

CITY OF LAKE WORTH, TEXAS

**Annual Financial Report
For the Fiscal Year Ended September 30, 2015**

City of Lake Worth, Texas
For the Year Ended September 30, 2015

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

City Council

Walter Bowen, Mayor

Jim Smith

Geoffrey White

Gene Ferguson

Ronny Parsley

Pat O. Hill

Gary Stuard

Clint Dwayne Narmore

Administrative

Brett McGuire, City Manager

Debbie Whitley, Assistant City Manager

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Worth, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Worth, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note Q to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2016, on our consideration of the City of Lake Worth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.



Snow Garrett Williams
February 4, 2016

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) of the City of Lake Worth's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities at the close of the 2015 fiscal year by \$43,070,794 (*net position*). Of this amount, \$7,782,768 is restricted for specific purposes and \$3,862,284 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB Statement No. 34, net position also reflects \$31,425,742 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 \$13,249,993; of which \$7,738,153 represents restricted fund balance, \$35,542 represents committed fund balance, \$571,996 represents assigned fund balance, \$24,803 represents non-spendable fund balance, and \$4,879,499 represents unassigned fund balance. The more significant components of unassigned fund balance are maintained in the general fund as emergency reserves.
- The general fund unassigned fund balance of \$4,879,499 equals 69% of total general fund expenditures.
- The City's total long-term liabilities decreased by \$1,121,612 during the current fiscal year as a result of the scheduled annual debt service payments netted against changes in net pension liabilities, compensated absences obligation and volunteer firefighter retirement obligation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets and deferred outflows of resources of the City (excluding infrastructure purchased or donated in prior years) as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of net position presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include mayor and council, general government, police, fire protection, streets, library, parks and recreation, maintenance, senior center, municipal court, animal control, emergency management, permits and inspections, and information technology. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government).

The government-wide financial statements can be found beginning on page 19 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

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 seven governmental funds, the general fund, the economic development corporation special revenue fund, the crime control district special revenue fund, the street maintenance special revenue fund, the public educational government channel special revenue fund, the debt service fund, and the capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the economic development corporation special revenue fund, the debt service fund, the street maintenance special revenue fund, and the capital projects fund which are classified as major funds and, the crime control district special revenue fund and the public educational government channel special revenue fund which are classified as non-major funds.

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

The governmental fund financial statements can be found beginning on page 21 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found beginning on page 24 of this report.

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

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 of Lake Worth does not hold any resources for the benefit of parties outside the City government and accordingly neither accounts nor reports for fiduciary funds.

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 concerning budgetary comparison statements for the general fund, the economic development corporation special revenue fund, and the street maintenance special revenue fund, pension benefits and the schedule for governments using the modified approach for infrastructure. The required supplementary information can be found beginning on page 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$43,070,794 as of September 30, 2015.

City of Lake Worth's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 13,787,203	\$ 12,991,269	\$ 1,732,194	\$ 1,637,653	\$ 15,519,397	\$ 14,628,922
Capital assets, net of depreciation	38,152,135	38,401,979	10,059,449	9,936,063	48,211,584	48,338,042
Total assets	51,939,338	51,393,248	11,791,643	11,573,716	63,730,981	\$ 62,966,964
Deferred outflows of resources	543,186	-	36,403	-	579,589	-
Long-term liabilities	19,015,283	17,450,387	1,212,563	1,296,873	20,227,846	18,747,260
Other liabilities	500,715	660,128	511,215	282,716	1,011,930	942,844
Total liabilities	19,515,998	18,110,515	1,723,778	1,579,589	21,239,776	19,690,104
Net position:						
Net Investment in capital assets	22,372,893	21,516,565	9,052,849	8,669,363	31,425,742	30,185,928
Restricted	7,782,768	7,547,678	-	-	7,782,768	7,547,678
Unrestricted	2,810,865	4,218,490	1,051,419	1,324,764	3,862,284	5,543,254
Total Net Position	<u>\$ 32,966,526</u>	<u>\$ 33,282,733</u>	<u>\$ 10,104,268</u>	<u>\$ 9,994,127</u>	<u>\$ 43,070,794</u>	<u>\$ 43,276,860</u>

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's net investment in capital assets (e.g., land, building, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding is \$31,425,742. 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 \$7,782,768 (or 18%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All of the City's restricted net position 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 (\$3,862,284) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's total net position increased by \$2,015,048 during the current fiscal year. The City's governmental activities increased net position by \$1,765,608. The total cost of all governmental activities this year was \$9,625,793. The amount that our taxpayers paid for these activities through property taxes was \$1,851,913 or 19%. The City's business-type activities increased net position by \$249,440. The total cost of all business-type activities for fiscal year 2015 was \$2,515,696.

CITY OF LAKE WORTH, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

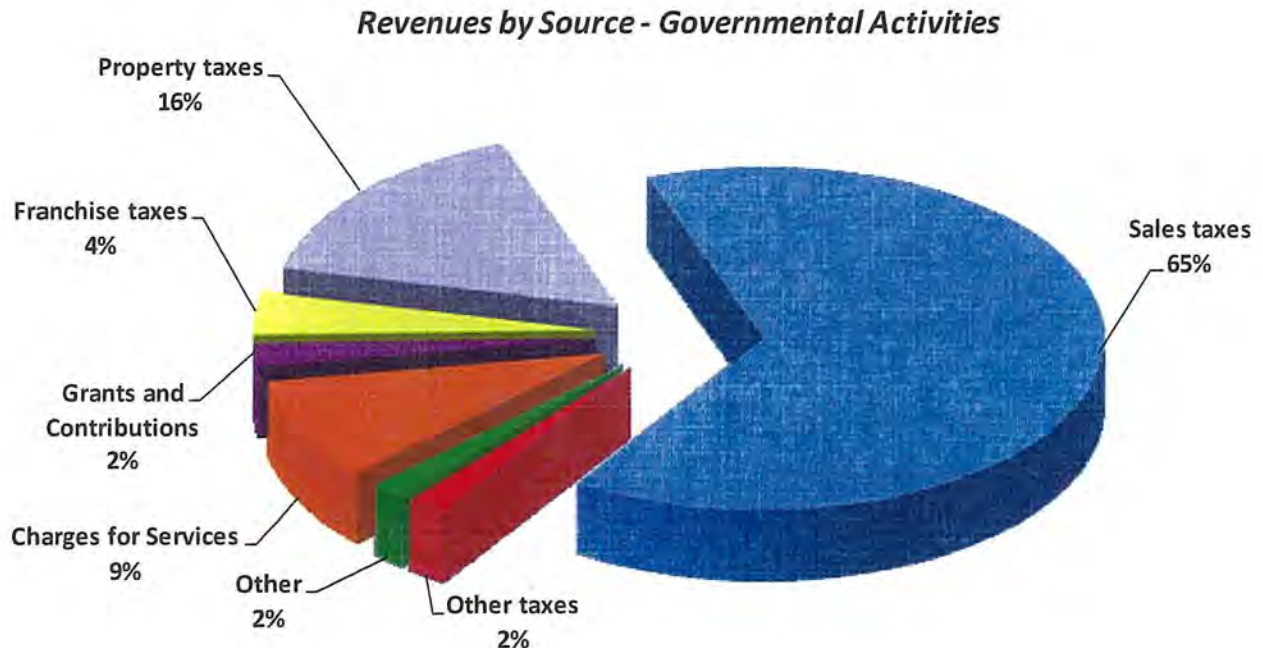
City of Lake Worth's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,118,994	\$ 1,155,190	\$ 2,484,092	\$ 2,373,988	\$ 3,603,086	\$ 3,529,178
Operating grants and contributions	251,707	224,552	-	-	251,707	224,552
Capital grants and contributions	-	-	-	158,533	-	158,533
General revenues:						
Property taxes	1,851,913	1,807,647	-	-	1,851,913	1,807,647
Retail sales tax	7,533,818	7,298,425	-	-	7,533,818	7,298,425
Franchise taxes	464,067	460,255	-	-	464,067	460,255
Other taxes	224,059	216,875	-	-	224,059	216,875
Other	199,477	261,691	28,410	64,554	227,887	326,245
Total revenues	11,644,035	11,424,635	2,512,502	2,597,075	14,156,537	14,021,710
Expenses:						
Mayor and council	33,073	30,037	-	-	33,073	30,037
General government	1,439,206	1,552,137	-	-	1,439,206	1,552,137
Police	2,840,287	2,655,231	-	-	2,840,287	2,655,231
Fire protection	1,607,339	1,422,177	-	-	1,607,339	1,422,177
Streets	1,020,008	994,764	-	-	1,020,008	994,764
Library	228,341	218,178	-	-	228,341	218,178
Parks and recreation	492,601	476,523	-	-	492,601	476,523
Maintenance	184,403	125,495	-	-	184,403	125,495
Senior center	100,423	107,417	-	-	100,423	107,417
Municipal court	219,548	185,504	-	-	219,548	185,504
Animal control	105,382	98,763	-	-	105,382	98,763
Emergency management	11,766	12,485	-	-	11,766	12,485
Permits and inspections	325,563	304,847	-	-	325,563	304,847
Information technology	345,035	315,713	-	-	345,035	315,713
Interest and fiscal charges	672,818	914,933	-	-	672,818	914,933
Water and sewer	-	-	2,515,696	2,240,960	2,515,696	2,240,960
Total expenses	9,625,793	9,414,204	2,515,696	2,240,960	12,141,489	11,655,164
Increase (decrease) in net position before transfers	2,018,242	2,010,431	(3,194)	356,115	2,015,048	2,366,546
Transfers	(252,634)	(741,268)	252,634	741,268	-	-
Increase in net position	1,765,608	1,269,163	249,440	1,097,383	2,015,048	2,366,546
Net position, beginning of year	33,282,733	32,013,570	9,994,127	8,896,744	43,276,860	40,910,314
Prior period adjustment (Note Q)	(2,081,815)	-	(139,299)	-	(2,221,114)	-
Net position, beginning of year, restated	31,200,918	32,013,570	9,854,828	8,896,744	41,055,746	40,910,314
Net position, end of year	<u>\$ 32,966,526</u>	<u>\$ 33,282,733</u>	<u>\$ 10,104,268</u>	<u>\$ 9,994,127</u>	<u>\$ 43,070,794</u>	<u>\$ 43,276,860</u>

