

CITY OF LAGO VISTA, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

CITY OF LAGO VISTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Lago Vista, Texas
Lago Vista, TX 78645

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 City of Lago Vista, 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. 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 Lago Vista, 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 discussed in Note L to the financial statements, in 2015, the City adopted new accounting guidance prescribed by GASB #68 for its pension plan a nontraditional defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements, Statement of Net Position and Governmental Funds Balance Sheet discloses the City's Net Pension Asset and some deferred resources inflows and deferred resources outflows related to the City's pension plan. The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance discloses the adjustment to the City's Beginning Net Position. Our opinion is not modified with respect to the 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, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions on pages 3-8, 46, 47, 48 and 49 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.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

March 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lago Vista, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ended September 30, 2015. Please read it in conjunction with the independent auditors' report (an unqualified opinion) on page 1, and City's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$51,891,875(net position). Of this amount, the unrestricted net position was \$(20,226,294). The large negative balance in the unrestricted net position of the governmental activities is due to recording of the long-term debt as required by GASB #34. The assets are reflected in the business type activities while the long-term debt is shown in the governmental activities (financed by property taxes).
- The City's net position increased by \$251,253 as a result of this year's operations.
- At September 30, 2015, the City's governmental funds reported combined ending fund balances of \$2,766,239, a decrease of \$5,035,607 in comparison with the prior year.
- At September 30, 2015, the City's Enterprise Funds reported unrestricted net position of \$4,579,789, an increase of \$31,231 in comparison with the prior year.
- The City issued General Obligation Refunding Bonds, Series 2015 dated February 15, 2015 in the amount of \$6,955,000 to advance refund General Obligation Refunding Bonds, Series 2005. They also issued Limited Tax Note , Series 2015 in the amount of \$2,200,000 for capital projects.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (beginning on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 25) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions and the Notes to the Schedule of Contributions are presented as required supplementary information on page 46 through 49.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider other factors as well, such as changes in the City's customers or its property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activity:

- Governmental activity - Most of the City's basic services are reported here, including the public safety, public works, municipal court and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.
- Business-type activity - The City's water and sewer system and golf courses are reported as business-type activities since the fees charged to customers cover the cost of services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has two kinds of funds:

- Governmental funds - All of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note II to the financial statements.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. The City's enterprise fund (Water and Sewer and Golf Courses) is a business-type activity and provides both long and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the City's governmental activities decreased from \$1,973,374 to (\$4,186,929). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - were \$(25,552,929), at September 30, 2015. This decrease in governmental net position was the result of five factors. First, the City's expenditures exceeded the revenues by \$5,035,607. Second, the City acquired capital assets in the amount of \$847,168 and paid principal on long-term debt of \$8,646,048. Third, the City recorded depreciation in the amounts of \$785,200. Fourth the City issued \$2,200,000 Limited Tax Note, Series 2015 and \$6,955,000 General Obligation Refunding Bonds, Series 2015 and fifth, due to implementation of GASB Statement No. 68 a prior period adjustment was necessary in the amount of \$139,960.

Net position of the City's business-type activities increased from \$49,425,937 to \$56,078,804. Unrestricted net position was \$4,579,789. This increase in business-type net position was the result of net income of \$6,551,516 and due to implementation of GASB Statement No. 68 a prior period adjustment in the amount of \$101,351.

