

CITY OF LAKE WORTH, TEXAS

**Annual Financial Report
For the Fiscal Year Ended September 30, 2023**

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For the Fiscal Year Ended September 30, 2023

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

2023 City Council

Walter Bowen, Mayor

Sherrie Watkins, Mayor Pro Tem

Coy Pennington

Jim Smith

Geoffrey White

Sue Wenger

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, 2023, 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, 2023, 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 2023, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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, 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 12, 2024, 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

Snow Garrett Williams
March 12, 2024

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, 2023. 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 2023 by \$65,355,405 (*net position*). Of this amount, \$4,745,964 is restricted for specific purposes and \$11,976,672 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. Net position also reflects \$48,632,769 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 \$15,637,033, of which \$4,681,997 represents restricted fund balance, \$407,038 represents committed fund balance, \$3,306,391 represents assigned fund balance, \$98,921 represents non-spendable fund balance, and \$7,142,686 represents unassigned fund balance.
- The general fund unassigned fund balance of \$7,142,686 equals 46% of total general fund expenditures.
- The City's total long-term liabilities increased by \$1,974,217 during the current fiscal year primarily due to an increase 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 supplementary 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 include 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 and Crime Control & Prevention District Fund, which are considered to be major funds. Data for the other six 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 Debt Service or Street Maintenance Funds because they are not considered to be major funds.

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 supplementary information can be found beginning on page 69 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 \$65,355,405 as of September 30, 2023.

City of Lake Worth's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 17,517,599	\$ 20,082,348	\$ 5,831,030	\$ 4,680,887	\$ 23,348,629	\$ 24,763,235
Capital assets, net of depreciation/amortization	44,608,198	42,014,200	16,141,596	15,504,178	60,749,794	57,518,378
Total assets	62,125,797	62,096,548	21,972,626	20,185,065	84,098,423	82,281,613
Deferred outflows of resources	2,997,944	251,773	149,480	3,519	3,147,424	255,292
Long-term liabilities	18,833,655	17,103,936	609,712	365,214	19,443,367	17,469,150
Other liabilities	1,864,802	2,409,658	505,087	581,248	2,369,889	2,990,906
Total liabilities	20,698,457	19,513,594	1,114,799	946,462	21,813,256	20,460,056
Deferred inflows of resources	73,326	365,889	3,860	19,257	77,186	385,146
Net position:						
Net investment in capital assets	32,820,471	29,371,371	15,812,298	15,364,095	48,632,769	44,735,466
Restricted	4,745,964	4,390,603	-	-	4,745,964	4,390,603
Unrestricted	6,785,523	8,706,864	5,191,149	3,858,770	11,976,672	12,565,634
Total net position	\$ 44,351,958	\$ 42,468,838	\$ 21,003,447	\$ 19,222,865	\$ 65,355,405	\$ 61,691,703

The City's net investment in capital assets (e.g., land, building, infrastructure, machinery and equipment, right-of-use assets) less any related debt used to acquire those assets that is still outstanding is \$48,632,769. 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 \$4,745,964 (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 \$11,976,672 and may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's total net position increased by \$3,663,702 during the current fiscal year. The City's governmental activities increased net position by \$1,883,120. The total cost of all governmental activities this year was \$15,650,308. The amount that taxpayers paid for these activities through property taxes was \$2,749,437, or 18%. The City's business-type activities increased net position by \$1,780,582. The total cost of all business-type activities for fiscal year 2023 was \$2,898,012.

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

City of Lake Worth's Changes in Net Position

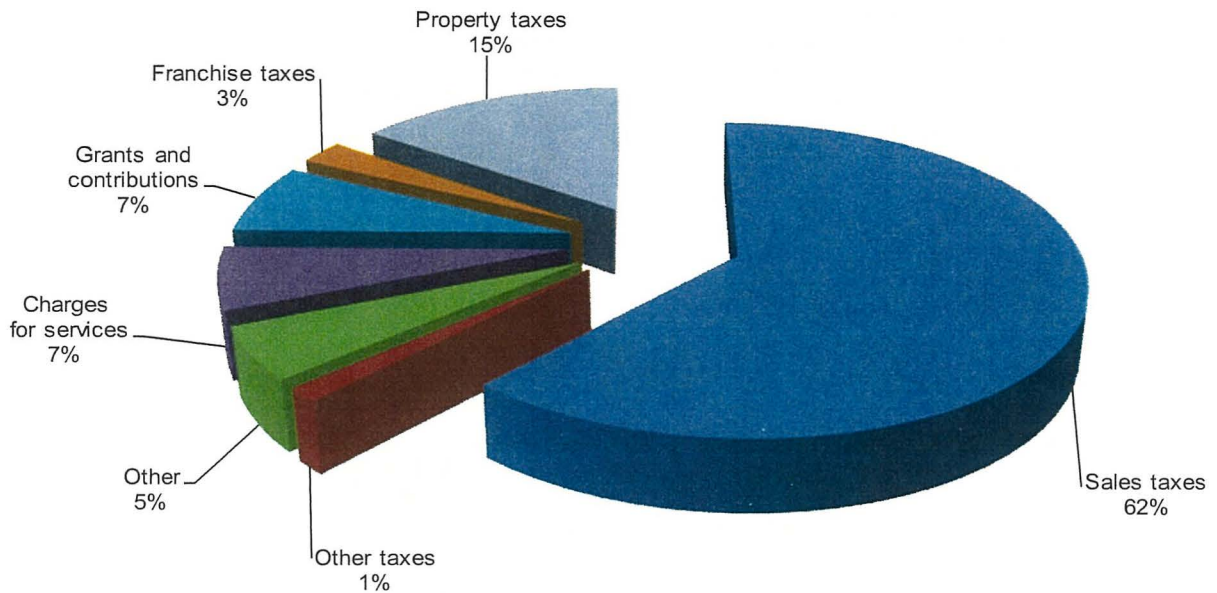
	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,204,501	\$ 1,855,226	\$ 3,439,519	\$ 3,311,877	\$ 4,644,020	\$ 5,167,103
Operating grants and contributions	1,344,860	880,592	-	-	1,344,860	880,592
Capital grants and contributions	-	-	-	182,618	-	182,618
General revenues:						
Property taxes	2,749,437	2,621,017	-	-	2,749,437	2,621,017
Retail sales tax	11,381,178	11,017,311	-	-	11,381,178	11,017,311
Franchise taxes	460,773	426,621	-	-	460,773	426,621
Other taxes	269,065	255,330	-	-	269,065	255,330
Interest	781,840	115,437	212,362	27,278	994,202	142,715
Other	248,273	285,254	94,407	58,558	342,680	343,812
Gain (loss) on sale of assets	(19,515)	(11,178)	45,322	(6,435)	25,807	(17,613)
Total revenues	18,420,412	17,445,610	3,791,610	3,573,896	22,212,022	21,019,506
Expenses:						
Mayor and council	40,749	36,583	-	-	40,749	36,583
General government	1,854,876	1,870,325	-	-	1,854,876	1,870,325
Police	5,558,117	4,697,468	-	-	5,558,117	4,697,468
Fire protection	3,555,254	2,925,075	-	-	3,555,254	2,925,075
Streets	1,350,394	1,339,382	-	-	1,350,394	1,339,382
Library	452,635	314,011	-	-	452,635	314,011
Parks and recreation	518,702	578,526	-	-	518,702	578,526
Maintenance	80,417	74,225	-	-	80,417	74,225
Senior center	189,589	104,624	-	-	189,589	104,624
Municipal court	240,417	255,585	-	-	240,417	255,585
Animal control	236,549	198,998	-	-	236,549	198,998
Emergency management	54,336	81,565	-	-	54,336	81,565
Permits and inspections	519,311	508,979	-	-	519,311	508,979
Information technology	659,930	554,157	-	-	659,930	554,157
Interest and fiscal charges	339,032	370,978	-	-	339,032	370,978
Water and sewer	-	-	2,898,012	2,647,111	2,898,012	2,647,111
Total expenses	15,650,308	13,910,481	2,898,012	2,647,111	18,548,320	16,557,592
Increase in net position before transfers	2,770,104	3,535,129	893,598	926,785	3,663,702	4,461,914
Transfers	(886,984)	(552,555)	886,984	552,555	-	-
Increase in net position	1,883,120	2,982,574	1,780,582	1,479,340	3,663,702	4,461,914
Net position, beginning of year	42,468,838	39,486,264	19,222,865	17,743,525	61,691,703	57,229,789
Net position, end of year	<u>\$ 44,351,958</u>	<u>\$ 42,468,838</u>	<u>\$ 21,003,447</u>	<u>\$ 19,222,865</u>	<u>\$ 65,355,405</u>	<u>\$ 61,691,703</u>