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities. Governmental activities increased the City's net position by \$1,765,608. Key elements of this increase are as follows:

- Increase of over 3% in other taxes;
- Increase of over 3% in sales tax revenue;
- Decrease of over 7% in general government expenses; and
- Decrease of over 26% in interest on long-term debt expense.



Business-type activities. Business-type activities increased the City's net position by \$249,440.

Operating revenue increased by \$110,104 from the prior year primarily due to an increase in rates and consumption, this resulted in an increase in water and sewer service revenues. Operating expenses increased \$274,736 from the prior year primarily due to an increase in water purchases and sewer disposal charges. Transfers in from governmental activities decreased \$488,634 from the prior year.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

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 an ending fund balance of \$13,249,993, which is an increase of \$958,355 in comparison with the prior year. \$4,879,499 or 37% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. Assigned fund balance was \$571,996, committed fund balance was \$35,542 and non-spendable fund balance was \$24,803. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to pay debt service (\$21,850), to fund capital projects (\$1,805,306), economic development (\$2,944,983), street maintenance (\$1,518,435), crime control (\$301,381), public educational government channel (\$52,027), parks and recreation (\$260,026), hotels/motels (\$708,630) and other City related expenditures (\$125,515).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,879,499, which is 74% 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 69%, or slightly more than 251 days of total fund expenditures.

The fund balance of the City's general fund increased by \$753,395 during the current fiscal year.

Revenue from taxes in the general fund increased by 3.6% compared to prior year due to an increase in property taxes, sales taxes, franchise taxes and other taxes. Fines decreased by 3.7% compared to the prior year due to a decreased number of tickets issued. Permits and fees decreased by 4.5% from the prior year due to a decrease of building permits being issued. Intergovernmental revenues increased by 52.2% due to the City obtaining additional grant funding.

Total expenditures in the general fund decreased by 0.8% from the prior year. General government, senior center, and emergency management expenditures decreased by 3.1%, .95%, and 5.8%, respectively, while maintenance, municipal court, fire protection, and Mayor and council expenditures increased by 49.3%, 13.2%, 12.2%, and 18.1%, respectively.

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

Amendments to the original 2014-2015 general fund annual budget were relatively minor and can be briefly summarized as follows:

- Decrease in charges for service revenue;
- Increase in fire protection, municipal court, and capital outlay expenditures for the City; and
- Decrease in general government, police, parks and recreation, and streets expenditures for the City.

Comparing budget to actual amounts, the City exceeded the final budgeted revenue estimate by \$573,805, or 9.5%. The primary revenues that came in above estimated budget amounts were taxes, fines, permits and fees, and miscellaneous revenues. Sales taxes were higher than expected due to increased retail sales activity. Fine revenues were higher than expected due to an increase in cases. Permits and fees revenues were higher than expected due to more building permits being issued than expected. In addition, miscellaneous revenues were higher than budgeted due primarily to more gas drilling in the City than expected.

Total expenditures were 10.6% less than the final budgeted amounts. The primary expenditures that came in below estimated budget were police, parks and recreation, and capital outlay expenditures. There was lower than expected personnel costs for the police function. Parks and recreation expenditures were lower than expected due to less than expected park maintenance costs. Capital outlay expenditures were less than expected as some budgeted park improvements were not completed in the current year.

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, 2015, amounts to \$48,211,584 (net of accumulated depreciation). Investments in capital assets related to governmental activities (\$38,152,135) include land, construction in progress, infrastructure, buildings and improvements, equipment and vehicles, and office furniture and fixtures. The City's investments in capital assets related to business-type activities (\$10,059,449) include the water and sewer system, construction in progress, buildings and improvements, and equipment and vehicles.

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

- Highland Lake and Canyon water and sewer improvements;
- Lake Worth Park drainage project;
- Street improvements;
- Skid-steer loader;
- Steel building; and
- Ford Explorer.

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,685,569	\$ 1,685,569	\$ 46,240	\$ 46,240	\$ 1,731,809	\$ 1,731,809
Construction in progress	788,089	744,929	1,456,823	1,210,318	2,244,912	1,955,247
Buildings and improvements	9,129,801	9,317,968	92,182	95,595	9,221,983	9,413,563
Infrastructure	23,884,055	23,795,106	-	-	23,884,055	23,795,106
Water and sewer system	-	-	8,279,045	8,353,406	8,279,045	8,353,406
Equipment and vehicles	2,320,435	2,519,508	185,159	230,504	2,505,594	2,750,012
Office furniture and fixtures	344,186	338,899	-	-	344,186	338,899
Total	<u>\$ 38,152,135</u>	<u>\$ 38,401,979</u>	<u>\$ 10,059,449</u>	<u>\$ 9,936,063</u>	<u>\$ 48,211,584</u>	<u>\$ 48,338,042</u>

Additional information on the City's capital assets can be found in Note G 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 road condition rating is a numerical scale ranging from 1 (Failed) to 10 (New). The City's goal is to maintain roads at or above a rating of 5 (Fair). 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 three times that the roads were rated are as follows:

<u>Condition rating</u>	<u>2014</u>	<u>2012</u>	<u>2011</u>
At least 1	3.29%	0.0%	0.0%
At least 2-4	7.60%	13.44%	17.28%
At least 5-7	41.24%	42.47%	40.09%
At least 8-10	47.87%	43.93%	42.67%

CITY OF LAKE WORTH, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

For fiscal year 2015, the City estimated that \$1,049,925 was needed to meet this goal. The actual amount used for maintenance and preservation of the City's roads was \$932,156. Additional information on road condition data is included in the schedule on page 71 of this report.

Long-term debt. At the end of the current fiscal year, the City of Lake Worth had total debt outstanding of \$20,227,846. Of this amount, \$9,280,000 represents certificates of obligation secured by property tax collections, \$6,438,400 represents general obligation bonds secured by property tax obligations, with an unamortized premium of \$27,175, \$1,006,600 represents general obligation and utility system revenue bonds secured by water and sewer revenues, \$33,667 represents capital lease obligations, \$335,751 represents the City's compensated absences obligation, \$3,043,591 represents the City's net pension liability, and \$62,662 represents the volunteer firefighters retirement obligation. The City's total debt decreased by \$1,121,612 during the current fiscal year.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2014-2015 was \$0.46783 per \$100 assessed valuation, of which \$0.15232 was for maintenance and operations and \$0.31551 was for debt service.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In considering the City budget for fiscal year 2016, the City Council and administration considered the following factors:

- With continued economic recovery and several new retailers in Lake Worth, sales tax budgets were increased 6% over amounts budgeted for fiscal year 2015.
- Property tax revenues are budgeted to increase by about 10% in the General Fund. The revenue increase is attributable to an increase in the Maintenance and Operations portion of the tax rate. For the budget year ended September 30, 2015, the property tax revenue was based on net taxable values totaling \$392,025,234 and a Maintenance and Operations tax rate of \$0.152321 per \$100 valuation. For the 2016 budget year, the property tax revenue is based on net taxable values totaling \$379,864,115 and a Maintenance and Operations tax rate of \$0.173106 per \$100 valuation.

**CITY OF LAKE WORTH, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- General Fund budgeted expenditures for fiscal year 2016 are approximately 2.75% more than estimated totals for the previous budget year. Capital expenditure budgets have decreased by about 55%, but expenses related to personnel costs continue to rise. The budget for fiscal year 2016 includes a 5% merit increase for employees and a 30% increase for health insurance costs. Other personnel-related costs have been budgeted for slight increases.
- Compared to estimated totals for the fiscal year ended September 30, 2015, the Water and Sewer Fund operating revenues are budgeted to remain the same. This budget is very conservative, as the amount of rainfall received during fiscal year ended September 30, 2015 reached historic levels. Typically heavy rainfall totals result in lower water revenues. Expenses are budgeted to increase by just under 3.5% and are attributable to increased personnel costs as detailed above.