Table I
City of Lago Vista

NET POSITION

in thousands

| | Governmental Activities | | Business-Type Activities | | TOTALS Primary Government | |
|---|----------------------------|-----------|-----------------------------|-----------|------------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current Assets | \$ 578 | \$ 1,393 | \$ 5,674 | \$ 5,289 | \$ 6,252 | \$ 6,682 |
| Capital Assets | 21,019 | 20,957 | 50,887 | 45,028 | 71,906 | 65,985 |
| Restricted Assets | 3,976 | 8,094 | - | | 3,976 | 8,094 |
| Intangible Asset | 292 | 308 | | | 292 | 308 |
| Total Assets | \$ 25,865 | \$ 30,752 | \$ 56,561 | \$ 50,317 | \$ 82,426 | \$ 81,069 |
| Deferred Outflows of Resources | | | | | | |
| Deferred Charge for Refunding | \$ 330 | \$ 210 | \$ | \$ | \$ 330 | \$ 210 |
| Deferred Outflow Related to Pension | 143 | | 103 | | 246 | |
| Total Deferred Outflows of Resources | \$ 473 | \$ 210 | \$ 103 | \$ | \$ 576 | \$ 210 |
| Current and Long-Term Debt | \$ 29,340 | \$ 27,857 | \$ 113 | \$ 150 | \$ 29,453 | \$ 28,007 |
| Other Liabilities | 1,125 | 1,105 | 448 | 741 | 1,573 | 1,846 |
| Total Liabilities | \$ 30,465 | \$ 28,962 | \$ 561 | \$ 891 | \$ 31,026 | \$ 29,853 |
| Deferred Inflow of Resources | | | | | | |
| Unavailable Revenue - Property Taxes | \$ 27 | \$ 26 | \$ | \$ | \$ 27 | \$ 26 |
| Deferred Resource Inflow Related to Pension | 33 | | 24 | | 57 | |
| Total Deferred Inflows of Resources | \$ 60 | \$ 26 | \$ 24 | \$ | \$ 84 | \$ 26 |
| Net Position: | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | \$ 21,019 | \$ 21,266 | \$ 50,774 | \$ 44,877 | \$ 71,793 | \$ 66,143 |
| Restricted | 347 | 5,019 | 725 | | 1,072 | 5,019 |
| Unrestricted | (25,553) | (24,312) | 4,580 | 4,549 | (20,973) | (19,763) |
| Total Net Position | \$ (4,187) | \$ 1,973 | \$ 56,079 | \$ 49,426 | \$ 51,892 | \$ 51,399 |

Table II
City of Lago Vista

CHANGES IN NET POSITION
in thousands

| | Governmental Activities | | Business-Type Activities | | TOTALS Primary Government | |
|--------------------------------------|----------------------------|------------------|-----------------------------|------------------|------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues: | | | | | | |
| Charges for Services | \$ 900 | \$ 889 | \$ 5,153 | \$ 4,764 | \$ 6,053 | \$ 5,653 |
| Grants & Contributions | 831 | 6 | | | 831 | 6 |
| Property Tax | 4,204 | 3,923 | | | 4,204 | 3,923 |
| Sales Tax | 371 | 365 | | | 371 | 365 |
| Franchise Tax | 296 | 292 | | | 296 | 292 |
| Hotel/Motel Tax | 89 | 83 | | | 89 | 83 |
| Interest Income | 8 | 10 | 1 | 1 | 9 | 11 |
| Miscellaneous | 62 | 130 | 794 | 786 | 856 | 916 |
| Total Revenue | \$ 6,761 | \$ 5,698 | \$ 5,948 | \$ 5,551 | \$ 12,709 | \$ 11,249 |
| Expenses: | | | | | | |
| General Government | \$ 1,520 | \$ 1,366 | \$ | \$ | \$ 1,520 | \$ 1,366 |
| Public Safety | 2,009 | 1,778 | | | 2,009 | 1,778 |
| Community Development | 1,875 | 1,596 | | | 1,875 | 1,596 |
| Debt Service & Interest | 995 | 787 | 5 | 7 | 1,000 | 794 |
| Water | | | 1,873 | 1,840 | 1,873 | 1,840 |
| Wastewater | | | 968 | 952 | 968 | 952 |
| Recreation | | | 1,514 | 1,373 | 1,514 | 1,373 |
| Information Technology | | | 209 | | 209 | |
| Tourism | | | | | - | - |
| Capital Outlay | 7,314 | 6,583 | | | 7,314 | 6,583 |
| Depreciation | | | 1,334 | 1,146 | 1,334 | 1,146 |
| Total Expenses | \$ 13,713 | \$ 12,110 | \$ 5,903 | \$ 5,318 | \$ 19,616 | \$ 17,428 |
| Increase in Net Assets Before | | | | | | |
| Transfers & Capital Contributions | \$ (6,952) | \$ (6,412) | \$ 45 | \$ 233 | \$ (6,907) | \$ (6,179) |
| Capital Contributions | | | | | | |
| Capital Contributions | \$ 63 | 16,261 | \$ 7,096 | \$ 11,633 | \$ 7,159 | \$ 27,894 |
| Transfers | 589 | 1,583 | (589) | (1,583) | - | - |
| Total | \$ 652 | \$ 17,844 | \$ 6,507 | \$ 10,050 | \$ 7,159 | \$ 27,894 |
| Net Change | | | | | | |
| Net Change | \$ (6,300) | \$ 11,432 | \$ 6,552 | \$ 10,283 | \$ 252 | \$ 21,715 |
| Net Position, Beginning | 1,973 | (9,459) | 49,426 | 39,143 | 51,399 | 29,684 |
| Prior Period Adjustment | 140 | | 101 | | 241 | - |
| Net Position, Ending | \$ (4,187) | \$ 1,973 | \$ 56,079 | \$ 49,426 | \$ 51,892 | \$ 51,399 |