Governmental activities. Governmental activities increased the City's net position by \$1,883,120. Key elements of this increase are as follows:

- Increase in general revenues due to an approximate 53% increase in operating grants and contributions primarily due to increased federal grant revenue and a 3.3% increase in sales tax revenue due to an increase in local spending; and
- Decrease of approximately 11% in parks and recreation expenses primarily in personnel services.

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 \$1,780,582.

Charges for services increased \$127,642 from the prior year primarily due to an increase in water and sewer sales. Interest revenue increased \$185,084 due to an overall increase in interest rates. Expenses increased by \$250,901 from the prior year primarily due to an increase in personnel services, sewer disposal charges, and supplies and maintenance 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 \$15,637,033, which is a decrease of \$2,037,428 in comparison with the prior year. \$7,142,686 or 46% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. Assigned fund balance is \$3,306,391, committed fund balance is \$407,038, and non-spendable fund balance is \$98,921. 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 (\$116,983), and to fund stormwater improvements (\$270,187), capital projects (\$402), street maintenance (\$1,442,873), crime control (\$1,002,654), public educational government channel (\$126,387), parks and recreation (\$105,964), culture and tourism (\$1,415,591) and other City related expenditures (\$200,956).

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$12,888,659, of which \$7,142,686 represented unassigned fund balance, or 55% 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 45%, or approximately 164 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$1,598,798 during the current fiscal year. Key elements of the decrease are as follows:

- Total revenues in the general fund increased by \$589,312, or 4%. The increase is primarily due to increases in grant revenue and investment earnings.
- Total expenditures in the general fund increased by \$3,616,174, or 29%. The increase is primarily due to increases in capital outlay and fire expenditures related to salaries and wages.

GENERAL FUND BUDGETARY HIGHLIGHTS

Property tax revenue exceeded the budgeted amount due to an actual collection rate for the year of 98.35%, while the budget assumed a 96.75% collection rate. Additionally, the budget was calculated on taxable property values of \$606,620,382, but the actual amount, including adjustments to values made after the original tax levy, was \$622,270,750.

Sales tax revenue was approximately \$617,200 over the amount originally budgeted. The budget was increased by \$363,374 (from \$9,345,000 to \$9,708,374) 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 ongoing inflationary pressures. However, the city did not realize significant inflation-related decreases in sales tax revenue. Although year-over-year sales tax growth has slowed, fiscal year 2023 sales tax revenue increased 3.2% over fiscal year 2022.

Interest rates increased much more rapidly than anticipated, increasing revenues by over \$525,000 when compared to the previous year.

Excess revenues identified at mid-year allowed for capital purchases not included in the original budget. The most significant additions were a covered parking structure at the City's public works facility, providing a means to better protect major equipment owned by the City, and the purchase of property on Charbonneau for the construction of a new fire station.

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, 2023, amounts to \$60,749,794 (net of accumulated depreciation/amortization). Investments in capital assets related to governmental activities (\$44,608,198) 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 (\$16,141,596) 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

- Architecture and design phase for new fire station began;
- Motorola portable radios;
- Air compressor/SCBA cascade system;
- Completed installation of Opticom traffic control system; and
- Respirator fit testing system.

Police Department

- 7.5-ton A/C unit for communications;
- Cargo trailer; and
- Completed installation of new LED lighting.

Administration & Information Technology

- Cloud-managed networking equipment;
- Land purchase for proposed new fire station; and
- Completed installation of new LED lighting.

Multi-Purpose Facility

- Rooftop 15-ton A/C unit for the Senior Center;
- City Christmas tree expansion; and
- Facility renovation project began.

Parks

- Replaced playground equipment at Navajo Park;
- Pickleball court at Charbonneau began (substantially complete); and
- Planning phase began for Lake Worth Park improvements.

Street Department

- Sidewalk-4300 block of Highland Lake;
- Covered parking structure and associated foundation;
- Rotary cutter;
- Wheel loader;
- Lakeside Drive stormwater improvements;
- Azle Avenue improvement project continued; and
- Numerous concrete curb and gutter replacement projects.

Water Sewer Fund

- Completed Pueblo Trail water and sewer lines replacement project;
- Began project to replace water and sewer lines on Apache Trail; and
- Began projects to replace sewer lines on Edgemere and Longhorn Trail.

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	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,076,034	\$ 1,729,334	\$ 46,240	\$ 46,240	\$ 2,122,274	\$ 1,775,574
Construction in progress	2,895,830	528,490	1,029,304	884,173	3,925,134	1,412,663
Buildings and improvements	10,298,806	10,407,494	94,586	100,583	10,393,392	10,508,077
Infrastructure	25,007,727	24,792,383	-	-	25,007,727	24,792,383
Water and sewer system	-	-	14,377,572	13,835,977	14,377,572	13,835,977
Equipment and vehicles	3,533,778	3,631,104	488,835	596,535	4,022,613	4,227,639
Office furniture and fixtures	118,980	141,541	-	-	118,980	141,541
Right-of-use assets	677,043	783,854	105,059	40,670	782,102	824,524
Total	\$ 44,608,198	\$ 42,014,200	\$ 16,141,596	\$ 15,504,178	\$ 60,749,794	\$ 57,518,378

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%

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%

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

For fiscal year 2023, the City estimated that \$1,629,333 was needed to meet this goal. The actual amount used for maintenance and preservation of the City's roads was \$1,191,404.

Additional information on road condition data is included in the schedule on pages 66 and 67 of this report.

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

City of Lake Worth's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 5,900,000	\$ -	\$ 5,900,000
Certificates of obligation	4,605,000	-	4,605,000
Utility system revenue bonds	-	105,000	105,000
Premium on debt issued	385,167	-	385,167
Net pension liability	6,390,390	336,337	6,726,727
Compensated absences	532,594	35,234	567,828
Total OPEB liability	243,970	12,839	256,809
Lease liability	681,159	120,302	801,461
Subscription liability	95,375	-	95,375
	<u>\$ 18,833,655</u>	<u>\$ 609,712</u>	<u>\$ 19,443,367</u>
Total			

The City's total long-term debt increased by a net amount of \$1,974,217 during the current fiscal year primarily as a result of an increase in net pension liability. The City's premium on debt issued, total OPEB liability, and lease liability decreased in the current fiscal year, while the City's compensated absences, net pension liability, and subscription liability all increased. For governmental activities bonded debt decreased as a result of principal payments on the City's general obligation bonds and certificates of obligation. For business-type activities, the City's bonded debt decreased due to principal payments 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 2023 was \$0.438928 per \$100 assessed valuation, of which \$0.198241 was for maintenance and operations and \$0.240687 was for debt service.

Additional information on the City's long-term debt can be found in Note H on pages 45 through 49 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 2024, the City Council and administration considered the following factors:

Thus far, the impact of ongoing inflationary pressures 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 Lake Worth, which is comprised of mid-level retail establishments. Their sales have likely not suffered as much as that of high-end retail establishments. Sales tax is budgeted at a slight increase for the FY 2024 budget.