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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 203,932	\$ 40,235	\$ 244,167
Investments	12,808,155	1,166,049	13,974,204
Receivables (net of allowances for uncollectible of \$45,763)			
Accounts	-	350,132	350,132
Taxes	54,294	-	54,294
Other	86,799	5,745	92,544
Due from other governments	542,578	-	542,578
Interfund balances	3,072	(3,072)	-
Prepaid expenses	24,803	215	25,018
Restricted investments	908	172,890	173,798
Other assets	62,662	-	62,662
Capital assets			
Infrastructure using modified approach	23,884,055	-	23,884,055
Land and construction in progress	2,473,658	1,503,063	3,976,721
Other capital assets, net of depreciation	11,794,422	8,556,386	20,350,808
Total capital assets	<u>38,152,135</u>	<u>10,059,449</u>	<u>48,211,584</u>
Total assets	<u>51,939,338</u>	<u>11,791,643</u>	<u>63,730,981</u>
Deferred Outflows of Resources			
Deferred outflows of resources - pension	<u>543,186</u>	<u>36,403</u>	<u>579,589</u>
Liabilities			
Accounts payable and accrued expenses	426,756	324,215	750,971
Interest payable	17,800	-	17,800
Payable from restricted funds:			
Customer deposits	908	172,890	173,798
Due to other governments	55,251	14,110	69,361
Long-term liabilities			
Due within one year	1,447,317	284,100	1,731,417
Due in more than one year	<u>17,567,966</u>	<u>928,463</u>	<u>18,496,429</u>
Total liabilities	<u>19,515,998</u>	<u>1,723,778</u>	<u>21,239,776</u>
Net position			
Net investment in capital assets	22,372,893	9,052,849	31,425,742
Restricted for:			
Economic development	2,945,058	-	2,945,058
Debt service	58,467	-	58,467
Capital projects	1,805,306	-	1,805,306
Street maintenance	1,518,623	-	1,518,623
Crime control	309,116	-	309,116
Public educational government channel	52,027	-	52,027
Parks and recreation	260,026	-	260,026
Hotel/motel	708,630	-	708,630
Other	125,515	-	125,515
Unrestricted	<u>2,810,865</u>	<u>1,051,419</u>	<u>3,862,284</u>
Total net position	<u>\$ 32,966,526</u>	<u>\$ 10,104,268</u>	<u>\$ 43,070,794</u>

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

City of Lake Worth, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes In Net Position					
	Program Revenues			Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government						
Governmental activities						
Mayor and council	\$ 33,073	\$ -	\$ -	\$ (33,073)	\$ -	\$ (33,073)
General government	1,439,206	85,856	-	(1,353,350)	-	(1,353,350)
Police	2,840,287	666,688	8,632	(2,164,967)	-	(2,164,967)
Fire protection	1,607,339	-	227,215	(1,380,124)	-	(1,380,124)
Streets	1,020,008	-	-	(1,020,008)	-	(1,020,008)
Library	228,341	3,221	135	(224,985)	-	(224,985)
Parks and recreation	492,601	30,831	15,418	(446,352)	-	(446,352)
Maintenance	184,403	180,816	-	(3,587)	-	(3,587)
Senior center	100,423	-	257	(100,166)	-	(100,166)
Municipal court	219,548	27,762	-	(191,786)	-	(191,786)
Animal control	105,382	1,448	50	(103,884)	-	(103,884)
Emergency management	11,766	-	-	(11,766)	-	(11,766)
Permits and inspections	325,563	122,372	-	(203,191)	-	(203,191)
Informational technology	345,035	-	-	(345,035)	-	(345,035)
Interest and fiscal charges	672,818	-	-	(672,818)	-	(672,818)
Total governmental activities	9,625,793	1,118,994	251,707	(8,255,092)	-	(8,255,092)
Business-type activities						
Water and sewer	2,515,696	2,484,092	-	-	(31,604)	(31,604)
Total business-type activities	2,515,696	2,484,092	-	-	(31,604)	(31,604)
Total primary government	\$ 12,141,489	\$ 3,603,086	\$ 251,707	(8,255,092)	(31,604)	(8,286,696)
General revenues and transfers:						
Taxes						
Property				1,851,913	-	1,851,913
Retail sales				7,533,818	-	7,533,818
Franchise				464,067	-	464,067
Hotel				196,168	-	196,168
Mixed beverage				27,891	-	27,891
Interest				9,195	991	10,186
Other				190,282	27,419	217,701
Transfers				(252,634)	252,634	-
Total general revenues and transfers				10,020,700	281,044	10,301,744
Change in net position				1,765,608	249,440	2,015,048
Net position, beginning of year				33,282,733	9,994,127	43,276,860
Prior period adjustment (Note Q)				(2,081,815)	(139,299)	(2,221,114)
Net position, beginning of year, restated				31,200,918	9,854,828	41,055,746
Net position, end of year				\$ 32,966,526	\$ 10,104,268	\$ 43,070,794

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

**City of Lake Worth, Texas
Balance Sheet
Governmental Funds
September 30, 2015**

	General	Economic Development Corporation	Debt Service	Capital Projects	Street Maintenance	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 151,444	\$ -	\$ 9,020	\$ -	\$ 23,348	\$ 20,120	\$ 203,932
Investments	6,430,152	2,814,971	14,244	1,816,928	1,445,408	287,360	12,809,063
Receivables (net of allowances for uncollectibles of \$35,869)							
Property taxes	16,490	-	37,804	-	-	-	54,294
Accounts	85,178	-	-	-	150	1,471	86,799
Due from other governments	271,696	135,848	-	-	67,924	67,110	542,578
Due from other funds	8,835	-	-	-	-	490	9,325
Prepaid expenses	16,805	75	-	-	188	7,735	24,803
Other assets	62,662	-	-	-	-	-	62,662
Total assets	\$ 7,043,262	\$ 2,950,894	\$ 61,068	\$ 1,816,928	\$ 1,537,018	\$ 384,286	\$ 13,793,456
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 209,854	\$ 575	\$ 202	\$ 11,622	\$ 9,890	\$ 4,475	\$ 236,618
Accrued liabilities	161,068	3,347	-	-	7,055	18,668	190,138
Due to other governments	55,251	-	-	-	-	-	55,251
Due to other funds	490	1,914	2,399	-	1,450	-	6,253
Unearned revenue - property taxes	17,678	-	36,617	-	-	-	54,295
Deposits	908	-	-	-	-	-	908
Total liabilities	445,249	5,836	39,218	11,622	18,395	23,143	543,463
Fund balance:							
Non-spendable for:							
prepaid expenses	16,805	75	-	-	188	7,735	24,803
Restricted for:							
Economic development	-	2,944,983	-	-	-	-	2,944,983
Debt service	-	-	21,850	-	-	-	21,850
Capital projects	-	-	-	1,805,306	-	-	1,805,306
Street maintenance	-	-	-	-	1,518,435	-	1,518,435
Crime control	-	-	-	-	-	301,381	301,381
Public educational government channel	-	-	-	-	-	52,027	52,027
Parks and recreation	260,026	-	-	-	-	-	260,026
Hotel/motel	708,630	-	-	-	-	-	708,630
Other	125,515	-	-	-	-	-	125,515
Committed for:							
Fire protection / truck maintenance	35,542	-	-	-	-	-	35,542
Assigned for:							
Fire protection	70,167	-	-	-	-	-	70,167
Radio system	87,197	-	-	-	-	-	87,197
Parks and recreation	362,632	-	-	-	-	-	362,632
Health insurance premium	52,000	-	-	-	-	-	52,000
Unassigned	4,879,499	-	-	-	-	-	4,879,499
Total fund balance	6,598,013	2,945,058	21,850	1,805,306	1,518,623	361,143	13,249,993
Total liabilities and fund balance	\$ 7,043,262	\$ 2,950,894	\$ 61,068	\$ 1,816,928	\$ 1,537,018	\$ 384,286	
Amounts reported for governmental activities in the statement of net position is different because:							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.							38,152,135
Deferred outflows of resources are not financial resources, and therefore, are not reported in the funds.							543,186
Property taxes receivable, net of allowance are not available to pay for current period expenditures and, therefore, are deferred in the funds.							54,295
Some liabilities, including certificates of obligation, general obligation bonds, capital leases payable, accrued interest payable, net pension liability, compensated absences, and volunteer firefighter retirement obligation are not due and payable in the current period and, therefore, are not reported in the funds.							(19,033,083)
Net position of governmental activities - statement of net position							\$ 32,966,526

City of Lake Worth, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
September 30, 2015

