General government	1,870,325	256,982	161,415	-	(1,451,928)	-	(1,451,928)
Police	4,697,468	476,049	218,290	-	(4,003,129)	-	(4,003,129)
Fire protection	2,925,075	-	414,572	-	(2,510,503)	-	(2,510,503)
Streets	1,339,382	-	-	-	(1,339,382)	-	(1,339,382)
Library	314,011	1,699	10	-	(312,302)	-	(312,302)
Parks and recreation	578,526	30,426	22,976	-	(525,124)	-	(525,124)
Maintenance	74,225	357,193	-	-	282,968	-	282,968
Senior center	104,624	-	84	-	(104,540)	-	(104,540)
Municipal court	255,585	23,757	-	-	(231,828)	-	(231,828)
Animal control	198,998	13,473	63,245	-	(122,280)	-	(122,280)
Emergency management	81,565	-	-	-	(81,565)	-	(81,565)
Permits and inspections	508,979	695,647	-	-	186,668	-	186,668
Informational technology	554,157	-	-	-	(554,157)	-	(554,157)
Interest and fiscal charges	370,978	-	-	-	(370,978)	-	(370,978)
Total governmental activities	13,910,481	1,855,226	880,592	-	(11,174,663)	-	(11,174,663)
Business-type activities							
Water and sewer	2,647,111	3,311,877	-	182,618	-	847,384	847,384
Total business-type activities	2,647,111	3,311,877	-	182,618	-	847,384	847,384
Total primary government	\$ 16,557,592	\$ 5,167,103	\$ 880,592	\$ 182,618	(11,174,663)	847,384	(10,327,279)
General revenues and transfers:							
Taxes							
Property					2,621,017	-	2,621,017
Retail sales					11,017,311	-	11,017,311
Franchise					426,621	-	426,621
Hotel					228,382	-	228,382
Mixed beverage					26,948	-	26,948
Interest					115,437	27,278	142,715
Gain (loss) on sale of assets					(11,178)	(6,435)	(17,613)
Other					285,254	58,558	343,812
Transfers					(552,555)	552,555	-
Total general revenues and transfers					14,157,237	631,956	14,789,193
Change in net position					2,982,574	1,479,340	4,461,914
Net position, beginning of year					39,486,264	17,743,525	57,229,789
Net position, end of year					\$ 42,468,838	\$ 19,222,865	\$ 61,691,703

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

City of Lake Worth, Texas
Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Crime Control & Prevention District Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 224,525	\$ 83,562	\$ 11,981	\$ -	\$ 30,940	\$ 351,008
Investments	14,401,797	679,485	37,956	770,023	1,683,285	17,572,546
Receivables						
Property taxes (net of allowances for uncollectibles of \$37,126)	20,532	-	25,900	-	-	46,432
Accounts	-	-	-	-	1,935	1,935
Other	52,892	-	-	-	-	52,892
Due from other governments	1,719,469	234,610	1,489	-	-	1,955,568
Due from other funds	40,399	1,205	-	-	-	41,604
Prepaid expenses	63,996	2,344	500	-	-	66,840
Total assets	\$ 16,523,610	\$ 1,001,206	\$ 77,826	\$ 770,023	\$ 1,716,160	\$ 20,088,825
Liabilities						
Accounts payable	\$ 599,876	\$ 7,296	\$ -	\$ 300,093	\$ -	\$ 907,265
Accrued liabilities	295,683	44,921	-	-	-	340,604
Unearned grant revenue	1,059,004	-	-	-	-	1,059,004
Due to other governments	53,199	-	-	-	-	53,199
Due to other funds	6,477	-	-	-	-	6,477
Deposits	1,383	-	-	-	-	1,383
Total liabilities	2,015,622	52,217	-	300,093	-	2,367,932
Deferred inflows of resources						
Unavailable revenue - property taxes	20,532	-	25,900	-	-	46,432
Total deferred inflows of resources	20,532	-	25,900	-	-	46,432
Fund balances						
Non-spendable for:						
Prepaid expenses	63,996	2,344	500	-	-	66,840
Restricted for:						
Stormwater utility	148,232	-	-	-	-	148,232
Debt service	-	-	51,426	-	-	51,426
Capital projects	-	-	-	469,930	-	469,930
Street maintenance	-	-	-	-	1,570,093	1,570,093
Crime control	-	946,645	-	-	-	946,645
Public educational government channel	-	-	-	-	115,127	115,127
Parks and recreation	217,386	-	-	-	-	217,386
Culture and tourism	1,247,793	-	-	-	-	1,247,793
Other	182,949	-	-	-	30,940	213,889
Committed for:						
Fire protection / truck maintenance	51,907	-	-	-	-	51,907
Animal control equipment and facilities	3,741	-	-	-	-	3,741
Street improvements	348,049	-	-	-	-	348,049
Assigned for:						
Utility project	164,959	-	-	-	-	164,959
Parks and recreation	108,029	-	-	-	-	108,029
Unassigned	11,950,415	-	-	-	-	11,950,415
Total fund balances	14,487,456	948,989	51,926	469,930	1,716,160	17,674,461
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,523,610	\$ 1,001,206	\$ 77,826	\$ 770,023	\$ 1,716,160	
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.						42,014,200
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.						251,773
Deferred inflows of resources are not financial resources and, therefore, are not reported in the funds.						(365,889)
Property taxes receivable, net of allowance, are not available to pay for current period expenditures and, therefore, are deferred in the funds.						46,432
Some liabilities, including general obligation bonds, accrued interest payable, certificates of obligation, premiums on debt, net pension liability, total OPEB liability, compensated absences, and lease liabilities are not due and payable in the current period and, therefore, are not reported in the funds.						(17,152,139)
Net position of governmental activities - statement of net position						\$ 42,468,838