Property tax revenues are budgeted to increase by 5.67% in the General Fund due to increased property values. Total assessed property values for fiscal year 2024 were estimated at \$703,143,530 up \$80,872,780, or 13%, when compared to fiscal year 2022-2023. Approximately \$12,280,000 of the valuation increases are attributable to new construction. The adopted property tax rate for fiscal year 2024 is \$0.380557 per \$100 valuation. This is a decrease of \$0.058371 per \$100 valuation, or 13.3%. The maintenance and operations portion of the tax rate decreased 6.06%, from \$0.198241 to \$0.186221; the interest and sinking portion of the tax rate decreased 19.26%, from \$0.240687 to \$0.194336.

General Fund budgeted expenses for fiscal year 2024 total \$15,239,395, approximately 6.5% less than estimated totals for the previous budget year. The decrease is due to the absence of capital expenditures in the fiscal year 2024 budget. The City anticipates using reserved fund balances to complete capital projects not completed as of September 30, 2023, and funding other capital projects during the year utilizing proceeds from a proposed debt issuance.

Compared to estimated total expenses for the fiscal year ended September 30, 2023 the Water/Sewer Fund fiscal year 2024 budget reflects an 8.39% increase in expenses. Of the \$3,374,754 budget, \$540,000 is for capital improvements to water and sewer lines. Budgeted revenues total \$4,835,023, a decrease of 2.1% from prior year estimated totals. Although operating revenues and interest income are budgeted to increase, a transfer from the General Fund in the amount of \$500,000 is not included in the current year's budget.

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, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 264,018	\$ 76,865	\$ 340,883
Investments	12,569,139	4,466,453	17,035,592
Receivables (net of allowances for uncollectibles of \$38,446)			
Accounts	-	707,658	707,658
Property taxes	63,967	-	63,967
Other	45,489	3,225	48,714
Due from other governments	1,956,852	-	1,956,852
Internal balances	(276,158)	276,158	-
Prepaid expenses	98,921	5,445	104,366
Restricted investments	2,795,371	295,226	3,090,597
Capital assets			
Infrastructure using modified approach	25,007,727	-	25,007,727
Land and construction in progress	4,971,864	1,075,544	6,047,408
Other capital assets, net of depreciation/amortization	14,628,607	15,066,052	29,694,659
Total capital assets	44,608,198	16,141,596	60,749,794
Total assets	62,125,797	21,972,626	84,098,423
Deferred outflows of resources			
Deferred loss on refunding	157,848	-	157,848
Deferred outflows of resources - pension	2,840,096	149,480	2,989,576
Total deferred outflows of resources	2,997,944	149,480	3,147,424
Liabilities			
Accounts payable and accrued expenses	1,004,380	230,137	1,234,517
Interest payable	48,203	-	48,203
Unearned grant revenue	777,694	-	777,694
Payable from restricted funds:			
Customer deposits	558	262,755	263,313
Due to other governments	33,967	12,195	46,162
Long-term liabilities			
Due within one year	2,483,919	90,451	2,574,370
Due in more than one year	16,349,736	519,261	16,868,997
Total liabilities	20,698,457	1,114,799	21,813,256
Deferred inflows of resources			
Deferred inflows of resources - OPEB	73,326	3,860	77,186
Total deferred inflows of resources	73,326	3,860	77,186
Net position			
Net investment in capital assets	32,820,471	15,812,298	48,632,769
Restricted for:			
Stormwater utility	270,187	-	270,187
Debt service	180,950	-	180,950
Capital projects	402	-	402
Street maintenance	1,442,873	-	1,442,873
Crime control	1,002,654	-	1,002,654
Public educational government channel	126,387	-	126,387
Parks and recreation	105,964	-	105,964
Culture and tourism	1,415,591	-	1,415,591
Other	200,956	-	200,956
Unrestricted	6,785,523	5,191,149	11,976,672
Total net position	\$ 44,351,958	\$ 21,003,447	\$ 65,355,405

City of Lake Worth, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities						
Mayor and council	\$ 40,749	\$ -	\$ -	\$ (40,749)	\$ -	\$ (40,749)
General government	1,854,876	150,010	333,955	(1,370,911)	-	(1,370,911)
Police	5,558,117	381,058	390,743	(4,786,316)	-	(4,786,316)
Fire protection	3,555,254	-	534,813	(3,020,441)	-	(3,020,441)
Streets	1,350,394	-	-	(1,350,394)	-	(1,350,394)
Library	452,635	901	370	(451,364)	-	(451,364)
Parks and recreation	518,702	18,602	18,984	(481,116)	-	(481,116)
Maintenance	80,417	391,137	-	310,720	-	310,720
Senior center	189,589	-	-	(189,589)	-	(189,589)
Municipal court	240,417	17,414	-	(223,003)	-	(223,003)
Animal control	236,549	17,760	65,995	(152,794)	-	(152,794)
Emergency management	54,336	-	-	(54,336)	-	(54,336)
Permits and inspections	519,311	227,619	-	(291,692)	-	(291,692)
Informational technology	659,930	-	-	(659,930)	-	(659,930)
Interest and fiscal charges	339,032	-	-	(339,032)	-	(339,032)
Total governmental activities	15,650,308	1,204,501	1,344,860	(13,100,947)	-	(13,100,947)
Business-type activities						
Water and sewer	2,898,012	3,439,519	-	-	541,507	541,507
Total business-type activities	2,898,012	3,439,519	-	-	541,507	541,507
Total primary government	\$ 18,548,320	\$ 4,644,020	\$ 1,344,860	(13,100,947)	541,507	(12,559,440)
General revenues and transfers:						
Taxes						
Property				2,749,437	-	2,749,437
Retail sales				11,381,178	-	11,381,178
Franchise				460,773	-	460,773
Hotel				241,124	-	241,124
Mixed beverage				27,941	-	27,941
Interest				781,840	212,362	994,202
Gain (loss) on sale of assets				(19,515)	45,322	25,807
Other				248,273	94,407	342,680
Transfers				(886,984)	886,984	-
Total general revenues and transfers				14,984,067	1,239,075	16,223,142
Change in net position				1,883,120	1,780,582	3,663,702
Net position, beginning of year				42,468,838	19,222,865	61,691,703
Net position, end of year				\$ 44,351,958	\$ 21,003,447	\$ 65,355,405