	General	Economic Development Corporation	Debt Service	Capital Projects	Street Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 5,066,679	\$ 1,887,604	\$ 1,251,576	\$ -	\$ 943,802	\$ 927,204	\$ 10,076,865
Fines	669,909	-	-	-	-	-	669,909
Permits and fees	216,738	-	-	-	-	-	216,738
Intergovernmental	44,635	-	-	-	-	-	44,635
Charges for services	211,647	-	-	-	-	-	211,647
Investment earnings	4,384	2,019	350	1,194	1,052	196	9,195
Miscellaneous	410,219	285	-	17	1,178	6,355	418,054
Total revenues	6,624,211	1,889,908	1,251,926	1,211	946,032	933,755	11,647,043
Expenditures							
Current							
Mayor and council	19,797	-	-	-	-	-	19,797
General government	1,140,664	139,979	-	-	-	-	1,280,643
Police	1,932,113	-	-	-	-	768,976	2,701,089
Fire protection	1,497,858	-	-	-	-	-	1,497,858
Streets	474,002	-	-	-	458,154	-	932,156
Library	218,996	-	-	-	-	-	218,996
Parks and recreation	336,796	-	-	-	-	-	336,796
Maintenance	180,696	-	-	-	-	-	180,696
Senior center	97,411	-	-	-	-	-	97,411
Municipal court	210,217	-	-	-	-	-	210,217
Animal control	84,591	-	-	-	-	-	84,591
Emergency management	11,766	-	-	-	-	-	11,766
Permits and inspections	322,563	-	-	-	-	-	322,563
Informational technology	308,283	-	-	-	-	-	308,283
Capital outlay	225,957	-	-	814	227,431	-	454,202
Debt service							
Principal	16,793	-	1,078,900	-	-	-	1,095,693
Interest	3,297	-	680,000	-	-	-	683,297
Total expenditures	7,081,800	139,979	1,758,900	814	685,585	768,976	10,436,054
Excess (deficiency) of revenues over (under) expenditures	(457,589)	1,749,929	(506,974)	397	260,447	164,779	1,210,989
Other financing sources (uses)							
Transfers in	1,210,984	-	512,706	-	-	-	1,723,690
Transfers out	-	(1,298,565)	-	(412,194)	(99,882)	(165,683)	(1,976,324)
Total other financing sources (uses)	1,210,984	(1,298,565)	512,706	(412,194)	(99,882)	(165,683)	(252,634)
Change in fund balance	753,395	451,364	5,732	(411,797)	160,565	(904)	958,355
Fund balance, beginning of year	5,844,618	2,493,694	16,118	2,217,103	1,358,058	362,047	12,291,638
Fund balance, end of year	\$ 6,598,013	\$ 2,945,058	\$ 21,850	\$ 1,805,306	\$ 1,518,623	\$ 361,143	\$ 13,249,993

City of Lake Worth, Texas
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2015

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

Net change in fund balances - total governmental funds	\$ 958,355
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Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 454,202	
Depreciation expense	<u>(704,047)</u>	
		(249,845)

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.	(3,008)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Compensated absences	\$ (39,688)	
Volunteer firefighter retirement obligation	(3,832)	
Amortization of premium on debt	<u>10,479</u>	
		(33,041)

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 between the two statements.	(2,546)
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The issuance of long-term debt 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.

Principal repayments		
Bonds	\$ 1,078,900	
Capital leases	<u>16,793</u>	
		<u>1,095,693</u>

Change in net position of governmental activities - statement of activities	<u><u>\$ 1,765,608</u></u>
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City of Lake Worth, Texas
Statement of Net Position
Enterprise Fund
September 30, 2015

	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 40,235
Investments	1,166,049
Receivables	
Accounts (net of allowances for uncollectible accounts of \$9,894)	350,132
Other	5,745
Prepaid expenses	<u>215</u>
Total current assets	1,562,376
Noncurrent assets	
Restricted assets	
Investments	172,890
Capital assets	
Land	46,240
Construction in progress	1,456,823
Buildings and improvements	134,338
Water and sewer system	12,141,457
Machinery and equipment	1,804,134
Less accumulated depreciation	<u>(5,523,543)</u>
Total noncurrent assets	<u>10,232,339</u>
Total assets	<u>11,794,715</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pension	<u>36,403</u>

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

City of Lake Worth, Texas
Statement of Net Position
Enterprise Fund
September 30, 2015

	<u>Water and Sewer Fund</u>
Liabilities	
Current liabilities	
Payable from current assets	
Accounts payable	\$ 313,821
Accrued liabilities	10,394
Due to other funds	3,072
Due to other governments	14,110
Compensated absences	14,800
Current portion of bonds payable	<u>269,300</u>
Total current liabilities	625,497
Noncurrent liabilities	
Payable from restricted assets	
Customer deposits	172,890
Net pension liability	191,163
Bonds payable	<u>737,300</u>
Total noncurrent liabilities	<u>1,101,353</u>
Total liabilities	<u>1,726,850</u>
Net Position	
Net investment in capital assets	9,052,849
Unrestricted	<u>1,051,419</u>
Total net position	<u><u>\$ 10,104,268</u></u>

City of Lake Worth, Texas
Statement of Revenues, Expenses and
Changes in Net Position
Enterprise Fund
For the Fiscal Year Ended September 30, 2015

	<u>Water and Sewer Fund</u>
Operating revenues	
Water services	\$ 1,502,808
Sewer services	973,789
Other operating revenues	<u>7,495</u>
Total operating revenues	<u>2,484,092</u>
Operating expenses	
Personnel services	404,095
Contractual services	169,340
Water purchases	654,421
Disposal charge - sewer	746,214
Supplies and maintenance	176,899
Other operating expenses	3,642
Depreciation	<u>325,929</u>
Total operating expenses	<u>2,480,540</u>
Operating income	<u>3,552</u>
Nonoperating revenues (expenses)	
Interest income	991
Miscellaneous	27,419
Interest expense	<u>(35,156)</u>
Total non-operating expenses	<u>(6,746)</u>
Loss before transfers	(3,194)
Transfers in	929,355
Transfers out	<u>(676,721)</u>
Total transfers	<u>252,634</u>
Change in net position	249,440
Net position, beginning of year	9,994,127
Prior period adjustment (Note Q)	<u>(139,299)</u>
Net position, beginning of year, restated	<u>9,854,828</u>
Net position, end of year	<u><u>\$ 10,104,268</u></u>

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, 2015

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 2,476,407
Cash paid to suppliers	(1,528,522)
Cash paid to employees	(409,114)
Net cash provided by operating activities	<u>538,771</u>
Cash flows from noncapital financing activities:	
Cash received from other funds	760,426
Cash paid to other funds	(673,649)
Net cash provided by noncapital financing activities	<u>86,777</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(283,626)
Principal payments on long-term debt	(260,100)
Interest paid	(35,156)
Net cash used in capital and related financing activities	<u>(578,882)</u>
Cash flows from investing activities:	
Change in investments	(81,656)
Interest income	991
Net cash used in investing activities	<u>(80,665)</u>
Net decrease in cash	(33,999)
Cash and cash equivalents at beginning of year	<u>74,234</u>
Cash and cash equivalents at end of year	<u>\$ 40,235</u>
Non-cash Capital and Related Financing Activities:	
Acquisition of capital assets - transferred from Capital Projects Fund	<u>\$ 165,689</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,552
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	325,929
Miscellaneous revenue	27,419
Increase in accounts receivable	(47,929)
Decrease in prepaid expenses	1,213
Increase in deferred outflows of resources	(12,468)
Increase in accounts payable and accrued liabilities	215,674
Increase in net pension liability	12,639
Decrease in compensated absences	(83)
Increase in customer deposits	12,825
Net cash provided by operating activities	<u>\$ 538,771</u>

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies

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

Financial Reporting Entity

The financial statements of the City of Lake Worth are prepared in accordance with 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 units, although legally separate entities, are, in substance, part of the City's operation and so data from these units are combined with the data of the primary government. Both of these blended component units have a September 30th year-end.

Blended Component Units

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

Lake Worth Economic Development Corporation – The City created this Corporation for the purpose of projects and improvements that promote economic development within the City. Funding for the Economic Development Corporation is generated from 0.50% sales tax. There are seven directors, four of whom are members of the City Council and make up a voting majority of the Corporation's Board. The remaining three members are residents of the City. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City of Lake Worth, Texas. The Corporation provides all of its services to the City of Lake Worth, Texas.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

Government-wide and fund financial statements

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

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General Fund, the Economic Development Corporation Fund, the Debt Service Fund, the Capital Projects Fund, and the Street Maintenance Fund meet the criteria as major governmental funds. The major funds are reported in separate columns in the fund financial statements. The Crime Control District Fund and the Public Educational Government Channel Fund meet the criteria as non-major funds. The amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, net pension liabilities, and claims and judgments, are recorded only when the liability has matured and payment is due.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

The Economic Development Corporation Fund is reported as a special revenue fund of the City and is utilized to account for a half-penny sales tax which can only be spent on projects and improvements that promote economic development activities within the City.

The Street Maintenance Fund is reported as a special revenue fund of the City and is utilized to account for a quarter-penny sales tax which can only be spent on street improvements or maintenance within the City.