City of Lake Worth, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
September 30, 2022

	General Fund	Crime Control & Prevention District Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 11,490,656	\$ 1,364,606	\$ 1,458,763	\$ -	\$ -	\$ 14,314,025
Fines	477,748	-	-	-	-	477,748
Interlocal services	482,065	129,096	-	-	-	611,161
Permits and fees	949,580	-	-	-	23,022	972,602
Charges for services	387,619	-	-	-	-	387,619
Grants	221,685	-	-	-	-	221,685
Investment earnings	90,143	4,161	3,930	5,919	11,284	115,437
Miscellaneous	321,932	12,233	-	15,972	108	350,245
Total revenues	14,421,428	1,510,096	1,462,693	21,891	34,414	17,450,522
Expenditures						
Current						
Mayor and council	20,384	-	-	-	-	20,384
General government	1,483,032	-	-	237,063	-	1,720,095
Police	3,169,215	1,372,557	-	-	-	4,541,772
Fire protection	2,748,112	-	-	-	-	2,748,112
Streets	1,226,364	-	-	-	24,819	1,251,183
Library	320,071	-	-	-	-	320,071
Parks and recreation	447,740	-	-	-	-	447,740
Maintenance	71,479	-	-	-	-	71,479
Senior center	101,287	-	-	-	-	101,287
Municipal court	277,506	-	-	-	-	277,506
Animal control	164,875	-	-	-	-	164,875
Emergency management	81,565	-	-	-	-	81,565
Permits and inspections	529,749	-	-	-	-	529,749
Informational technology	525,430	-	-	-	-	525,430
Capital outlay	900,055	191,866	-	159,776	-	1,251,697
Debt service						
Principal	170,621	63,340	1,470,000	-	-	1,703,961
Interest	30,075	11,762	386,470	-	-	428,307
Total expenditures	12,267,560	1,639,525	1,856,470	396,839	24,819	16,185,213
Excess (deficiency) of revenues over (under) expenditures	2,153,868	(129,429)	(393,777)	(374,948)	9,595	1,265,309
Other financing sources (uses)						
Transfers in	135,860	57,331	392,803	-	94,830	680,824
Transfers out	(633,379)	-	-	(600,000)	-	(1,233,379)
Proceeds from leases	232,238	160,081	-	-	-	392,319
Total other financing sources (uses)	(265,281)	217,412	392,803	(600,000)	94,830	(160,236)
Total changes in fund balances	1,888,587	87,983	(974)	(974,948)	104,425	1,105,073
Fund balance, beginning of year	12,598,869	861,006	52,900	1,444,878	1,611,735	16,569,388
Fund balances, end of year	\$ 14,487,456	\$ 948,989	\$ 51,926	\$ 469,930	\$ 1,716,160	\$ 17,674,461

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, 2022

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

Net change in fund balances - total governmental funds	\$	1,105,073
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay	\$	1,251,697	
Depreciation/amortization expense		<u>(1,292,452)</u>	(40,755)

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			(11,178)
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The change in property tax receivable, net of allowance, is reported as revenue in the statement of activities; however, this change does not provide current financial resources and is, therefore, not reported as revenue in the funds.

6,254

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	\$	(36,372)	
Accrued interest		(2)	
Amortization of premium on debt		84,386	
Amortization of deferred loss on refunding		(27,054)	
Net pension liability		1,101,482	
Total OPEB liability		<u>(39,668)</u>	1,082,772

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.

(472,719)

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.

1,485

The issuance of long-term debt (e.g. bonds payable, notes payable, and lease liability) 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	1,470,000		
Lease liability payments	233,961		
Proceeds from lease liabilities	<u>(392,319)</u>		<u>1,311,642</u>

Change in net position of governmental activities - statement of activities	\$	<u><u>2,982,574</u></u>
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City of Lake Worth, Texas
Statement of Net Position
Enterprise Fund
September 30, 2022

	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 135,561
Investments	3,807,399
Receivables	
Accounts (net of allowances for uncollectible accounts of \$2,447)	477,219
Other	3,098
Prepaid expenses	3,959
Due from other funds	<u>6,477</u>
Total current assets	<u>4,433,713</u>
Noncurrent assets	
Restricted assets	
Investments	288,778
Capital assets	
Land	46,240
Construction in progress	884,173
Buildings and improvements	165,525
Water and sewer system	20,036,937
Machinery and equipment	1,532,105
Right-of-use asset	66,284
Less accumulated depreciation/amortization	<u>(7,227,086)</u>
Total noncurrent assets	<u>15,792,956</u>
Total assets	<u>20,226,669</u>
Deferred outflows of resources	
Deferred outflows of resources - OPEB	<u>3,519</u>
Liabilities	
Current liabilities	
Payable from current assets	
Accounts payable	286,719
Accrued liabilities	16,795
Due to other funds	41,604
Due to other governments	19,974
Compensated absences	24,894
Current portion of lease liability	23,950
Current portion of bonds payable	<u>15,000</u>
Total current liabilities	<u>428,936</u>
Noncurrent liabilities	
Payable from restricted assets	
Customer deposits	257,760
Lease liability	20,083
Net pension liability	156,773
Total OPEB liability	19,514
Bonds payable	<u>105,000</u>
Total noncurrent liabilities	<u>559,130</u>
Total liabilities	<u>988,066</u>
Deferred inflows of resources	
Deferred inflows of resources - pension	<u>19,257</u>
Net Position	
Net investment in capital assets	15,364,095
Unrestricted	<u>3,858,770</u>
Total net position	<u>\$ 19,222,865</u>