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

City of Lake Worth, Texas
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund	Crime Control & Prevention District Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 174,583	\$ 62,276	\$ 27,159	\$ 264,018
Investments	12,812,934	786,481	1,765,095	15,364,510
Receivables				
Property taxes (net of allowances for uncollectibles of \$36,045)	28,888	-	35,079	63,967
Other	45,489	-	-	45,489
Due from other governments	1,730,322	225,909	621	1,956,852
Due from other funds	228,403	6,295	18,688	253,386
Prepaid expenses	93,507	4,914	500	98,921
Total assets	\$ 15,114,126	\$ 1,085,875	\$ 1,847,142	\$ 18,047,143
Liabilities				
Accounts payable	\$ 550,970	\$ 22,924	\$ 83,559	657,453
Accrued liabilities	308,407	38,520	-	346,927
Unearned grant revenue	777,694	-	-	777,694
Due to other governments	33,967	-	-	33,967
Due to other funds	524,983	4,561	-	529,544
Deposits	558	-	-	558
Total liabilities	2,196,579	66,005	83,559	2,346,143
Deferred inflows of resources				
Unavailable revenue - property taxes	28,888	-	35,079	63,967
Total deferred inflows of resources	28,888	-	35,079	63,967
Fund balances				
Non-spendable for:				
Prepaid expenses	93,507	4,914	500	98,921
Restricted for:				
Stormwater utility	270,187	-	-	270,187
Debt service	-	-	116,983	116,983
Capital projects	-	-	402	402
Street maintenance	-	-	1,442,873	1,442,873
Crime control	-	1,002,654	-	1,002,654
Public educational government channel	-	-	126,387	126,387
Parks and recreation	105,964	-	-	105,964
Culture and tourism	1,415,591	-	-	1,415,591
Other	159,597	-	41,359	200,956
Committed for:				
Fire protection / truck maintenance	54,098	-	-	54,098
Animal control equipment and facilities	4,891	-	-	4,891
Street improvements	348,049	-	-	348,049
Assigned for:				
Vehicle purchase	-	12,302	-	12,302
Building improvements	461,408	-	-	461,408
Park improvements	24,697	-	-	24,697
Utility project	2,451,951	-	-	2,451,951
Parks and recreation	82,064	-	-	82,064
Furniture and fixtures	273,969	-	-	273,969
Unassigned	7,142,686	-	-	7,142,686
Total fund balances	12,888,659	1,019,870	1,728,504	15,637,033
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,114,126	\$ 1,085,875	\$ 1,847,142	
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.				44,608,198
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.				2,997,944
Deferred inflows of resources are not financial resources and, therefore, are not reported in the funds.				(73,326)
Property taxes receivable, net of allowance, are not available to pay for current period expenditures and, therefore, are deferred in the funds.				63,967
Some liabilities, including general obligation bonds, accrued interest payable, certificates of obligation, premiums on debt, net pension liability, total OPEB liability, compensated absences, lease liabilities, and subscription liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(18,881,858)
Net position of governmental activities - statement of net position				\$ 44,351,958

City of Lake Worth, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2023

	General Fund	Crime Control & Prevention District Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 11,925,448	\$ 1,418,987	\$ 1,498,483	\$ 14,842,918
Fines	381,959	-	-	381,959
Interlocal services	509,318	290,091	-	799,409
Permits and fees	375,717	-	15,266	390,983
Charges for services	409,739	-	-	409,739
Grants	465,017	-	-	465,017
Investment earnings	615,922	33,336	132,582	781,840
Miscellaneous	327,620	22,458	449	350,527
Total revenues	15,010,740	1,764,872	1,646,780	18,422,392
Expenditures				
Current				
Mayor and council	24,742	-	-	24,742
General government	1,596,240	-	3,239	1,599,479
Police	3,411,781	1,658,818	-	5,070,599
Fire protection	3,132,957	-	-	3,132,957
Streets	1,055,974	-	135,430	1,191,404
Library	434,471	-	-	434,471
Parks and recreation	350,854	-	-	350,854
Maintenance	70,397	-	-	70,397
Senior center	177,263	-	-	177,263
Municipal court	234,696	-	-	234,696
Animal control	193,450	-	-	193,450
Emergency management	54,336	-	-	54,336
Permits and inspections	490,142	-	-	490,142
Informational technology	586,390	-	-	586,390
Capital outlay	3,794,808	8,570	215,344	4,018,722
Debt service				
Principal	242,639	71,317	1,515,000	1,828,956
Interest	32,594	9,157	348,614	390,365
Total expenditures	15,883,734	1,747,862	2,217,627	19,849,223
Excess (deficiency) of revenues over (under) expenditures	(872,994)	17,010	(570,847)	(1,426,831)
Other financing sources (uses)				
Transfers in	19,580	53,871	544,722	618,173
Transfers out	(1,021,770)	-	(483,387)	(1,505,157)
Issuance of right-of-use leases	151,054	-	-	151,054
Issuance of right-of-use SBITAs	125,333	-	-	125,333
Total other financing sources (uses)	(725,803)	53,871	61,335	(610,597)
Total changes in fund balances	(1,598,797)	70,881	(509,512)	(2,037,428)
Fund balance, beginning of year	14,487,456	948,989	2,238,016	17,674,461
Fund balances, end of year	\$ 12,888,659	\$ 1,019,870	\$ 1,728,504	\$ 15,637,033

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, 2023

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

Net change in fund balances - total governmental funds \$ (2,037,428)

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	\$ 4,018,722	
Depreciation/amortization expense	<u>(1,405,205)</u>	2,613,517

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		(19,515)
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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.

17,535

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	\$ (75,778)	
Amortization of premium on debt	78,393	
Amortization of deferred loss on refunding	(27,060)	
Net pension liability	(3,411,702)	
Total OPEB liability	<u>126,799</u>	(3,309,348)

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.

3,205,985

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.

(140,195)

The issuance of long-term debt (e.g. bonds payable, notes payable, lease liabilities, and subscription liabilities) 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	1,515,000	
Lease liability payments	283,998	
Subscription liability payments	29,958	
Issuance of right-of-use leases	(151,054)	
Issuance of right-of-use SBITAs	<u>(125,333)</u>	<u>1,552,569</u>

Change in net position of governmental activities - statement of activities		<u>\$ 1,883,120</u>
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City of Lake Worth, Texas
Statement of Net Position
Enterprise Fund
September 30, 2023

	Water and Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 76,865
Investments	4,466,453
Receivables	
Accounts (net of allowances for uncollectible accounts of \$2,401)	707,658
Other	3,225
Prepaid expenses	5,445
Due from other funds	500,000
Total current assets	5,759,646
Noncurrent assets	
Restricted assets	
Investments	295,226
Capital assets	
Land	46,240
Construction in progress	1,029,304
Buildings and improvements	165,525
Water and sewer system	21,008,587
Machinery and equipment	1,440,877
Right-of-use asset	167,370
Less accumulated depreciation/amortization	(7,716,307)
Total noncurrent assets	16,436,822
Total assets	22,196,468
Deferred outflows of resources	
Deferred outflows of resources - pension	149,480
Total deferred outflows of resources	149,480
Liabilities	
Current liabilities	
Payable from current assets	
Accounts payable	212,555
Accrued liabilities	17,582
Due to other funds	223,842
Due to other governments	12,195
Compensated absences	35,234
Current portion of lease liability	40,217
Current portion of bonds payable	15,000
Total current liabilities	556,625
Noncurrent liabilities	
Payable from restricted assets	
Customer deposits	262,755
Lease liability	80,085
Net pension liability	336,337
Total OPEB liability	12,839
Bonds payable	90,000
Total noncurrent liabilities	782,016
Total liabilities	1,338,641
Deferred inflows of resources	
Deferred inflows of resources - OPEB	3,860
Total deferred inflows of resources	3,860
Net Position	
Net investment in capital assets	15,812,298
Unrestricted	5,191,149
Total net position	\$ 21,003,447

City of Lake Worth, Texas
Statement of Revenues, Expenses, and
Changes in Net Position
Enterprise Fund
For the Fiscal Year Ended September 30, 2023

	Water and Sewer Fund
Operating revenues	
Water services	\$ 1,924,527
Sewer services	1,506,148
Other operating revenues	8,844
Total operating revenues	3,439,519
Operating expenses	
Personnel services	535,803
Contractual services	244,472
Water purchases	620,370
Disposal charge - sewer	658,897
Supplies and maintenance	258,865
Other operating expenses	4,147
Depreciation/amortization	554,921
Total operating expenses	2,877,475
Operating income	562,044
Nonoperating revenues (expenses)	
Gain on disposal of assets	45,322
Interest income	212,362
Miscellaneous	94,407
Interest expense	(20,537)
Total nonoperating revenues (expenses)	331,554
Income before transfers and contributions	893,598
Transfers in	1,147,153
Transfers out	(260,169)
Total transfers and contributions	886,984
Change in net position	1,780,582
Net position, beginning of year	19,222,865
Net position, end of year	\$ 21,003,447

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

City of Lake Worth, Texas
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2023