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

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

The City reports the following major proprietary fund:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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 authorized and approved amendments to the budget which provided for and approved all expenditures and transfers.

Cash Equivalents

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

Capital Assets

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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 using the straight line method over the following estimated useful lives:

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

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

Long-Term Obligations

In the government-wide financial statements, other long-term obligations (such as certificates of obligation and capital leases) are reported as liabilities. On certificates of obligation and bonds payable, premiums and discounts are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount.

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 and applicable premium or discount are reported as other financial sources. 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, 2015

Note A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the pension plan. See additional information in Note K.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any of this type of item.

Fund Balance

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

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

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

Net Position

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

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

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

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

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

Minimum Fund Balance Policy

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

Concentration of Credit Risk

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

Risk Management

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

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

Use of Estimates

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS'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.

Note B. Reconciliation of Government-wide and Fund financial statements

- A. The following is an explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation explains "some liabilities, including certificates of obligation, general obligation bonds, capital leases payable, accrued interest payable, net pension liability, compensated absences, and volunteer firefighter retirement obligation are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$19,033,083 difference are as follows:

Capital leases payable	\$ 33,667
Certificates of obligation and general obligation bonds payable	15,718,400
Issuance premium	27,175
Accrued interest payable	17,800
Net pension liability	2,852,428
Volunteer firefighter retirement obligation	62,662
Compensated absences	<u>320,951</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position- governmental activities	<u><u>\$ 19,033,083</u></u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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

All investments held by the City at September 30, 2015 were in TexPool, TexSTAR, Lone Star Investment Pool and LOGIC.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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

Texas Local Government Investment Pool (TexPool), which is a local government investment pool, was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of the TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Treasury Safekeeping Trust Company website at www.ttstc.org.

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five-member Board of Directors. In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business and affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAm by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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

The Lone Star Investment Pool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star's daily operations are administered by First Public, LLC. Standish Mellon Asset Management Company, LLC and American Beacon Advisors manage the investment and reinvestment of the Pool's assets. State Street Bank and Trust provides custody and valuation services to the Pool. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The City is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar.

Local Government Investment Cooperative (LOGIC) is a local government investment pool, organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC. The Co-Administrators of the day to day administration of LOGIC are First Southwest Company and JPMorgan Investment Management, Inc. LOGIC is rated at a AAAM or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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

As of September 30, 2015, the City had the following investments:

	<u>Market Value</u>	<u>% of Total</u>
TexPool - Pooled		
General Fund	\$ 1,483,500	
Street Maintenance Fund	355,924	
Crime Control & Prevention District Fund	85,695	
Debt Service Fund	6,844	
Total TexPool - Pooled	<u>1,931,963</u>	13.66%
TexPool - Economic Development Corporation Fund	871,255	6.16%
TexPool - Water and Sewer Fund	424,513	3.00%
TexPool - Capital Projects Fund	97	0.00%
TexSTAR - Pooled		
General Fund	1,204,328	
Street Maintenance Fund	378,450	
Crime Control & Prevention District Fund	75,265	
Total TexSTAR - Pooled	<u>1,658,043</u>	11.72%
TexSTAR - Capital Projects Fund	1,816,831	12.84%
Lone Star Investment Pool - Pooled		
General Fund	1,785,319	
Street Maintenance Fund	332,763	
Crime Control & Prevention District Fund	75,844	
Debt Service Fund	7,400	
Total Lone Star Investment Pool - Pooled	<u>2,201,326</u>	15.56%
Lone Star Investment Pool - Economic Development Corporation Fund	1,235,644	8.73%
Lone Star Investment Pool - Water and Sewer Fund	441,927	3.12%
LOGIC - Pooled		
General Fund	1,957,005	
Street Maintenance Fund	378,271	
Total LOGIC - Pooled	<u>2,335,276</u>	16.51%
LOGIC - Economic Development Corporation Fund	708,072	5.00%
LOGIC - Public Educational Government Fund	50,556	0.37%
LOGIC - Water and Sewer Fund	472,499	3.34%
Total Investments	<u><u>\$ 14,148,002</u></u>	<u><u>100.00%</u></u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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

As reported in the Statement of Net Position:

Governmental activities	
Investments	\$ 12,808,155
Restricted investments	908
Business-type activities	
Investments	1,166,049
Restricted investments	<u>172,890</u>
Total investments	<u><u>\$ 14,148,002</u></u>

Interest Rate Risk – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. As of September 30, 2015, the City's investments included investment pools and therefore were not exposed to interest rate risk.

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2015, the TexPool, the TexSTAR, the Lone Star and the LOGIC investment pools were rated AAA or AAAM by Standard and Poor's.

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

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

As of September 30, 2015, 100% of the City's portfolio was invested in Local Government Investment Pools.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

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, 2015, 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 and the City is in compliance with the Public Funds Collateral Act, Texas Government Code, Chapter 2257.

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 deferred inflows of resources and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

Note E. Interfund Activity

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Economic development corporation fund	\$ 1,914
General fund	Street maintenance fund	1,450
General fund	Debt service fund	2,399
General fund	Water and sewer fund	3,072
Crime control & prevention district fund	General fund	490
Total		<u>\$ 9,325</u>

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note E. Interfund Activity (Continued)

Interfund transfers during the year were as follows:

	<u>Transfers Out</u>
Economic development corporation fund	\$ 1,298,565
Capital projects fund	412,194
Crime control & prevention district fund	165,683
Street maintenance fund	99,882
Water and sewer fund	<u>676,721</u>
	<u>\$ 2,653,045</u>
	<u>Transfers in</u>
General fund	\$ 1,210,984
Debt service fund	512,706
Water and sewer fund	<u>929,355</u>
	<u>\$ 2,653,045</u>

Transfers are generally used (1) to transfer funds from the Economic Development Corporation and the Water and Sewer Fund to the Debt Service funds to supplement debt payments, (2) to transfer funds from the various funds to the General fund to cover administrative costs, (3) to transfer funds from the Economic Development Corporation to the Water and Sewer fund to fund improvements to the City's assets, and (4) to transfer Water and Sewer fund construction in progress from the Capital Projects fund.

Note F. Restricted Assets

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note G. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Balance 10/1/2014	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2015
Governmental activities				
Capital assets using modified approach				
Infrastructure	\$ 23,795,106	\$ 88,949	\$ -	\$ 23,884,055
Total capital assets using modified approach	23,795,106	88,949	-	23,884,055
Capital assets not being depreciated				
Construction in progress	744,929	43,160	-	788,089
Land	1,685,569	-	-	1,685,569
Total capital assets not being depreciated	2,430,498	43,160	-	2,473,658
Other capital assets				
Buildings and improvements	11,230,150	94,217	-	11,324,367
Equipment and vehicles	5,883,776	178,892	-	6,062,668
Office furniture and fixtures	615,060	48,985	-	664,045
Total other capital assets	17,728,986	322,094	-	18,051,080
Less accumulated depreciation for:				
Buildings and improvements	1,912,182	282,384	-	2,194,566
Equipment and vehicles	3,364,268	377,965	-	3,742,233
Office furniture and fixtures	276,161	43,698	-	319,859
Total accumulated depreciation	5,552,611	704,047	-	6,256,658
Other capital assets, net	12,176,375	(381,953)	-	11,794,422
Governmental activities capital assets, net	<u>\$ 38,401,979</u>	<u>\$ (249,844)</u>	<u>\$ -</u>	<u>\$ 38,152,135</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note G. Capital Assets (Continued)

	Balance 10/1/2014	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2015
Business-type activities				
Capital assets not being depreciated				
Land	\$ 46,240	\$ -	\$ -	\$ 46,240
Construction in progress	1,210,318	412,194	165,689	1,456,823
Total capital assets not being depreciated	1,256,558	412,194	165,689	1,503,063
Other capital assets				
Water and sewer system	11,954,629	186,828	-	12,141,457
Building and improvements	134,338	-	-	134,338
Machinery and equipment	1,788,152	15,982	-	1,804,134
Total other capital assets	13,877,119	202,810	-	14,079,929
Less accumulated depreciation for:				
Water and sewer system	3,601,223	261,189	-	3,862,412
Building and improvements	38,743	3,413	-	42,156
Machinery and equipment	1,557,648	61,327	-	1,618,975
Total accumulated depreciation	5,197,614	325,929	-	5,523,543
Other capital assets, net	8,679,505	(123,119)	-	8,556,386
Business-type activities capital assets, net	<u>\$ 9,936,063</u>	<u>\$ 289,075</u>	<u>\$ 165,689</u>	<u>\$ 10,059,449</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note G. Capital Assets (Continued)

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

Governmental activities:

Mayor and council	\$ 13,276
General government	180,665
Police	113,529
Fire	76,821
Streets	86,532
Library	10,326
Parks and recreation	152,319
Maintenance	3,211
Senior center	9,687
Animal control	20,373
Permits and inspections	2,301
Information technology	35,007
	<hr/>
Total governmental activities	<u>\$ 704,047</u>

Business-type activities:

Water and sewer	<u>\$ 325,929</u>
Total business-type activities	<u>\$ 325,929</u>

Note H. Long-Term Liabilities

Long-term debt of the City consists of certificates of obligation, general obligation bonds, utility system revenue bonds, and long-term capital leases. Long-term debt at September 30, 2015 consists of the following:

Governmental activities

Certificates of Obligation

Combination Tax and Revenue Certificates of Obligation, Series 2008

- To construct a senior center, library, community activity center, and animal control facility, and improvements of utility and drainage systems.
- Original balance of \$10,300,000.
- Payable in annual installments through October 1, 2034 at 3.25% to 5.75%.
- Outstanding balance of \$9,280,000 at September 30, 2015.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Liabilities (Continued)

General Obligation Bonds

General Obligation Refunding Bonds, Series 2009

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 1999.
- Original balance of \$4,725,000 of which \$2,551,500 is related to governmental activities.
- Payable in annual installments through April 1, 2019 at 2.0% to 4.0%.
- Outstanding balance of \$923,400 at September 30, 2015.