City of Lake Worth, Texas
Statement of Revenues, Expenses, and
Changes in Net Position
Enterprise Fund
For the Fiscal Year Ended September 30, 2022

	<u>Water and Sewer Fund</u>
Operating revenues	
Water services	\$ 1,828,520
Sewer services	1,474,275
Other operating revenues	<u>9,082</u>
Total operating revenues	<u>3,311,877</u>
Operating expenses	
Personnel services	440,679
Contractual services	246,120
Water purchases	611,040
Disposal charge - sewer	611,271
Supplies and maintenance	177,825
Other operating expenses	3,081
Depreciation/amortization	<u>553,684</u>
Total operating expenses	<u>2,643,700</u>
Operating income	<u>668,177</u>
Nonoperating revenues (expenses)	
Loss on disposal of assets	(6,435)
Interest income	27,278
Miscellaneous	58,558
Interest expense	<u>(3,411)</u>
Total non-operating revenues (expenses)	<u>75,990</u>
Income before transfers and contributions	744,167
Capital contributions	182,618
Transfers in	813,124
Transfers out	<u>(260,569)</u>
Total transfers and contributions	<u>735,173</u>
Change in net position	1,479,340
Net position, beginning of year	<u>17,743,525</u>
Net position, end of year	<u><u>\$ 19,222,865</u></u>

City of Lake Worth, Texas
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2022

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,280,181
Cash paid to suppliers	(1,541,447)
Cash paid to employees	(485,676)
	<hr/>
Net cash provided by operating activities	1,253,058
	<hr/>
Cash flows from noncapital financing activities:	
Cash received from other funds	806,647
Cash paid to other funds	(237,546)
Miscellaneous receipts	58,558
	<hr/>
Net cash provided by noncapital financing activities	627,659
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(775,585)
Principal payments on lease liability	(22,251)
Principal payments on long-term debt	(15,000)
Interest paid	(3,411)
	<hr/>
Net cash used in capital and related financing activities	(816,247)
	<hr/>
Cash flows from investing activities:	
Change in investments	(1,070,039)
Interest income	27,278
	<hr/>
Net cash used in investing activities	(1,042,761)
	<hr/>
Net increase in cash	21,709
Cash and cash equivalents at beginning of year	113,852
	<hr/>
Cash and cash equivalents at end of year	\$ 135,561
	<hr/>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 668,177
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	553,684
(Increase) decrease in:	
Accounts receivable	(73,155)
Prepaid expenses	(3,481)
Deferred outflows of resources - OPEB	183
Increase (decrease) in:	
Accounts payable and accrued liabilities	112,977
Compensated absences	1,390
Net pension liability	(74,249)
Total OPEB liability	767
Customer deposits	41,459
Deferred inflows of resources - pension	25,306
	<hr/>
Net cash provided by operating activities	\$ 1,253,058
	<hr/>
Non-cash Capital and Related Financing Activities:	
Acquisition of capital assets - Intergovernmental revenue	\$ 182,618
	<hr/>
Total non-cash capital and related financing activities	\$ 182,618
	<hr/>

City of Lake Worth, Texas
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2022

	<u>Insurance Trust Fund</u>
Assets	
Investments	\$ -
Due from other funds	-
	<hr/>
Total assets	\$ -
	<hr/>
Liabilities	
Assets held for others	-
	<hr/>
Total liabilities	-
	<hr/>
Net position	
Held in Trust for employee insurance benefits	\$ -
	<hr/> <hr/>

City of Lake Worth, Texas
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended September 30, 2022

	<u>Insurance Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 695,910
Employee	<u>200,933</u>
Total additions	<u>896,843</u>
Deductions	
Insurance benefit payments	<u>896,843</u>
Total deductions	<u>896,843</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, 2022

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

Crime Control & Prevention District – The Crime Control and Prevention District (CCPD) was created in February 2004 by a vote of local residents and renewed most recently in 2018 for a ten year period. The CCPD is supported by a 0.25% sales tax which serves a role in providing the necessary resources to effectively implement crime control strategies. Although it is legally separate from the City, the members of the Board of the CCPD and members of the City Council are substantially the same. The City has financial accountability, and a financial benefit/burden relationship exists which allows the City to impose its will. Therefore, the CCPD has been blended in the City's basic financial statements as a major Special Revenue Fund.

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 or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not categorized as program revenues are reported as general revenues.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

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 funds, proprietary funds, and fiduciary funds. 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 fund is 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, this fund is 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. This 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.

Crime Control & Prevention District as described above.

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

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

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/amortization 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 liabilities are 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, 2022

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. This focus is on the determination of and changes in financial position. 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 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.

For the fiscal year ended September 30, 2022, expenditures exceeded appropriations in the Crime Control & Prevention District by \$89,306 due to unbudgeted costs for leases as a result of the implementation of GASB 87.

Cash Equivalents

For purposes of the accompanying 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, 2022

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. Right-of-use assets are reported at present value of the future lease payments (lease liability), plus any ancillary cost to place the asset in service, plus any additional payments made at the beginning of the lease terms, less any lease incentives received from the lessor prior to the commencement of the lease term.