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 3,213,948
Cash paid to suppliers	(1,870,180)
Cash paid to employees	(513,145)
Net cash provided by operating activities	830,623
Cash flows from noncapital financing activities:	
Cash received from other funds	653,630
Cash paid to other funds	(77,931)
Miscellaneous receipts	94,407
Net cash provided by noncapital financing activities	670,106
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,116,781)
Proceeds from disposal of capital assets	70,850
Principal payments on lease liability	(24,817)
Principal payments on long-term debt	(15,000)
Interest paid	(20,537)
Net cash used in capital and related financing activities	(1,106,285)
Cash flows from investing activities:	
Change in investments	(665,502)
Interest income	212,362
Net cash used in investing activities	(453,140)
Net decrease in cash	(58,696)
Cash and cash equivalents at beginning of year	135,561
Cash and cash equivalents at end of year	\$ 76,865
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 562,044
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization	554,921
(Increase) decrease in:	
Accounts receivable	(230,566)
Prepaid expenses	(1,486)
Deferred outflows of resources - OPEB	7,379
Increase (decrease) in:	
Accounts payable and accrued liabilities	(81,156)
Compensated absences	10,340
Net pension liability	179,564
Total OPEB liability	(6,675)
Customer deposits	4,995
Deferred inflows of resources - pension	(168,737)
Net cash provided by operating activities	\$ 830,623
Non-cash Capital and Related Financing Activities:	
Acquisition of capital assets - right-of-use assets	\$ 101,086
Total non-cash capital and related financing activities	\$ 101,086

City of Lake Worth, Texas
Statement of Fiduciary Net Position
Fiduciary Fund
September 30, 2023

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

City of Lake Worth, Texas
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended September 30, 2023

	Insurance Trust Fund
Additions	
Contributions:	
Employer	\$ 649,452
Employee	249,458
Total additions	898,910
Deductions	
Insurance benefit payments	898,910
Total deductions	898,910
Change in net position	-
Net position, beginning of year	-
Net position, end of year	\$ -

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

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, 2023

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.

Crime Control & Prevention District as described above.

In addition to the major funds listed above, the City reports the following nonmajor governmental funds: Street Maintenance Fund, Debt Service Fund, Capital Projects Fund, Public Educational Government Channel Fund, Municipal Jury Fund, and 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.

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

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.

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

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

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

Cash Equivalents

For purposes of the 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.

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 the acquisition value at the date of donation. Right-of-use assets are reported at present value of the future lease payments (lease/subscription 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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

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/amortized 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 assets from arrangements that qualify as leases are amortized over the shorter of the lease term or the useful life of the underlying asset. Right-of-use subscription assets resulting from qualifying subscription-based information technology arrangements (SBITAs) are amortized over the subscription term.

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.

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

Fund Balance

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

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. 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 amount 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, 2023

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, 2023

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, 2023, the City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement establishes requirements for accounting for applicable subscription-based information technology arrangements (SBITAs) based on the principle that a subscription asset derives from contracts that convey control of the right to use another entity's information technology software, alone or in combination with tangible capital assets, for a specified period of time. In accordance with this statement, a government is required to recognize an intangible right-to-use subscription asset and a corresponding subscription liability. This statement was adopted by the City as of October 1, 2022. There was no effect on beginning net position or fund balances due to the implementation of this standard.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

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

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, lease liabilities, and subscription 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	\$ 5,900,000
Certificates of obligation	4,605,000
Unamortized debt premium	385,167
Accrued interest payable	48,203
Net pension liability	6,390,390
Compensated absences	532,594
Total OPEB liability	243,970
Lease liability	681,159
Subscription liability	<u>95,375</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 18,881,858</u></u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note C. Deposits, Securities, and Investments

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

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

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

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

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

External Investment Pools

As of September 30, 2023, 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.

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 Hermes, 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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

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

	September 30, 2023	Weighted Average Maturity (in days)
Investments measured at amortized cost:		
LOGIC	\$ 5,061,014	42
Lone Star	5,103,071	21
TexPool	5,033,346	28
TexSTAR	4,928,758	30
Total investments at amortized cost	\$ 20,126,189	

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, 2023, the City’s investments included investment pools and therefore were not exposed to interest rate risk.

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, 2023, 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:

	Maximum Percentage of Portfolio
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, 2023, 100% of the City’s portfolio was invested in Local Government Investment Pools.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

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

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, 2023, the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

Note D. Local Tax Revenues and Receivables

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

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.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note F. Interfund Activity

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2023:

Receivable Fund	Payable Fund	Amount
General fund	Water and sewer fund	\$ 223,842
General fund	Crime control district fund	4,561
Capital projects fund	General fund	18,688
Crime control district fund	General fund	6,295
Water and sewer fund	General fund	500,000
	Total	\$ 753,386

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.

Interfund transfers during the year were as follows:

	<u>Transfers Out</u>	
General fund		\$ 1,021,770
Capital projects fund		483,387
Water and sewer fund		260,169
		\$ 1,765,326
	<u>Transfers in</u>	
General fund		\$ 19,580
Debt service fund		392,550
Street maintenance fund		152,172
Crime control district fund		53,871
Water and sewer fund		1,147,153
		\$ 1,765,326

Transfers are generally used (1) to transfer funds from the General fund to the Debt Service funds to supplement debt payments, (2) to transfer funds from the General fund to the Water and Sewer Fund to supplement ongoing water and sewer infrastructure projects, 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, 2023

Note G. Capital Assets

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2023
Governmental activities				
Capital assets using modified approach				
Infrastructure	\$ 24,792,383	\$ 215,344	\$ -	\$ 25,007,727
Total capital assets using modified approach	<u>24,792,383</u>	<u>215,344</u>	<u>-</u>	<u>25,007,727</u>
Capital assets not being depreciated/amortized				
Construction in progress	528,490	2,533,281	165,941	2,895,830
Land	1,729,334	346,700	-	2,076,034
Total capital assets not being depreciated/amortized	<u>2,257,824</u>	<u>2,879,981</u>	<u>165,941</u>	<u>4,971,864</u>
Other capital assets				
Buildings and improvements	14,877,100	305,405	8,224	15,174,281
Equipment and vehicles	7,615,090	490,114	178,258	7,926,946
Office furniture and fixtures	693,488	17,431	71,304	639,615
Right-of-use assets - equipment and vehicles	1,048,064	151,054	-	1,199,118
Right-of-use assets - subscriptions	-	125,333	-	125,333
Total other capital assets	<u>24,233,742</u>	<u>1,089,337</u>	<u>257,786</u>	<u>25,065,293</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	4,469,606	414,093	8,224	4,875,475
Equipment and vehicles	3,983,986	568,922	159,740	4,393,168
Office furniture and fixtures	551,947	38,992	70,304	520,635
Right-of-use assets - equipment and vehicles	264,210	351,865	-	616,075
Right-of-use assets - subscriptions	-	31,333	-	31,333
Total accumulated depreciation/amortization	<u>9,269,749</u>	<u>1,405,205</u>	<u>238,268</u>	<u>10,436,686</u>
Other capital assets, net	<u>14,963,993</u>	<u>(315,868)</u>	<u>19,518</u>	<u>14,628,607</u>
Governmental activities capital assets, net	<u>\$ 42,014,200</u>	<u>\$ 2,779,457</u>	<u>\$ 185,459</u>	<u>\$ 44,608,198</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note G. Capital Assets (Continued)