The cost of all governmental activities this year was \$13,713,994. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$4,146,148 because the other costs were paid by sales tax (\$371,054), franchise tax (\$295,608), motel and other taxes (\$89,021), user charges (\$900,420), grants and contributions (\$894,631), interest on investments (\$8,467) and other miscellaneous (\$62,290).

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$2,766,239, which is less than last year's total of \$7,801,846. Included in this year's total change in fund balance is an increase of \$52,038 in the City's General Fund. The increase in the General Fund was due to the excess of revenues over expenditures.

The City adopted the General Fund Budget. Actual revenues were less than the budgeted amounts and actual expenditures were less than the budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2015, the City had the following amounts invested in capital assets, net of depreciation:

CAPITAL ASSETS in thousands

| | Governmental Activities | | Business-Type Activities | | TOTALS Primary Government | |
|--------------------------------|----------------------------|-----------|-----------------------------|-----------|------------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 1,052 | \$ 1,052 | \$ 3,272 | \$ 3,272 | \$ 4,324 | \$ 4,324 |
| Construction in Progress | 1,640 | 1,180 | 11,781 | 4,705 | 13,421 | 5,885 |
| Buildings & Streets | 12,605 | 12,605 | 919 | 919 | 13,523 | 13,524 |
| Improvements | 6,638 | 6,570 | 48,247 | 48,202 | 54,885 | 54,772 |
| Machinery & Equipment | 2,228 | 1,908 | 3,608 | 3,536 | 5,836 | 5,444 |
| Total Capital Assets | \$ 24,162 | \$ 23,315 | \$ 67,827 | \$ 60,634 | \$ 91,989 | \$ 83,949 |
| Less: Accumulated Depreciation | (3,143) | (2,358) | (16,940) | (15,605) | (20,083) | (17,963) |
| Capital Assets, Net | \$ 21,019 | \$ 20,957 | \$ 50,887 | \$ 45,029 | \$ 71,906 | \$ 65,986 |

More detailed information about the City's capital assets is presented in Note E and F to the financial statements.