General Obligation Refunding Bonds, Series 2011

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 2001.
- Original balance of \$2,675,000.
- Payable in annual installments through September 1, 2021 at 2.0% to 3.0%.
- Outstanding balance of \$1,675,000 at September 30, 2015.

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 through August 15, 2025 at 2.39%.
- Outstanding balance of \$3,840,000 at September 30, 2015.

Capital Lease Arrangement

Dell Government Leasing

- To purchase virtual server equipment.
- Principal price of \$39,790.
- Payable in annual installments of \$8,993 over five years.
- Outstanding balance of \$8,443 at September 30, 2015, bearing interest at 6.33%.

Dell Government Leasing

- To purchase a backup solution.
- Principal price of \$27,911.
- Payable in annual installments of \$6,036 over five years.
- Outstanding balance of \$16,729 at September 30, 2015, bearing interest at 4.06%.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Liabilities (Continued)

Dell Government Leasing

- To purchase file storage server.
- Principal price of \$17,055.
- Payable in annual installments of \$4,840 over four years.
- Outstanding balance of \$8,495 at September 30, 2015, bearing interest at 9.17%.

The annual requirements to amortize long-term debt as of September 30, 2015 are as follows:

Year Ending	Certificates of Obligation		General Obligation Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 200,000	\$ 477,494	\$ 899,700	\$ 170,368	\$17,860	\$2,009
2017	200,000	469,994	928,200	144,784	10,007	869
2018	200,000	461,994	781,200	119,181	5,800	236
2019	200,000	453,994	809,300	96,236	-	-
2020	200,000	445,494	670,000	75,807	-	-
2021-2025	1,380,000	2,091,470	2,350,000	158,406	-	-
2026-2030	3,365,000	1,520,094	-	-	-	-
2031-2035	3,535,000	470,414	-	-	-	-
Total	<u>\$ 9,280,000</u>	<u>\$ 6,390,948</u>	<u>\$ 6,438,400</u>	<u>\$ 764,782</u>	<u>\$ 33,667</u>	<u>\$ 3,114</u>

Business-type activities

General Obligation Bonds

General Obligation Refunding Bonds, Series 2009

- To refund the Combination Tax and Revenue Certificates of Obligation, Series 1997A and B.
- Original balance of \$4,725,000 of which \$2,173,500 is related to business-type activities.
- Payable in annual installments through April 1, 2019 at 2.0% to 4.0%.
- Outstanding balance of \$786,600 at September 30, 2015.

Utility System Revenue Bonds

Utility System Revenue Bonds, Series 2009

- For the construction of a new sewer line along Telephone Road.
- Original issue of \$290,000.
- Payable in annual installments through February 1, 2029 at 0%.
- Outstanding balance of \$220,000 at September 30, 2015.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt as of September 30, 2015 are as follows:

Fiscal Year Ending	General Obligation Bonds		Utility System Revenue Bonds		Total
	Principal	Interest	Principal		
2016	\$255,300	\$ 26,358	\$ 14,000	\$	295,658
2017	266,800	15,916	14,000		296,716
2018	128,800	8,004	14,000		150,804
2019	135,700	2,714	14,000		152,414
2020	-	-	14,000		14,000
2021-2025	-	-	75,000		75,000
2026-2030	-	-	75,000		75,000
Total	<u>\$786,600</u>	<u>\$ 52,992</u>	<u>\$ 220,000</u>		<u>\$ 1,059,592</u>

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

	Governmental Activities
Scheduled future minimum lease payments	\$ 36,781
Amount representing interest	<u>3,114</u>
Present value of future minimum capital lease payments (principal payoff)	<u>\$ 33,667</u>

The following is an analysis of equipment leased under capital leases as of September 30, 2015:

	Governmental Activities
Equipment	\$ 84,756
Less accumulated depreciation	<u>(38,569)</u>
Total	<u>\$ 46,187</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Liabilities (Continued)

The following is a summary of the changes by type of long-term liabilities for the year ended September 30, 2015:

	Restated Balance 10/1/2014	Additions	Retirements	Balance 9/30/2015	Due Within One Year
<u>Governmental activities</u>					
Certificates of obligation	\$ 9,480,000	\$ -	\$ 200,000	\$ 9,280,000	\$ 200,000
General obligation bonds	7,317,300	-	878,900	6,438,400	899,700
Premium on bonds issued	37,654	-	10,479	27,175	8,806
Capital leases	50,460	-	16,793	33,667	17,860
Net pension liability (Note Q)	2,663,843	700,379	511,794	2,852,428	-
Compensated absences	281,264	348,189	308,502	320,951	320,951
Volunteer firefighter retirement obligation	58,830	3,832	-	62,662	-
Total governmental activities	19,889,351	1,052,400	1,926,468	19,015,283	1,447,317
<u>Business-type activities</u>					
General obligation bonds	1,032,700	-	246,100	786,600	255,300
Utility system revenue bonds	234,000	-	14,000	220,000	14,000
Net pension liability (Note Q)	178,524	46,938	34,299	191,163	-
Compensated absences	14,883	15,943	16,026	14,800	14,800
Total business-type activities	1,460,107	62,881	310,425	1,212,563	284,100
Total	<u>\$ 21,349,458</u>	<u>\$ 1,115,281</u>	<u>\$ 2,236,893</u>	<u>\$ 20,227,846</u>	<u>\$ 1,731,417</u>

Note I. Compensated Absences and Sick Leave

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for compensated absences as of September 30, 2015 was \$335,751.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note J. Restricted Net Position / Restricted Fund Balance

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

Child safety	\$ 14,835
Court technology	21,437
Court security	47,323
Confiscated property	7,008
Police LEOSE	5,317
Fire LEOSE	493
Police department donations	2,224
Fire department donations	21
Library donations	166
Senior center donations	379
Animal control donations	183
Asbestos removal	<u>26,129</u>
Total Other Restricted Net Position/ Other Restricted Fund Balance	<u><u>\$ 125,515</u></u>

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

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

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

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

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

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

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

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note J. Restricted Net Position / Restricted Fund Balance (Continued)

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.

Asbestos removal – Money was received from a class action suit against W.R. Grace & Co. for the removal of asbestos. These funds have not been expended.

The government-wide statement of net position reports \$7,782,768 of restricted net position, of which \$5,616,059 is restricted by enabling legislation.

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

Employee deposit rate	6.00%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	48
Active employees	<u>95</u>
Total	<u><u>174</u></u>

Contributions

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.68% and 12.35% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$587,081, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

Actuarial assumptions:

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. There were no changes between the measurement date of the NPL and the City's reporting date that are expected to have a significant effect on the NPL.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

Changes in the NPL	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$14,951,418	\$ 12,109,051	\$2,842,367
Changes for the year:			
Service Cost	618,120	-	618,120
Interest	1,054,569	-	1,054,569
Change of benefit terms	-	-	-
Difference between expected and actual experience	40,840	-	40,840
Changes of assumptions	-	-	-
Contributions - employer	-	546,093	(546,093)
Contributions - employee	-	281,189	(281,189)
Net investment income	-	692,850	(692,850)
Benefit payments, including refunds of employee contributions	(390,423)	(390,423)	-
Administrative expense	-	(7,232)	7,232
Other Changes	-	(595)	595
Net Changes	1,323,106	1,121,882	201,224
Balance at 12/31/2014	\$16,274,524	\$ 13,230,933	\$3,043,591

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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's NPL	\$5,900,331	\$3,043,591	\$756,524

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com. The City's plan's fiduciary net position has been determined on the same basis as that used by TMRS. The TMRS plan is reported on the accrual basis of accounting. Benefits are recorded when payable in accordance with TMRS's plan terms. Refunds are recorded and paid upon receipt of an approved application for refund. Investments are reported at fair value.

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

For the year ended September 30, 2015, the City recognized pension expense of \$589,797.