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2023
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 46,240	\$ -	\$ -	\$ 46,240
Construction in progress	884,173	1,116,781	971,650	1,029,304
Total capital assets not being depreciated/amortized	930,413	1,116,781	971,650	1,075,544
Other capital assets				
Water and sewer system	20,036,937	971,650	-	21,008,587
Buildings and improvements	165,525	-	-	165,525
Machinery and equipment	1,532,105	-	91,228	1,440,877
Right-of-use assets - machinery and equipment	66,284	101,086	-	167,370
Total other capital assets	21,800,851	1,072,736	91,228	22,782,359
Less accumulated depreciation/amortization for:				
Water and sewer system	6,200,960	430,055	-	6,631,015
Buildings and improvements	64,942	5,997	-	70,939
Machinery and equipment	935,570	82,172	65,700	952,042
Right-of-use assets - machinery and equipment	25,614	36,697	-	62,311
Total accumulated depreciation/amortization	7,227,086	554,921	65,700	7,716,307
Other capital assets, net	14,573,765	517,815	25,528	15,066,052
Business-type activities capital assets, net	\$ 15,504,178	\$ 1,634,596	\$ 997,178	\$ 16,141,596

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note G. Capital Assets (Continued)

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

Governmental activities:

Mayor and council	\$ 16,007
General government	215,289
Police	382,565
Fire	324,488
Streets	146,740
Library	9,880
Parks and recreation	163,355
Maintenance	8,443
Senior center	10,042
Animal control	39,256
Permits and inspections	20,154
Information technology	<u>68,986</u>

Total governmental activities \$ 1,405,205

Business-type activities:

Water and sewer	<u>\$ 554,921</u>
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Total business-type activities	<u>\$ 554,921</u>
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City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities

The following is a summary of the changes by type of long-term liabilities for the year ended September 30, 2023:

	3 10/1/2022	Additions	Retirements	Balance 9/30/2023	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 7,045,000	\$ -	\$ 1,145,000	\$ 5,900,000	\$ 1,175,000
Certificates of obligation	4,975,000	-	370,000	4,605,000	375,000
Unamortized debt premium	463,560	-	78,393	385,167	80,374
Net pension liability	2,978,688	4,578,957	1,167,255	6,390,390	-
Compensated absences	456,816	739,650	663,872	532,594	532,594
Total OPEB liability	370,769	28,234	155,033	243,970	-
Lease liability	814,103	151,054	283,998	681,159	290,094
Subscription liability	-	125,333	29,958	95,375	30,857
Total governmental activities	17,103,936	5,623,228	3,893,509	18,833,655	2,483,919
<u>Business-type activities</u>					
Utility system revenue bonds	\$ 120,000	\$ -	\$ 15,000	\$ 105,000	\$ 15,000
Net pension liability	156,773	240,998	61,434	336,337	-
Compensated absences	24,894	33,759	23,419	35,234	35,234
Total OPEB liability	19,514	1,485	8,160	12,839	-
Lease liability	44,033	101,086	24,817	120,302	40,217
Total business-type activities	365,214	377,328	132,830	609,712	90,451
Total	\$ 17,469,150	\$ 6,000,556	\$ 4,026,339	\$ 19,443,367	\$ 2,574,370

Long-term Debt

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, 2023 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 \$850,000 at September 30, 2023.

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 \$5,050,000 at September 30, 2023.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

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 \$4,605,000 at September 30, 2023.

The annual requirements to amortize long-term debt as of September 30, 2023 are as follows:

Year Ending	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
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	1,185,000	51,200	415,000	62,218
2029-2033	95,000	3,800	1,345,000	200,290
2034-2038	-	-	890,000	100,012
2039-2043	-	-	385,000	13,042
Total	\$ 5,900,000	\$ 673,943	\$ 4,605,000	\$ 715,484

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

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 \$105,000 at September 30, 2023, bearing 0% interest.

The annual requirements to amortize long-term debt as of September 30, 2023 are as follows:

Year Ending	<u>Utility System Revenue Bonds Principal</u>
2024	\$ 15,000
2025	15,000
2026	15,000
2027	15,000
2028	15,000
2029-2033	<u>30,000</u>
Total	<u>\$ 105,000</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

Leases

General information related to leases is summarized below:

Governmental Activities

<u>Asset</u>	<u>Term, Including Renewals</u>	<u>Interest Rate</u>	<u>Payment Amount</u>
Vehicles	60 months	3.60 - 6.78%	\$404 - \$1,202
Copiers	5 years	3.00%	\$24,192

Business-type Activities

<u>Asset</u>	<u>Term, Including Renewals</u>	<u>Interest Rate</u>	<u>Payment Amount</u>
Vehicles	60 months	4.80 - 6.41%	\$578 - \$995

There are no variable payments or residual value guarantees or penalties not included in the measurement of the leases. The City did not have any commitments under leases not yet commenced at fiscal year end, components of losses associated with asset impairments, or sublease transactions.

The annual requirements to amortize lease liabilities as of September 30, 2023 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 290,094	\$ 29,437	\$ 40,217	\$ 6,134
2025	171,877	17,385	27,252	4,139
2026	127,620	9,554	20,891	2,739
2027	69,459	3,412	22,249	1,381
2028	22,109	587	9,693	154
Total	<u>\$ 681,159</u>	<u>\$ 60,375</u>	<u>\$ 120,302</u>	<u>\$ 14,547</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

Subscription Liabilities

General information related to subscription liabilities is summarized below:

Software	Term, Including Renewals	Interest Rate	Payment Amount
OpenGov	4 years	3.00%	\$33,718

There are no variable payments or residual value guarantees or penalties not included in the measurement of the SBITAs. The City did not have any commitments under SBITAs not yet commenced at fiscal year end, components of losses associated with asset impairments, or sublease transactions.

The annual requirements to amortize subscription liabilities as of September 30, 2023 are as follows:

Year Ending	Governmental Activities	
	Principal	Interest
2024	\$ 30,857	\$ 2,861
2025	31,782	1,936
2026	32,736	982
Total	\$ 95,375	\$ 5,779

Compensated Absences

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, 2023 was \$567,828.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note I. 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	\$	4,001
Court technology		13,530
Court security		114,140
Confiscated property		5,036
DEA equitable sharing		1,799
Police department donations		11,922
Fire department donations		3,568
Library donations		541
Senior center donations		1,834
Animal control donations		3,226
Municipal jury		795
Local truancy prevention		<u>40,564</u>
Total Other Restricted Net Position/ Other Restricted Fund Balance		<u>\$ 200,956</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.

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, 2023

Note J. Defined Benefit Pension Plan

Plan Description

The City participates as one of 919 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 is not fiscally dependent on 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
Retiree cost of living adjustment	70% of CPI Repeating

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note J. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	84
Active employees	<u>106</u>
Total	<u><u>252</u></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 16.63% and 17.02% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$1,257,296, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 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, 2023

Note J. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in measurement 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%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	<u>100.00%</u>	

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note J. 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	\$ 29,075,739	\$ 25,940,278	\$ 3,135,461
Changes for the year:			
Service cost	1,286,442	-	1,286,442
Interest	1,974,203	-	1,974,203
Difference between expected and actual experience	171,177	-	171,177
Contributions - employer	-	1,228,689	(1,228,689)
Contributions - employee	-	505,336	(505,336)
Net investment income	-	(1,896,636)	1,896,636
Benefit payments, including refunds of employee contributions	(943,029)	(943,029)	-
Administrative expense	-	(16,386)	16,386
Other changes	-	19,553	(19,553)
Net changes	<u>2,488,793</u>	<u>(1,102,473)</u>	<u>3,591,266</u>
Balance at 12/31/2022	<u>\$ 31,564,532</u>	<u>\$ 24,837,805</u>	<u>\$ 6,726,727</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	\$ 11,950,331	\$ 6,726,727	\$ 2,544,800

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note J. 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.tmr.com.

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

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$1,473,840.