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
Right-of-use asset – equipment and vehicles	5 years
Right-of-use asset – machinery and equipment	5 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. Premiums and discounts on certificates of obligation and bonds payable 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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note A. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the loss on refunding and the other post-employment benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note L related to the OPEB plan.

In addition to liabilities, the statement of net position and balance sheet include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to the pension plan reported in the Statement of Net Position and deferred inflows of resources related to unavailable revenue from property taxes reported in the Governmental Funds Balance Sheet. See additional information in Note K related to the pension plan.

Fund Balance

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

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. 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, 2022

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/amortization 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.

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's 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, 2022

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, 2022, the City implemented Governmental Accounting Standards Board Statement No. 87, *Leases*. The statement establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. This statement was adopted by the City as of October 1, 2021. There was no effect on beginning net position or fund balances due to the implementation of this standard.

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, 2022

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, compensated absences, and lease liabilities 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	\$ 7,045,000
Certificates of obligation	4,975,000
Unamortized debt premium	463,560
Accrued interest payable	48,203
Net pension liability	2,978,688
Compensated absences	456,816
Total OPEB liability	370,769
Lease liability	<u>814,103</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 17,152,139</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, 2022

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.

External Investment Pools

As of September 30, 2022, the City's only investments were external investment pools in compliance with the City's Investment Policy. The following investments are 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:

Local Government Investment Cooperative (LOGIC) is a public funds investment pool that is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a board of trustees for the benefit of participants. The Board of Trustees is the governing body and is comprised of employees, officers, or elected officials of participant government entities. A maximum of two ex officio board members represents the Administrators of the Pool. The Board of Trustees appoints an advisory board comprised of employees, officers, or elected officials of participant government entities and individuals who do not have a business relationship with the Pool and are qualified to advise the Pool. LOGIC is rated AAAM by Standard and Poor's.

Texas Short Term Asset Reserve Program (TexSTAR) is a public funds investment pool governed by a board of directors. The Pool maintains an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Members are appointed and serve at the will of the Board. TexSTAR is rated AAAM by Standard and Poor's.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

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

Texas Local Government Investment Pool (TexPool) is a public funds investment pool. 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., under an agreement with the Comptroller, acting on behalf of the Trust Company. 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 the TexPool portfolios. The TexPool Advisory Board advises on the Investment Policies for the TexPool Portfolios and approves any fee increases. TexPool is rated AAAm by Standard and Poor's.

Lone Star Investment Pool (Lone Star) is a public funds investment pool governed by the Board of Trustees, which is comprised of active members of the Pool and elected by participants for three-year terms. The Board's work is guided by the Advisory Board, which also includes member representatives as well as an independent advisor. 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.

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, 2022	Weighted Average Maturity (in days)
Investments measured at amortized cost/NAV:		
LOGIC	\$ 5,582,761	19
Lone Star	5,374,454	8
TexPool	5,465,861	24
TexSTAR	5,245,647	16
Total investments at amortized cost/NAV	<u>\$ 21,668,723</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, 2022, 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, 2022

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, 2022, TexPool, TexSTAR, Lone Star, and LOGIC investment pools were rated AAAM by Standard and Poor's.

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

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

As of September 30, 2022, 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, 2022, 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, 2022

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 governmental activities and 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, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 40,399
Crime control district fund	Water and sewer fund	1,205
Water and sewer fund	General fund	<u>6,477</u>
	Total	<u>\$ 48,081</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. All interfund balances are expected to be repaid within one year.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note F. Interfund Activity (Continued)

Interfund transfers during the year were as follows:

	<u>Transfers Out</u>	
General fund		\$ 633,379
Capital projects fund		600,000
Water and sewer fund		<u>260,569</u>
		<u>\$ 1,493,948</u>
	<u>Transfers in</u>	
General fund		\$ 135,860
Debt service fund		392,803
Street maintenance fund		94,830
Crime control district fund		57,331
Water and sewer fund		<u>813,124</u>
		<u>\$ 1,493,948</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, 2022

Note G. Capital Assets

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

	Restated Balance 10/1/2021	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2022
Governmental activities				
Capital assets using modified approach				
Infrastructure	\$ 24,678,418	\$ 113,965	\$ -	\$ 24,792,383
Total capital assets using modified approach	24,678,418	113,965	-	24,792,383
Capital assets not being depreciated/amortized				
Construction in progress	1,188,804	497,157	1,157,471	528,490
Land	1,729,334	-	-	1,729,334
Total capital assets not being depreciated/amortized	2,918,138	497,157	1,157,471	2,257,824
Other capital assets				
Buildings and improvements	13,677,781	1,223,556	24,237	14,877,100
Equipment and vehicles	7,531,211	182,171	98,292	7,615,090
Office furniture and fixtures	693,488	-	-	693,488
Right-of-use assets - equipment and vehicles *	655,745	392,319	-	1,048,064
Total other capital assets	22,558,225	1,798,046	122,529	24,233,742
Less accumulated depreciation/amortization for:				
Buildings and improvements	4,080,735	409,702	20,831	4,469,606
Equipment and vehicles	3,492,951	581,556	90,521	3,983,986
Office furniture and fixtures	514,962	36,985	-	551,947
Right-of-use assets - equipment and vehicles *	-	264,210	-	264,210
Total accumulated depreciation/amortization	8,088,648	1,292,453	111,352	9,269,749
Other capital assets, net	14,469,577	505,593	11,177	14,963,993
Governmental activities capital assets, net	\$ 42,066,133	\$ 1,116,715	\$ 1,168,648	\$ 42,014,200

*Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets (Continued)