DEBT

At September 30, 2015, the City had the following outstanding debt:

OUTSTANDING DEBT in thousands

| | Governmental Activities | | Business-Type Activities | | TOTALS Primary Government | |
|-------------------------------------|----------------------------|-----------|-----------------------------|--------|------------------------------|-----------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Bonds Payable | \$ 28,673 | \$ 27,387 | \$ | \$ | \$ 28,673 | \$ 27,387 |
| Loans Payable | 356 | 198 | 114 | 150 | 470 | 348 |
| Deferred Loss on Refunding Bonds | (330) | (210) | | | (330) | (210) |
| Accrued Compensation | 311 | 273 | | | 311 | 273 |
| Total Outstanding Debt | \$ 29,010 | \$ 27,648 | \$ 114 | \$ 150 | \$ 29,123 | \$ 27,798 |

For governmental activities, the City had \$29,009,518 in certificates of obligation and other debt outstanding, an increase of 5.0 percent. The City paid \$8,646,048 in principal on the outstanding long-term debt, issued loans for \$273,709, issued \$2,200,000 in Limited Tax Note, Series 2015 and issued \$6,955,000 General Obligation Refunding Bonds, Series 2015.

For business-type activities, the City had \$113,504 in loans outstanding. The City paid \$106,196 in principal on the outstanding long-term debt and issued loans for \$69,422.

More detailed information about the City's long-term liabilities is presented in Notes H, I and J to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund budget for 2016. Amounts available for appropriation in the General Fund budget are \$5,505,537 and expenditures are estimated to be \$5,311,552.

If these estimates are realized, the City's budgetary General fund balance is expected to increase by the close of 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the City's business office, at City of Lago Vista, Lago Vista, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

| | Primary Government | | Total |
|---|----------------------------|--------------------------------|----------------------|
| | Governmental Activities | Business Type Activities | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 214,462 | \$ 112,791 | \$ 327,253 |
| Investments - Current | 2,902,507 | 155,359 | 3,057,866 |
| Receivables (net of allowance for uncollectibles) | 886,265 | 856,533 | 1,742,798 |
| Internal Balances | (3,538,871) | 3,538,871 | - |
| Inventories | 3,398 | 218,684 | 222,082 |
| Prepaid Items | 15,641 | 13,327 | 28,968 |
| Restricted Assets: | | | |
| Restricted Asset - Impact Fees | - | 725,362 | 725,362 |
| Restricted Asset - Capital Improvements | 3,975,624 | - | 3,975,624 |
| Restricted Asset - Parkland Fees | 21,484 | - | 21,484 |
| Capital Assets: | | | |
| Land | 1,052,034 | 3,271,843 | 4,323,877 |
| Infrastructure, net | 10,118,610 | - | 10,118,610 |
| Buildings, net | 1,751,100 | 603,083 | 2,354,183 |
| Improvements other than Buildings, net | 5,797,939 | 34,812,413 | 40,610,352 |
| Machinery and Equipment, net | 659,463 | 630,545 | 1,290,008 |
| Construction in Progress | 1,639,896 | 11,569,260 | 13,209,156 |
| Net Pension Asset | 72,987 | 52,853 | 125,840 |
| Intangible Asset, Net | 292,427 | - | 292,427 |
| Total Assets | <u>25,864,966</u> | <u>56,560,924</u> | <u>82,425,890</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred Charge for Refunding | 330,215 | - | 330,215 |
| Deferred Outflow Related to Pension Plan | 142,663 | 103,308 | 245,971 |
| Total Deferred Outflows of Resources | <u>472,878</u> | <u>103,308</u> | <u>576,186</u> |
| LIABILITIES | | | |
| Accounts Payable | 647,452 | 279,182 | 926,634 |
| Intergovernmental Payable | 4,712 | 2,550 | 7,262 |
| Accrued Interest Payable | 169,518 | - | 169,518 |
| Unearned Revenues | 237,394 | 9,422 | 246,816 |
| Notes Payable - Current | - | 50,030 | 50,030 |
| Other Current Liabilities | 65,906 | 156,620 | 222,526 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 1,335,578 | - | 1,335,578 |
| Due in More Than One Year | 28,004,159 | 63,461 | 28,067,620 |
| Total Liabilities | <u>30,464,719</u> | <u>561,265</u> | <u>31,025,984</u> |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | 26,685 | - | 26,685 |
| Deferred Resource Inflow Related to Pension Plan | 33,369 | 24,163 | 57,532 |
| Total Deferred Inflows of Resources | <u>60,054</u> | <u>24,163</u> | <u>84,217</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 21,019,041 | 50,773,653 | 71,792,694 |
| Restricted for: | | | |
| Restricted for Capital Improvements | - | 725,362 | 725,362 |
| Restricted for Special Revenue | 325,475 | - | 325,475 |
| Restricted for Parkland Fees | 21,484 | - | 21,484 |
| Unrestricted Net Position | (25,552,929) | 4,579,789 | (20,973,140) |
| Total Net Position | <u>\$ (4,186,929)</u> | <u>\$ 56,078,804</u> | <u>\$ 51,891,875</u> |