At September 30, 2023, 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	\$ 313,760	\$ -
Changes in actuarial assumptions	9,632	-
Difference between projected and actual investment earnings	1,698,732	-
Contributions subsequent to the measurement date	967,452	-
 Total	 \$ 2,989,576	 \$ -

\$967,452 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, 2024. 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	\$ 261,559
2024	516,145
2025	503,702
2026	740,718
 Total	 \$ 2,022,124

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note K. 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	27
Active employees	106
Total	176

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, 2023 were \$6,482, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note K. Other Postemployment Benefits (Continued)

Actuarial assumptions:

The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Retirees' share of benefit-related costs	\$0

Changes in assumptions or other inputs included the discount rate increasing from 1.84% to 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022. There were no changes in benefits terms. 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, 2022 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 12/31/2021	\$ 390,283
Changes for the year:	
Service cost	22,379
Interest on Total OPEB Liability	7,340
Changes of benefit terms including TMRS plan participation	-
Differences between expected and actual experience	(2,466)
Changes in assumptions or other inputs	(155,674)
Benefit payments	<u>(5,053)</u>
Net changes	<u>(133,474)</u>
Balance at 12/31/2022	<u>\$ 256,809</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note K. 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 4.05%, 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 (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's Total OPEB Liability	\$ 314,793	\$ 256,809	\$ 212,948

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$20,528.

At September 30, 2023, 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	\$ -	\$ 5,954
Changes in actuarial assumptions or other inputs	-	76,466
Contributions subsequent to the measurement date	5,236	-
Total	\$ 5,236	\$ 82,420

The City reported \$5,236 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement year ended December 31:	
2023	\$ (9,750)
2024	(11,077)
2025	(12,998)
2026	(22,026)
2027	(26,314)
Thereafter	(255)
Total	\$ (82,420)

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2023

Note L. Commitments and Contingencies

The City of Lake Worth has the following commitments and contingencies at September 30, 2023:

- 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, 2023, the City expensed \$218,737 in the General fund 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, 2023, the City's expenses in the Water and Sewer fund for water and sewer treatment were \$620,370 and \$658,897, 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 M. Subsequent Events

The City evaluated subsequent events through March 12, 2024, the date the financial statements were available to be issued, noting the following:

- The City issued Combination Tax and Revenue Certificates of Obligation, Series 2024, in January 2024 in the amount of \$22,925,000.

**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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 11,154,000	\$ 11,152,075	\$ 11,925,448	\$ 773,373
Fines	513,000	409,303	381,959	(27,344)
Interlocal services	499,246	499,246	509,318	10,072
Permits and fees	236,548	233,382	375,717	142,335
Charges for services	382,027	399,974	409,739	9,765
Grants	-	1,135,353	465,017	(670,336)
Investment earnings	31,800	147,570	615,922	468,352
Miscellaneous	177,085	231,185	327,620	96,435
Total revenues	12,993,706	14,208,088	15,010,740	802,652
Expenditures				
Mayor and council	25,536	28,882	24,742	4,140
General government	1,616,206	1,748,162	1,596,240	151,922
Police	3,350,632	3,607,275	3,411,781	195,494
Fire protection	3,056,796	3,268,119	3,132,957	135,162
Streets	1,253,511	1,493,902	1,055,974	437,928
Library	321,410	607,342	434,471	172,871
Parks and recreation	549,181	551,318	350,854	200,464
Maintenance	87,507	84,103	70,397	13,706
Senior center	146,340	530,837	177,263	353,574
Municipal court	259,988	247,038	234,696	12,342
Animal control	204,881	239,838	193,450	46,388
Emergency management	75,971	74,971	54,336	20,635
Permits and inspections	569,597	574,431	490,142	84,289
Informational technology	708,767	704,052	586,390	117,662
Capital outlay	423,973	3,389,014	3,794,808	(405,794)
Debt service				
Principal	-	-	242,639	(242,639)
Interest	-	-	32,594	(32,594)
Total expenditures	12,650,296	17,149,284	15,883,734	1,265,550
Excess (deficiency) of revenues over (under) expenditures	343,410	(2,941,196)	(872,994)	2,068,202
Other financing sources (uses)				
Transfers in	21,324	21,324	19,580	(1,744)
Transfers out	(1,023,514)	(1,023,514)	(1,021,770)	1,744
Issuance of right-of-use leases	-	-	151,054	151,054
Issuance of right-of-use SBITAs	-	-	125,333	125,333
Total other financing sources (uses)	(1,002,190)	(1,002,190)	(725,803)	276,387
Change in fund balance	\$ (658,780)	\$ (3,943,386)	(1,598,797)	\$ 2,344,589
Fund balance, beginning of year			14,487,456	
Fund balance, end of year			\$ 12,888,659	

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales tax	\$ 1,312,500	\$ 1,410,000	\$ 1,418,987	\$ 8,987
Interlocal services	289,410	284,478	290,091	5,613
Investment earnings	1,200	20,000	33,336	13,336
Miscellaneous	2,000	14,649	22,458	7,809
Total revenues	<u>1,605,110</u>	<u>1,729,127</u>	<u>1,764,872</u>	<u>35,745</u>
Expenditures				
Police	1,666,859	1,948,314	1,658,818	289,496
Capital outlay	-	-	8,570	(8,570)
Debt service				
Principal	-	-	71,317	(71,317)
Interest	-	-	9,157	(9,157)
Total expenditures	<u>1,666,859</u>	<u>1,948,314</u>	<u>1,747,862</u>	<u>200,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,749)</u>	<u>(219,187)</u>	<u>17,010</u>	<u>236,197</u>
Other financing sources				
Transfers in	<u>53,871</u>	<u>53,871</u>	<u>53,871</u>	<u>-</u>
Total other financing sources	<u>53,871</u>	<u>53,871</u>	<u>53,871</u>	<u>-</u>
Change in fund balance	<u>\$ (7,878)</u>	<u>\$ (165,316)</u>	<u>70,881</u>	<u>\$ 236,197</u>
Fund balance, beginning of year			948,989	
Fund balance, end of year			<u>\$ 1,019,870</u>	

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

Texas Municipal Retirement System (TMRS)

Measurement Date - December 31st*:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability (a)									
Beginning Balance	\$ 29,075,739	\$ 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	1,286,442	1,155,056	1,018,561	1,008,996	942,670	765,394	725,539	660,172	618,120
Interest	1,974,203	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	171,177	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	(943,029)	(960,540)	(764,179)	(810,603)	(755,858)	(666,507)	(456,414)	(519,749)	(390,423)
End of Year Balance	<u>\$ 31,564,532</u>	<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	\$ 25,940,278	\$ 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	1,228,689	1,041,141	930,973	978,333	730,817	697,051	632,864	589,336	546,093
Contributions - employee	505,336	445,476	406,032	404,987	328,456	321,577	303,290	283,336	281,189
Net investment income	(1,896,636)	2,936,016	1,548,599	2,656,235	(521,374)	2,076,598	918,562	19,522	692,850
Benefit payments, including refunds of employee contributions	(943,029)	(960,540)	(764,179)	(810,603)	(755,858)	(666,507)	(456,414)	(519,749)	(390,423)
Administrative expense	(16,386)	(13,567)	(10,010)	(14,996)	(10,071)	(10,758)	(10,373)	(11,891)	(7,232)
Other changes	19,553	94	(391)	(450)	(526)	(546)	(559)	(588)	(595)
End of Year Balance	<u>\$ 24,837,805</u>	<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	\$ 3,135,461	\$ 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	1,286,442	1,155,056	1,018,561	1,008,996	942,670	765,394	725,539	660,172	618,120
Interest	1,974,203	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	171,177	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	(1,228,689)	(1,041,141)	(930,973)	(978,333)	(730,817)	(697,051)	(632,864)	(589,336)	(546,093)
Contributions - employee	(505,336)	(445,476)	(406,032)	(404,987)	(328,456)	(321,577)	(303,290)	(283,336)	(281,189)
Net investment income	1,896,636	(2,936,016)	(1,548,599)	(2,656,235)	521,374	(2,076,598)	(918,562)	(19,522)	(692,850)
Administrative expense	16,386	13,567	10,010	14,996	10,071	10,758	10,373	11,891	7,232
Other changes	(19,553)	(94)	391	450	526	546	559	588	595
End of Year Balance	<u>\$ 6,726,727</u>	<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	78.69%	89.22%	83.92%	82.08%	75.44%	85.34%	80.24%	77.90%	81.30%
Covered payroll	\$ 7,219,092	\$ 6,363,944	\$ 5,800,460	\$ 5,785,528	\$ 5,474,274	\$ 5,089,054	\$ 4,885,784	\$ 4,722,263	\$ 4,675,481
Net pension liability as a percentage of covered payroll	93.18%	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 liability.