	Restated Balance 10/1/2021	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2022
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 46,240	\$ -	\$ -	\$ 46,240
Construction in progress	769,007	836,923	721,757	884,173
Total capital assets not being depreciated/amortized	815,247	836,923	721,757	930,413
Other capital assets				
Water and sewer system	19,315,180	721,757	-	20,036,937
Buildings and improvements	158,763	14,219	7,457	165,525
Machinery and equipment	1,728,254	107,062	303,211	1,532,105
Right-of-use assets - machinery and equipment *	66,284	-	-	66,284
Total other capital assets	21,268,481	843,038	310,668	21,800,851
Less accumulated depreciation/amortization for:				
Water and sewer system	5,768,799	432,161	-	6,200,960
Buildings and improvements	66,141	5,051	6,250	64,942
Machinery and equipment	1,142,694	90,858	297,982	935,570
Right-of-use assets - machinery and equipment *	-	25,614	-	25,614
Total accumulated depreciation/amortization	6,977,634	553,684	304,232	7,227,086
Other capital assets, net	14,290,847	289,354	6,436	14,573,765
Business-type activities capital assets, net	\$ 15,106,094	\$ 1,126,277	\$ 728,193	\$ 15,504,178

*Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note G. Capital Assets (Continued)

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

Governmental activities:

Mayor and council	\$ 16,199
General government	215,496
Police	358,651
Fire	295,206
Streets	131,980
Library	9,880
Parks and recreation	159,676
Maintenance	8,034
Senior center	9,687
Animal control	40,142
Permits and inspections	9,481
Information technology	<u>38,021</u>

Total governmental activities	<u><u>\$ 1,292,453</u></u>
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Business-type activities:

Water and sewer	<u>\$ 553,684</u>
Total business-type activities	<u><u>\$ 553,684</u></u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

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, 2022 consists of the following:

Governmental activities

General Obligation Bonds

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 \$1,260,000 at September 30, 2022.

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 \$5,785,000 at September 30, 2022.

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 \$4,975,000 at September 30, 2022.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt as of September 30, 2022 are as follows:

Year Ending	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
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	1,140,000	96,800	405,000	70,318
2028-2032	1,280,000	55,000	1,590,000	232,090
2033-2037	-	-	875,000	117,790
2038-2042	-	-	570,000	25,682
Total	<u>\$ 7,045,000</u>	<u>\$ 909,133</u>	<u>\$ 4,975,000</u>	<u>\$ 827,852</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 \$120,000 at September 30, 2022, bearing 0% interest.

The annual requirements to amortize long-term debt as of September 30, 2022 are as follows:

Year Ending	Utility System Revenue Bonds
	Principal
2023	\$ 15,000
2024	15,000
2025	15,000
2026	15,000
2027	15,000
2028-2032	<u>45,000</u>
Total	<u>\$ 120,000</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

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, 2022:

	Restated Balance 10/1/2021	Additions	Retirements	Balance 9/30/2022	Due Within One Year
Governmental activities					
General obligation bonds	\$ 8,165,000	\$ -	\$ 1,120,000	\$ 7,045,000	\$ 1,145,000
Certificates of obligation	5,325,000	-	350,000	4,975,000	370,000
Unamortized debt premium	547,946	-	84,386	463,560	88,698
Net pension liability	4,080,170	773,823	1,875,305	2,978,688	-
Compensated absences	420,444	636,554	600,182	456,816	456,816
Total OPEB liability	331,101	45,714	6,046	370,769	-
Lease liability *	655,745	392,319	233,961	814,103	274,580
Total governmental activities	19,525,406	1,848,410	4,269,880	17,103,936	2,335,094
Business-type activities					
Utility system revenue bonds	135,000	-	15,000	120,000	15,000
Net pension liability	231,022	39,914	114,163	156,773	-
Compensated absences	23,504	20,583	19,193	24,894	24,894
Total OPEB liability	18,747	2,340	1,573	19,514	-
Lease liability *	66,284	-	22,251	44,033	23,950
Total business-type activities	474,557	62,837	172,180	365,214	63,844
Total	\$ 19,999,963	\$ 1,911,247	\$ 4,442,060	\$ 17,469,150	\$ 2,398,938

*Beginning balances have been adjusted to reflect the adoption of GASB 87, *Leases*.

Leases

The City recognized leases in the current year due to the implementation of GASB Statement No. 87, *Leases*. General information related to leases is summarized below.

Governmental Activities

Asset	Term, Including Renewals	Interest Rate	Payment Amount	Lease Liability 9/30/2022
Vehicles	60 months	3.60 - 6.64%	\$371 - \$1,202	\$ 767,812
Copiers	5 years	3.00%	24,192	46,291

Business-type Activities

Asset	Term, Including Renewals	Interest Rate	Payment Amount	Lease Liability 9/30/2022
Vehicles	60 months	4.80 - 5.74%	\$578 - \$826	\$ 44,033

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note H. Long-Term Liabilities (Continued)

The annual requirements to amortize lease liabilities as of September 30, 2022 are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 274,580	\$ 34,638	\$ 23,950	\$ 1,713
2024	264,283	21,035	18,936	483
2025	141,793	10,742	1,147	7
2026	96,834	4,869	-	-
2027	36,613	790	-	-
Total	<u>\$ 814,103</u>	<u>\$ 72,074</u>	<u>\$ 44,033</u>	<u>\$ 2,203</u>

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, 2022 was \$481,710.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

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	\$ 6,186
Court technology	14,450
Court security	104,218
Confiscated property	14,851
Police LEOSE	767
DEA equitable sharing	15,855
Police department donations	18,642
Fire department donations	1,568
Library donations	1,412
Senior center donations	2,119
Animal control donations	2,881
Municipal jury	605
Local truancy prevention	<u>30,335</u>
 Total Other Restricted Net Position/ Other Restricted Fund Balance	 <u>\$ 213,889</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 LEOSE – This money has been restricted for police training.