At September 30, 2015, 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	\$ 33,693	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	123,827	-
Contributions subsequent to the measurement date	422,069	-
Total	<u>\$ 579,589</u>	<u>\$ -</u>

The net amounts of the City's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>September 30th:</u>	
2016	\$460,173
2017	38,104
2018	38,104
2019	38,103
2020	<u>5,105</u>
Total	<u>\$579,589</u>

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note L. Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013 were \$7,051, \$6,433, and \$6,419, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:
(RETIREE - only portion of the rate)

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution Rate</u>	<u>Actual Contribution Rate</u>	<u>Percentage of ARC Contributed</u>
2013	0.03%	0.03%	100.00%
2014	0.03%	0.03%	100.00%
2015	0.03%	0.03%	100.00%

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note M. Volunteer Firefighter Benefits

Pension - Length of Service Awards Program (LOSAP)

The City financial statements are for the year ended September 30, 2015. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on September 30, 2014, which is the most recent plan year for which complete information is available.

The City provides pension benefits for all eligible volunteer firefighters of the City of Lake Worth through a single-employer defined benefit LOSAP. The program began on October 1, 1990 and was established and can be amended by City Council. The program provides municipally-funded pension-like benefits at no cost to eligible volunteer firefighters. The City is the sponsor of the program. The City no longer offers LOSAP to new volunteer firefighters.

Program Description

Participation, vesting and service credit

Volunteer firefighters who began service prior to 2003 and had reached the age of 18 and who had completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 62. In general, an active volunteer firefighter is credited with a year of firefighting service for each plan year by attending at least 70% of all training sessions and business meetings and responding to at least 45% of all non-medical related incidents including major accidents. Medically qualified firefighters must respond to at least 25% of all incidents.

Benefits

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$10 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed twenty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control

Service credit is determined by City Council, based on information certified to the City by the fire department. The fire department must maintain all required records on forms prescribed by the City.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note M. Volunteer Firefighter Benefits (Continued)

The City Council has retained and restricted Volunteer Firemen's Insurance Services to assist in the administration of the program. The restricted program administrator's functions include providing basic specimen forms of documents (Master Document, Adoption Agreement, Explanation of Benefits and other necessary forms and applications), annual plan valuation, calculation of annual recommended deposit, calculation of required premium to purchase/maintain life insurance policies, annual plan certification by independent enrolled actuary, annual summary of benefits for each plan participant, and benefit calculation for plan participant at termination, disability, entitlement, or death. Disbursements of program assets for the payment of benefits or administrative expenses must be approved.

Authority to invest program assets is vested in the Hartford Life Insurance Company. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule. Because the program assets are not in an irrevocable trust, they are included in the general fund as other assets.

The City is required to retain an actuary to determine the amount of the City's contributions to the plan. Portions of the following information are derived from a report prepared by the actuary dated, November 17, 2014.

Actuarial Assumptions and Funding Methods

The entry age normal actuarial cost method was used to determine the annual required contribution (ARC) to fund the LOSAP. The following assumptions were used to develop the ARC:

Assumed Interest – 4.75%. The assumed rate reflects the actuary's best estimate of long-term investment results.

Pre-Retirement Mortality Table – 1984 Unisex Pensioners 0. This represents the possibility that some participants may die prior to reaching entitlement age.

Post-Retirement Mortality Table – 1984 Unisex Pensioners 0. This represents the typical life expectancy after attaining entitlement age.

Turnover – None. A turnover table assumes that a percentage of participants will terminate prior to being vested.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note M. Volunteer Firefighter Benefits (Continued)

Funding Method – Entry age normal frozen initial liability. Under this funding method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability. Under this method, the actuarial gains (losses) are reflected as they occur in a decrease (increase) in the unfunded actuarial accrued liability.

Trend Information
for the City of Lake Worth's LOSAP

<u>Fiscal Year Ending</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2013	\$ 3,176	100%	\$ -
9/30/2014	3,556	100%	-
9/30/2015	4,057	100%	-

The funded status as of September 30, 2014, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
9/30/2014	\$62,662	\$88,013	\$25,351	71.2%	N/A	N/A

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Insurance

In addition to the pension plan, an insurance policy is provided by the City for volunteer firefighters who qualify for the LOSAP, which provides the greater of \$10,000 or the present value of the participant's accrued benefits under the LOSAP.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note N. Operating Leases

The City of Lake Worth leases the following equipment:

- The City leases computers from Dell Financial Services with an \$80 monthly lease payment for 48 months beginning November 1, 2011 through October 31, 2015.
- The City leases computers from Lenovo Financial Services with total monthly lease payments of \$883 for 48 month periods beginning April 9, 2013 through March 31, 2017.
- The City leases copiers, from NovaCopy with a \$704 monthly lease payment for 60 months beginning November 1, 2014 through October 31, 2019.
- The City leases a copier, from Canon with a \$218 monthly lease payment for 60 months beginning August 1, 2015 through July 31, 2020.
- The City leases two servers from Dell Financial Services with a \$2,956 monthly lease payment for 48 months beginning November 1, 2014 through October 31, 2018.

Net future minimum lease payments under the operating leases for the City of Lake Worth equipment as of September 30, 2015 are as follows:

Year Ended September 30,	Amount
2016	\$23,992
2017	19,320
2018	14,025
2019	11,065
2020	<u>2,881</u>
Total	<u><u>\$71,283</u></u>

Payments on the above leases of \$22,698 were included in equipment rent expense for the year ended September 30, 2015.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note O. Other Commitments and Contingencies

The City of Lake Worth has the following commitments and contingencies at September 30, 2015:

- The City contracted for garbage disposal with Progressive Waste Solutions on March 8, 2011 for 60 months. The City bills directly the residential customers a set monthly rate and pays Progressive Waste Solutions monthly. In addition, the City receives a 6% franchise fee from Progressive Waste Solutions. The franchise fee is based upon the amount Progressive Waste Solutions charges the City for residential customers plus the amount billed by Progressive Waste Solutions to commercial customers. For the fiscal year ended September 30, 2015, the City expensed \$176,388 for sanitation expense.
- The City has a contract with the City of Fort Worth, Texas, for the purchase of treated water and for sewage treatment. The contract for water, dated November 16, 2010 for a 20 year period, is used to supplement the water wells operated by the City. The contract for sewer is dated May 12, 1987 for a 30 year period. Charges are incurred when actual delivery occurs and the rates are adjusted periodically. For the fiscal year ended September 30, 2015, the City's expenses in the Water and Sewer fund for water and sewer treatment were \$654,421 and \$746,214, respectively.
- The City has a contract with Protection One Alarm Monitoring, Inc. for alarm system maintenance. The contract, dated June 20, 2014, is for a 5 year period. The monthly commitment is \$792. For the fiscal year ended September 30, 2015, the City expensed \$9,504 for the alarm system maintenance.
- The City has a contract with AT&T Texas for OPT-E-MAN services, a switched Ethernet service that connects the City's local area networks (point-to-point connection). The contract, dated September 20, 2013, is a 36 month period. The monthly commitment is \$734. For the fiscal year ended September 30, 2015, the City expensed \$8,808 for the OPT-E-MAN services.
- As an economic development incentive, the City entered into an agreement with Kohl's Texas, L.P., a Texas Limited Partnership (Kohl's) whereby the City will pay to Kohl's 40% of the City's one percent sales tax collected beginning on the day Kohl's opens for business and ending on the 12th anniversary of the calendar year in which the store opens for business or until Kohl's has received a total of \$600,000 whichever comes first. The refund for the prior calendar year shall be made on July 1 of the following year. During this current fiscal year the City made a payment of \$54,963 on June 18, 2015 for the sales tax collected in the 2014 calendar year. The maximum amount remaining under the terms of this agreement is \$109,402.

City of Lake Worth, Texas
Notes to Financial Statements
September 30, 2015

Note P. Economic Dependency

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

In the Water and Sewer fund, the City contracts with the City of Fort Worth, Texas for water purchases, this supplements the amounts produced from City wells and sanitary sewer treatment. During the current fiscal year, the City paid \$654,421 and \$746,214 for treated water and sewer treatment service, respectively, totaling \$1,400,635 which is 56% of the City's Water and Sewer fund total operating expenses.

Note Q. Prior Period Adjustment

In the year of implementation of GASB Statement No. 68, as amended by GASB Statement No. 71, a restatement to beginning net position will be required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and the beginning of the reporting entity's fiscal year.