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

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

Texas Municipal Retirement System (TMRS)

Year Ended September 30th*:	2023	2022	2021	2020	2019	2018	2017	2016	2015
The City's actuarially determined contribution	\$ 1,257,296	\$ 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	<u>1,257,296</u>	<u>1,205,645</u>	<u>1,036,633</u>	<u>940,823</u>	<u>916,965</u>	<u>714,470</u>	<u>664,926</u>	<u>599,053</u>	<u>587,081</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 7,520,474	\$ 7,146,934	\$ 6,367,351	\$ 5,775,591	\$ 5,762,133	\$ 5,345,289	\$ 5,052,716	\$ 4,789,048	\$ 4,794,736
Contributions as a percentage of covered payroll	16.72%	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	23 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-retirements: 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 Five Measurement Years**

Texas Municipal Retirement System (TMRS)					
Measurement Date - December 31st*:	2022	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 390,283	\$ 349,848	\$ 280,484	\$ 213,747	\$ 226,031
Service cost	22,379	20,365	15,661	11,571	12,591
Interest on total OPEB liability	7,340	7,137	7,905	8,102	7,654
Changes in benefit terms including TMRS plan participation	-	-	-	-	-
Difference between expected and actual experience	(2,466)	5,197	(6,365)	(1,662)	(13,129)
Changes in assumptions or other inputs	(155,674)	14,100	53,903	51,040	(17,210)
Benefit payments	(5,053)	(6,364)	(1,740)	(2,314)	(2,190)
Net changes	<u>(133,474)</u>	<u>40,435</u>	<u>69,364</u>	<u>66,737</u>	<u>(12,284)</u>
Total OPEB liability - end of year	<u>\$ 256,809</u>	<u>\$ 390,283</u>	<u>\$ 349,848</u>	<u>\$ 280,484</u>	<u>\$ 213,747</u>
Covered-employee payroll	\$ 7,219,092	\$ 6,363,944	\$ 5,800,460	\$ 5,785,528	\$ 5,474,274
Total OPEB liability as a percentage of covered-employee payroll	3.56%	6.13%	6.03%	4.85%	3.90%

Notes to Schedule of Changes in the Total OPEB Liability and Related Ratios

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 in a qualifying trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.

Inflation

2.50%

Salary Increases

3.50% to 11.50%

Discount Rate***

4.05%

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 amounts presented above are as of the measurement date

** Schedule is intended to show information for 10 years.

*** The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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

Condition Rating	Percentage	Goal	Square Feet of Roadway		Square Feet of Roadway	
			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

	2023	2022	2021	2020	2019
Estimated	\$ 1,629,333	\$ 1,443,600	\$ 1,199,298	\$ 1,701,537	\$ 1,488,570
Actual	1,191,404	1,251,183	1,175,347	1,246,294	1,248,476

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 2023, 2021, or 2020 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 67. 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	
			Number	Percentage
At least 1	0%	0%	562,945	9.1222%
At least 2-4	30%	30%	1,192,517	19.3241%
At least 5-7	60%	60%	2,438,939	39.5217%
At least 8-10	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 66. 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, 2023**

	Street Maintenance	Debt Service Fund	Capital Projects Fund	Public Educational Government Channel Fund	Municipal Jury Fund	Local Truancy Prevention Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ -	\$ 11,509	\$ -	\$ -	\$ 795	\$ 14,855	\$ 27,159
Investments	1,442,873	104,865	65,261	126,387	-	25,709	1,765,095
Property taxes (net of allowances for uncollectibles of \$19,767)	-	35,079	-	-	-	-	35,079
Due from other governments	-	621	-	-	-	-	621
Due from other funds	-	-	18,688	-	-	-	18,688
Prepaid expenses	-	500	-	-	-	-	500
Total assets	\$ 1,442,873	\$ 152,574	\$ 83,949	\$ 126,387	\$ 795	\$ 40,564	\$ 1,847,142
Liabilities							
Accounts payable	\$ -	\$ 12	\$ 83,547	\$ -	\$ -	\$ -	\$ 83,559
Total liabilities	-	12	83,547	-	-	-	83,559
Deferred inflows of resources							
Unavailable revenue - property taxes	-	35,079	-	-	-	-	35,079
Total deferred inflows of resources	-	35,079	-	-	-	-	35,079
Fund Balances							
Non-spendable for prepaid expenses	-	500	-	-	-	-	500
Restricted for:							
Street maintenance	1,442,873	-	-	-	-	-	1,442,873
Debt service	-	116,983	-	-	-	-	116,983
Public educational government channel	-	-	-	126,387	-	-	126,387
Capital projects	-	-	402	-	-	-	402
Municipal jury	-	-	-	-	795	-	795
Truancy prevention	-	-	-	-	-	40,564	40,564
Total fund balances	1,442,873	117,483	402	126,387	795	40,564	1,728,504
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,442,873	\$ 152,574	\$ 83,949	\$ 126,387	\$ 795	\$ 40,564	\$ 1,847,142

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, 2023

	Street Maintenance	Debt Service Fund	Capital Projects Fund	Public Educational Government Channel Fund	Municipal Jury Fund	Local Truancy Prevention Fund	Total Nonmajor Governmental Funds
Revenues							
Taxes	\$ -	\$ 1,498,483	\$ -	\$ -	\$ -	\$ -	\$ 1,498,483
Permits and fees	-	-	-	5,556	190	9,520	15,266
Investment earnings	71,382	38,138	16,649	5,704	-	709	132,582
Miscellaneous	-	-	449	-	-	-	449
Total revenues	71,382	1,536,621	17,098	11,260	190	10,229	1,646,780
Expenditures							
General government	-	-	3,239	-	-	-	3,239
Streets	135,430	-	-	-	-	-	135,430
Capital outlay	215,344	-	-	-	-	-	215,344
Debt service							
Principal	-	1,515,000	-	-	-	-	1,515,000
Interest	-	348,614	-	-	-	-	348,614
Total expenditures	350,774	1,863,614	3,239	-	-	-	2,217,627
Excess (deficiency) of revenues over (under) expenditures	(279,392)	(326,993)	13,859	11,260	190	10,229	(570,847)
Other financing sources							
Transfers in	152,172	392,550	-	-	-	-	544,722
Transfers out	-	-	(483,387)	-	-	-	(483,387)
Total other financing sources	152,172	392,550	(483,387)	-	-	-	61,335
Changes in fund balances	(127,220)	65,557	(469,528)	11,260	190	10,229	(509,512)
Fund balances, beginning of year	1,570,093	51,926	469,930	115,127	605	30,335	2,238,016
Fund balances, end of year	<u>\$ 1,442,873</u>	<u>\$ 117,483</u>	<u>\$ 402</u>	<u>\$ 126,387</u>	<u>\$ 795</u>	<u>\$ 40,564</u>	<u>\$ 1,728,504</u>

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Worth, Texas, as of and for the year ended September 30, 2023, 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 12, 2024.

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.



Snow Garrett Williams
March 12, 2024