DEA equitable sharing – This money has been restricted for support of police department activities, community engagement, and victim services.

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, 2022

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly 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 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, 2022

Note K. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	76
Active employees	<u>102</u>
 Total	 <u>236</u>

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching ratios are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 17.02% and 16.36% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$1,205,645, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, 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, 2022

Note K. Defined Benefit Pension Plan (Continued)

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	<u>100.00%</u>	

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

Changes in the NPL	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 26,802,850	\$ 22,491,658	\$ 4,311,192
Changes for the year:			
Service cost	1,155,056	-	1,155,056
Interest	1,815,757	-	1,815,757
Difference between expected and actual experience	262,616	-	262,616
Contributions - employer	-	1,041,141	(1,041,141)
Contributions - employee	-	445,476	(445,476)
Net investment income	-	2,936,016	(2,936,016)
Benefit payments, including refunds of employee contributions	(960,540)	(960,540)	-
Administrative expense	-	(13,567)	13,567
Other changes	-	94	(94)
Net changes	2,272,889	3,448,620	(1,175,731)
Balance at 12/31/2021	\$ 29,075,739	\$ 25,940,278	\$ 3,135,461

Sensitivity of the Net Pension Liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 8,010,295	\$ 3,135,461	\$ (770,118)

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note K. Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tnrs.com.

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

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$527,940.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 147,054	\$ -
Changes in actuarial assumptions	26,830	-
Difference between projected and actual investment earnings	-	1,497,875
Contributions subsequent to the measurement date	938,845	-
Total	<u>\$ 1,112,729</u>	<u>\$ 1,497,875</u>

\$938,845 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 fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement
year ended
December 31:

2023	\$ (296,849)
2024	(507,957)
2025	(253,371)
2026	<u>(265,814)</u>
Total	<u>\$ (1,323,991)</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

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

Inactive employees currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>102</u>
Total	<u><u>168</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, 2022 were \$5,492, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits (Continued)

Actuarial assumptions:

The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	1.84%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021. 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, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2020	\$ 349,848
Changes for the year:	
Service cost	20,365
Interest on Total OPEB Liability	7,137
Changes of benefit terms including TMRS plan participation	-
Differences between expected and actual experience	5,197
Changes in assumptions or other inputs	14,100
Benefit payments	<u>(6,364)</u>
Net changes	<u>40,435</u>
Balance at 12/31/2021	<u><u>\$ 390,283</u></u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

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

	1% Decrease in Discount Rate <u>(0.84%)</u>	Discount Rate <u>(1.84%)</u>	1% Increase in Discount Rate <u>(2.84%)</u>
City's Total OPEB Liability	\$ 494,432	\$ 390,283	\$ 312,717

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$44,624.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,252
Changes in actuarial assumptions or other inputs	72,779	-
Contributions subsequent to the measurement date	<u>3,861</u>	<u>-</u>
Total	<u>\$ 76,640</u>	<u>\$ 6,252</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note L. Other Postemployment Benefits (Continued)

The City reported \$3,861 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 fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Measurement year ended <u>December 31:</u>	
2023	\$ 17,122	
2024	16,564	
2025	15,237	
2026	13,316	
2027	<u>4,288</u>	
Total	<u>\$ 66,527</u>	

Note M. 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 STW (Open Gov) for software with annual payments of \$24,418 for 3 years beginning on October 1, 2019.
- 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.

Net future minimum payments for commitments as of September 30, 2022 are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2023	\$ 53,757
2024	<u>3,324</u>
Total	<u>\$ 57,081</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2022

Note M. Commitments and Contingencies (Continued)

The City of Lake Worth has the following additional commitments and contingencies at September 30, 2022:

- 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, 2022, the City expensed \$204,564 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, 2022, the City's expenses in the Water and Sewer fund for water and sewer treatment were \$611,040 and \$611,271, 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.

Note N. Subsequent Events

The City evaluated subsequent events through March 13, 2023, 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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 10,107,400	\$ 10,636,175	\$ 11,490,656	\$ 854,481
Fines	417,300	474,967	477,748	2,781
Interlocal services	477,036	482,016	482,065	49
Permits and fees	208,000	757,208	949,580	192,372
Charges for services	368,454	370,577	387,619	17,042
Grants	-	30,777	221,685	190,908
Investment earnings	8,800	69,411	90,143	20,732
Miscellaneous	156,455	160,745	321,932	161,187
Total revenues	11,743,445	12,981,876	14,421,428	1,439,552
Expenditures				
Mayor and council	27,687	27,526	20,384	7,142
General government	1,443,022	1,543,047	1,483,032	60,015
Police	3,084,370	3,258,814	3,169,215	89,599
Fire protection	2,830,934	2,824,636	2,748,112	76,524
Streets	1,198,025	1,278,800	1,226,364	52,436
Library	303,304	326,324	320,071	6,253
Parks and recreation	557,060	501,290	447,740	53,550
Maintenance	76,522	82,670	71,479	11,191
Senior center	106,974	108,305	101,287	7,018
Municipal court	286,944	290,539	277,506	13,033
Animal control	190,001	194,352	164,875	29,477
Emergency management	64,950	78,440	81,565	(3,125)
Permits and inspections	530,088	563,929	529,749	34,180
Informational technology	646,888	564,881	525,430	39,451
Capital outlay	320,579	814,051	900,055	(86,004)
Debt service				
Principal	-	-	170,621	(170,621)
Interest	-	-	30,075	(30,075)
Total expenditures	11,667,348	12,457,604	12,267,560	190,044
Excess of revenues over expenditures	76,097	524,272	2,153,868	1,629,596
Other financing sources (uses)				
Transfers in	21,324	17,716	135,860	118,144
Transfers out	(408,680)	(408,680)	(633,379)	(224,699)
Proceeds from leases	-	-	232,238	232,238
Total other financing sources (uses)	(387,356)	(390,964)	(265,281)	125,683
Change in fund balance	\$ (311,259)	\$ 133,308	1,888,587	\$ 1,755,279
Fund balance, beginning of year			12,598,869	
Fund balance, end of year			\$ 14,487,456	