Beginning net positions as of October 1, 2014 have been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	<u>Governmental Activities</u>	<u>Water and Sewer</u>
Beginning net position	\$ 33,282,733	\$ 9,994,127
Prior period adjustment - implementation of GASB No. 68:		
Net pension liability (measurement date as of December 31, 2014)	(2,663,843)	(178,524)
Deferred outflows - City contributions made during fiscal year 2014	357,147	23,935
Removal of net pension obligation	<u>224,881</u>	<u>15,290</u>
Total prior period adjustment	<u>(2,081,815)</u>	<u>(139,299)</u>
Beginning net position, as restated	<u><u>\$ 31,200,918</u></u>	<u><u>\$ 9,854,828</u></u>

**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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 4,794,730	\$ 4,794,730	\$ 5,066,679	\$ 271,949
Fines	595,675	595,744	669,909	74,165
Permits and fees	132,475	132,397	216,738	84,341
Intergovernmental	1,725	1,725	44,635	42,910
Charges for services	215,800	204,100	211,647	7,547
Investment earnings	2,354	2,304	4,384	2,080
Miscellaneous	307,075	319,406	410,219	90,813
Total revenues	6,049,834	6,050,406	6,624,211	573,805
Expenditures				
Mayor and council	20,607	24,373	19,797	4,576
General government	1,207,464	1,203,133	1,140,664	62,469
Police	2,120,641	2,043,211	1,932,113	111,098
Fire protection	1,504,558	1,519,775	1,497,858	21,917
Streets	498,627	493,047	474,002	19,045
Library	225,218	225,218	218,996	6,222
Parks and recreation	417,705	376,666	336,796	39,870
Maintenance	174,238	174,238	180,696	(6,458)
Senior center	106,361	106,361	97,411	8,950
Municipal court	205,206	211,809	210,217	1,592
Animal control	92,837	92,837	84,591	8,246
Emergency management	14,225	13,721	11,766	1,955
Permits and inspections	335,635	335,635	322,563	13,072
Informational technology	324,598	324,635	308,283	16,352
Capital outlay	677,406	781,238	225,957	555,281
Debt service				
Principal	-	-	16,793	(16,793)
Interest	-	-	3,297	(3,297)
Total expenditures	7,925,326	7,925,897	7,081,800	844,097
Deficiency of revenues under expenditures	(1,875,492)	(1,875,491)	(457,589)	1,417,902
Other financing sources				
Transfers in	1,209,884	1,209,884	1,210,984	1,100
Total other financing sources	1,209,884	1,209,884	1,210,984	1,100
Change in fund balance	(665,608)	(665,607)	753,395	\$ 1,419,002
Fund balance, beginning of year	5,844,618	5,844,618	5,844,618	
Fund balance, end of year	\$ 5,179,010	\$ 5,179,011	\$ 6,598,013	

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

City of Lake Worth, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Economic Development Corporation Fund
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Sales tax	\$ 1,740,000	\$ 1,740,000	\$ 1,887,604	\$ 147,604
Investment earnings	1,500	1,500	2,019	519
Miscellaneous	200	200	285	85
Total revenues	1,741,700	1,741,700	1,889,908	148,208
Expenditures				
General government	186,298	186,097	139,979	46,118
Total expenditures	186,298	186,097	139,979	46,118
Excess of revenues over expenditures	1,555,402	1,555,603	1,749,929	194,326
Other financing uses				
Transfers out	(1,298,365)	(1,298,565)	(1,298,565)	-
Change in fund balance	257,037	257,038	451,364	\$ 194,326
Fund balance, beginning of year	2,493,694	2,493,694	2,493,694	
Fund balance, end of year	\$ 2,750,731	\$ 2,750,732	\$ 2,945,058	

City of Lake Worth, Texas
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Street Maintenance Fund
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues				
Sales tax	\$ 850,000	\$ 850,000	\$ 943,802	\$ 93,802
Investment earnings	700	700	1,052	352
Miscellaneous	750	750	1,178	428
Total revenues	851,450	851,450	946,032	94,582
Expenditures				
Streets	556,878	556,878	458,154	98,724
Capital outlay	260,800	260,800	227,431	33,369
Total expenditures	817,678	817,678	685,585	132,093
Excess of revenues over expenditures	33,772	33,772	260,447	226,675
Other financing uses				
Transfers out	(99,882)	(99,882)	(99,882)	-
Change in fund balance	(66,110)	(66,110)	160,565	\$ 226,675
Fund balance, beginning of year	1,358,058	1,358,058	1,358,058	
Fund balance, end of year	\$ 1,291,948	\$ 1,291,948	\$ 1,518,623	

CITY OF LAKE WORTH
Schedule of Changes in the Net Pension Liability and Related Ratios

Measurement Date - December 31st:	2014
Total Pension Liability (a)	
Beginning Balance	\$14,951,418
Service cost	618,120
Interest	1,054,569
Difference between expected and actual experience	40,840
Benefit payments, including refunds of employee contributions	(390,423)
End of Year Balance	<u>\$16,274,524</u>
Plan Fiduciary Net Position (b)	
Beginning Balance	\$12,109,051
Contributions - employer	546,093
Contributions - employee	281,189
Net investment income	692,850
Benefit payments, including refunds of employee contributions	(390,423)
Administrative expense	(7,232)
Other Changes	(595)
End of Year Balance	<u>\$13,230,933</u>
Net Pension Liability (a) - (b)	
Beginning Balance	\$2,842,367
Service Cost	618,120
Interest	1,054,569
Difference between expected and actual experience	40,840
Contributions - employer	(546,093)
Contributions - employee	(281,189)
Net investment income	(692,850)
Administrative expense	7,232
Other Changes	595
End of Year Balance	<u>\$3,043,591</u>
 Plan's fiduciary net position as a percentage of the total pension liability	 81.30%
 Covered-employee payroll	 \$4,675,481
 Net pension liability as a percentage of covered-employee payroll	 65.10%

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

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

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

CITY OF LAKE WORTH
Schedule of Employer Contributions and Related Ratios

<u>Year Ended September 30th:</u>	<u>2015</u>
The City's actuarially determined contribution	\$587,081
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	<u>587,081</u>
The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution	<u>\$ -</u>
Covered-employee payroll	\$4,794,736
The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered-payroll	12.24%

Notes to Schedule of Contributions

- 1) The amounts presented above are as of the City's fiscal year-end.
- 2) Actuarially determined contribution rates are calculated as of December 31 and become effective in January - 13 months later.
- 3) *Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
- 4) There were no benefit changes during the year.
- 5) 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 Funding Progress for the Retirement Plan
for the Volunteer Firefighters of City of Lake Worth, Texas
Last Three Fiscal Years

Length of Service Awards Program (LOSAP) for Volunteer Firefighters

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2012	\$ 55,267	\$ 85,712	\$ 30,445	64.5%	N/A	N/A
9/30/2013	58,830	83,844	25,014	70.2%	N/A	N/A
9/30/2014	62,662	88,013	25,351	71.2%	N/A	N/A

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

Condition Rating	Percentage	Goal	Square Feet of Roadway September 30, 2014		Square Feet of Roadway September 30, 2012		Square Feet of Roadway September 30, 2011	
			Number	Percentage	Number	Percentage	Number	Percentage
At least 1	0%		200,527	3.2896%	-	0.0000%	-	0.0000%
At least 2-4	30%		463,370	7.6014%	819,206	13.4388%	1,051,963	17.2837%
At least 5-7	60%		2,514,021	41.2417%	2,589,127	42.4738%	2,446,395	40.0897%
At least 8-10	10%		2,917,902	47.8673%	2,678,120	43.9337%	2,603,950	42.6716%

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

	2015	2014	2013
Estimated	\$ 1,049,925	\$ 1,017,459	\$ 1,386,061
Actual	932,156	905,232	1,197,146

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 2015 and 2013 fiscal years. The status of the City's roads are 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 routing 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.

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

SUPPLEMENTARY INFORMATION

**City of Lake Worth, Texas
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2015**

Assets	Crime Control District	Public Educational Government Channel	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 20,120	\$ -	\$ 20,120
Investments	236,804	50,556	287,360
Accounts receivables	-	1,471	1,471
Due from other governments	67,110	-	67,110
Due from other funds	490	-	490
Prepaid expenses	7,735	-	7,735
Total assets	\$ 332,259	\$ 52,027	\$ 384,286
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,475	\$ -	\$ 4,475
Accrued liabilities	18,668	-	18,668
Total liabilities	23,143	-	23,143
Fund balances:			
Non-spendable for prepaid expenses	7,735	-	7,735
Restricted for:			
Crime control	301,381	-	301,381
Public educational government channel	-	52,027	52,027
Total fund balances	309,116	52,027	361,143
Total liabilities and fund balances	\$ 332,259	\$ 52,027	\$ 384,286

City of Lake Worth, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2015

	Crime Control District	Public Educational Government Channel	Total Nonmajor Governmental Funds
Revenues			
Sales tax	\$ 927,204	\$ -	\$ 927,204
Investment earnings	144	52	196
Miscellaneous	368	5,987	6,355
Total revenues	927,716	6,039	933,755
Expenditures			
Police	768,976	-	768,976
Total expenditures	768,976	-	768,976
Excess of revenues over expenditures	158,740	6,039	164,779
Other financing uses			
Transfers out	(165,683)	-	(165,683)
Change in fund balance	(6,943)	6,039	(904)
Fund balance, beginning of year	316,059	45,988	362,047
Fund balance, end of year	<u>\$ 309,116</u>	<u>\$ 52,027</u>	<u>\$ 361,143</u>

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Worth, Texas, as of and for the year ended September 30, 2015, 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 February 4, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Worth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Worth's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Worth'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Worth'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Snow Garrett Williams
February 4, 2016