City of Lake Worth, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Crime Control & Prevention District
For the Fiscal Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Sales tax	\$ 1,150,000	\$ 1,302,000	\$ 1,364,606	\$ 62,606
Interlocal services	113,365	129,096	129,096	-
Investment earnings	500	4,161	4,161	-
Miscellaneous	11,600	12,232	12,233	1
Total revenues	1,275,465	1,447,489	1,510,096	62,607
Expenditures				
Police	1,386,287	1,550,219	1,372,557	177,662
Capital outlay	-	-	191,866	(191,866)
Debt service				
Principal	-	-	63,340	(63,340)
Interest	-	-	11,762	(11,762)
Total expenditures	1,386,287	1,550,219	1,639,525	(89,306)
Deficiency of revenues under expenditures	(110,822)	(102,730)	(129,429)	(26,699)
Other financing sources				
Transfers in	62,869	57,174	57,331	157
Proceeds from leases	-	-	160,081	160,081
Total other financing sources	62,869	57,174	217,412	160,238
Change in fund balance	\$ (47,953)	\$ (45,556)	87,983	\$ 133,539
Fund balance, beginning of year			861,006	
Fund balance, end of year			\$ 948,989	

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

Texas Municipal Retirement System (TMRS)

Measurement Date - December 31st*:	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability (a)								
Beginning Balance	\$ 26,802,850	\$ 24,829,973	\$ 22,755,954	\$ 20,384,429	\$ 18,667,322	\$ 17,446,907	\$ 16,274,524	\$ 14,951,418
Service cost	1,155,056	1,018,561	1,008,996	942,670	765,394	725,539	660,172	618,120
Interest	1,815,757	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	262,616	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	(960,540)	(764,179)	(810,603)	(755,858)	(666,507)	(456,414)	(519,749)	(390,423)
End of Year Balance	<u>\$ 29,075,739</u>	<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>
Plan Fiduciary Net Position (b)								
Beginning Balance	\$ 22,491,658	\$ 20,380,634	\$ 17,167,128	\$ 17,395,684	\$ 14,978,269	\$ 13,590,899	\$ 13,230,933	\$ 12,109,051
Contributions - employer	1,041,141	930,973	978,333	730,817	697,051	632,864	589,336	546,093
Contributions - employee	445,476	406,032	404,987	328,456	321,577	303,290	283,336	281,189
Net investment income	2,938,016	1,548,599	2,656,235	(521,374)	2,076,598	918,562	19,522	692,850
Benefit payments, including refunds of employee contributions	(960,540)	(764,179)	(810,603)	(755,858)	(666,507)	(456,414)	(519,749)	(390,423)
Administrative expense	(13,567)	(10,010)	(14,996)	(10,071)	(10,758)	(10,373)	(11,891)	(7,232)
Other changes	94	(391)	(450)	(526)	(546)	(559)	(588)	(595)
End of Year Balance	<u>\$ 25,940,278</u>	<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>
Net Pension Liability (a) - (b)								
Beginning Balance	\$ 4,311,192	\$ 4,449,339	\$ 5,588,826	\$ 2,988,745	\$ 3,689,053	\$ 3,856,008	\$ 3,043,591	\$ 2,842,367
Service cost	1,155,056	1,018,561	1,008,996	942,670	765,394	725,539	660,172	618,120
Interest	1,815,757	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	262,616	33,886	254,479	(967,282)	354,838	(235,459)	(36,943)	40,840
Changes of assumptions	-	-	78,424	-	-	-	(75,228)	-
Contributions - employer	(1,041,141)	(930,973)	(978,333)	(730,817)	(697,051)	(632,864)	(589,336)	(546,093)
Contributions - employee	(445,476)	(406,032)	(404,987)	(328,456)	(321,577)	(303,290)	(283,336)	(281,189)
Net investment income	(2,938,016)	(1,548,599)	(2,656,235)	521,374	(2,076,598)	(918,562)	(19,522)	(692,850)
Administrative expense	13,567	10,010	14,996	10,071	10,758	10,373	11,891	7,232
Other changes	(94)	391	450	526	546	559	588	595
End of Year Balance	<u>\$ 3,135,461</u>	<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>\$ 3,856,008</u>	<u>\$ 3,043,591</u>
Plan's fiduciary net position as a percentage of the total pension liability	89.22%	83.92%	82.08%	75.44%	85.34%	80.24%	77.90%	81.30%
Covered payroll	\$ 6,363,944	\$ 5,800,480	\$ 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	49.27%	74.33%	76.90%	102.09%	58.73%	75.51%	81.66%	65.10%

* 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 Eight Fiscal Years**

Texas Municipal Retirement System (TMRS)								
Year Ended September 30th*:	2022	2021	2020	2019	2018	2017	2016	2015
The City's actuarially determined contribution	\$ 1,205,645	\$ 1,036,633	\$ 940,823	\$ 916,965	\$ 714,470	\$ 664,926	\$ 599,053	\$ 587,081
Contributions in relation to the actuarially determined contribution	1,205,645	1,036,633	940,823	916,965	714,470	664,926	599,053	587,081
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,146,934	\$ 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	16.87%	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	24 Years (longest amortization ladder)
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-retirees: 2019 Municipal Retirees of Texas Mortality Table. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other informaton: 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 Four Measurement Years**

Texas Municipal Retirement System (TMRS)				
Measurement Date - December 31st*:	2021	2020	2019	2018
Total OPEB Liability - beginning of year	\$ 349,848	\$ 280,484	\$ 213,747	\$ 226,031
Service cost	20,365	15,661	11,571	12,591
Interest on total OPEB liability	7,137	7,905	8,102	7,654
Changes in benefit terms including TMRS plan participation	-	-	-	-
Difference between expected and actual experience	5,197	(6,365)	(1,662)	(13,129)
Changes in assumptions or other inputs	14,100	53,903	51,040	(17,210)
Benefit payments	(6,364)	(1,740)	(2,314)	(2,190)
Net changes	40,435	69,364	66,737	(12,284)
End of Year Balance	<u>\$ 390,283</u>	<u>\$ 349,848</u>	<u>\$ 280,484</u>	<u>\$ 213,747</u>
Covered payroll	\$ 6,363,944	\$ 5,800,460	\$ 5,785,528	\$ 5,474,274
Total OPEB liability as a percentage of covered payroll	6.13%	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 Four Fiscal Years**

Texas Municipal Retirement System (TMRS)				
Year Ended September 30th*:	2022	2021	2020	2019
The City's actuarially determined contribution	\$ 5,492	\$ 5,223	\$ 1,894	\$ 2,305
Contributions in relation to the actuarially determined contribution	5,492	5,223	1,894	2,305
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,146,934	\$ 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%	0.08%	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***	1.84%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements 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, 2021.

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

Condition Rating	Goal	Square Feet of Roadway		Square Feet of Roadway	
		August 31, 2022		August 31, 2019	
		Number	Percentage	Number	Percentage
At least 0-1	10%	-	0.0000%	-	0.0000%
At least 2-3	60%	4,742,382	91.2780%	3,691,085	67.8485%
At least 3-4	30%	411,573	7.9217%	1,405,792	25.8409%
At least 4	0%	41,580	0.8002%	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					
	2022	2021	2020	2019	2018
Estimated	\$ 1,443,600	\$ 1,199,298	\$ 1,701,537	\$ 1,488,570	\$ 1,166,615
Actual	1,251,183	1,175,347	1,246,294	1,248,476	1,005,685

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 examination using the old criteria on page 68. The status of the City's roads are rated according to the following new criteria:

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

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

Condition Rating Percentage	Goal	Square Feet of Roadway February 28, 2017	
		Number	Percentage
At least 1	0%	562,945	9.1222%
At least 2-4	30%	1,192,517	19.3241%
At least 5-7	60%	2,438,939	39.5217%
At least 8-10	10%	1,976,734	32.0319%

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

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

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

SUPPLEMENTARY INFORMATION

City of Lake Worth, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2022

	Street Maintenance	Public Educational Government Channel Fund	Municipal Jury Fund	Local Truancy Prevention Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 605	\$ 30,335	\$ 30,940
Investments	1,570,093	113,192	-	-	1,683,285
Accounts receivables	-	1,935	-	-	1,935
Total assets	\$ 1,570,093	\$ 115,127	\$ 605	\$ 30,335	\$ 1,716,160
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances:					
Restricted for:					
Street maintenance	1,570,093	-	-	-	1,570,093
Public educational government channel	-	115,127	-	-	115,127
Municipal jury	-	-	605	-	605
Truancy prevention	-	-	-	30,335	30,335
Total fund balances	1,570,093	115,127	605	30,335	1,716,160
Total liabilities and fund balances	\$ 1,570,093	\$ 115,127	\$ 605	\$ 30,335	\$ 1,716,160

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, 2022

	Street Maintenance	Public Educational Government Channel Fund	Municipal Jury Fund	Local Truancy Prevention Fund	Total Nonmajor Governmental Funds
Revenues					
Permits and fees	\$ -	\$ 10,131	\$ 252	\$ 12,639	\$ 23,022
Investment earnings	10,424	860	-	-	11,284
Miscellaneous	108	-	-	-	108
Total revenues	10,532	10,991	252	12,639	34,414
Expenditures					
Streets	24,819	-	-	-	24,819
Total expenditures	24,819	-	-	-	24,819
Excess (deficiency) of revenues over (under) expenditures	(14,287)	10,991	252	12,639	9,595
Other financing sources					
Transfers in	94,830	-	-	-	94,830
Total other financing sources	94,830	-	-	-	94,830
Changes in fund balances	80,543	10,991	252	12,639	104,425
Fund balances, beginning of year	1,489,550	104,136	353	17,696	1,611,735
Fund balances, end of year	\$ 1,570,093	\$ 115,127	\$ 605	\$ 30,335	\$ 1,716,160

**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, 2022, 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 13, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Snow Garrett Williams
March 13, 2023