CITY OF LAGO VISTA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Program Revenues | | | |
|----------------------------------|----------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Administration | \$ 607,739 | \$ 73,876 | \$ 18,459 | \$ - |
| Non Departmental | 42,301 | - | - | - |
| Development Services | 572,260 | 53,878 | - | - |
| Finance | 297,776 | - | - | - |
| Municipal Court | 95,808 | 76,230 | - | - |
| Police Department | 1,580,749 | - | - | - |
| Dispatching | 332,725 | - | - | - |
| Public Works Streets | 753,594 | - | - | - |
| Solid Waste | 627,700 | 678,176 | - | - |
| Building Maintenance | 46,978 | - | - | - |
| Recreation | 94,999 | 18,260 | - | - |
| Aviation | 18,703 | - | - | 63,364 |
| Library | 164,142 | - | - | - |
| Parks | 101,855 | - | - | - |
| Tourism | 67,218 | - | - | - |
| Bond Interest | 879,148 | - | - | - |
| Fiscal Agent's Fees | 2,650 | - | - | - |
| Issuance Costs | 114,210 | - | - | - |
| Capital Outlay | 7,313,439 | - | - | - |
| Total Governmental Activities: | 13,713,994 | 900,420 | 18,459 | 63,364 |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Golf Course Fund | 1,767,074 | 758,748 | - | 30,969 |
| Utility Fund | 4,137,630 | 4,393,828 | - | 7,065,306 |
| Total Business-Type Activities: | 5,904,704 | 5,152,576 | - | 7,096,275 |
| TOTAL PRIMARY GOVERNMENT: | \$ 19,618,698 | \$ 6,052,996 | \$ 18,459 | \$ 7,159,639 |

General Revenues:

Taxes:

Property Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position--Ending

The notes to the financial statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-----------------------------|----------------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ (515,404) | \$ - | \$ (515,404) |
| (42,301) | - | (42,301) |
| (518,382) | - | (518,382) |
| (297,776) | - | (297,776) |
| (19,578) | - | (19,578) |
| (1,580,749) | - | (1,580,749) |
| (332,725) | - | (332,725) |
| (753,594) | - | (753,594) |
| 50,476 | - | 50,476 |
| (46,978) | - | (46,978) |
| (76,739) | - | (76,739) |
| 44,661 | - | 44,661 |
| (164,142) | - | (164,142) |
| (101,855) | - | (101,855) |
| (67,218) | - | (67,218) |
| (879,148) | - | (879,148) |
| (2,650) | - | (2,650) |
| (114,210) | - | (114,210) |
| (7,313,439) | - | (7,313,439) |
| <u>(12,731,751)</u> | <u>-</u> | <u>(12,731,751)</u> |
| - | (977,357) | (977,357) |
| - | 7,321,504 | 7,321,504 |
| <u>-</u> | <u>6,344,147</u> | <u>6,344,147</u> |
| <u>(12,731,751)</u> | <u>6,344,147</u> | <u>(6,387,604)</u> |
| 2,238,920 | - | 2,238,920 |
| 1,907,228 | - | 1,907,228 |
| 371,054 | - | 371,054 |
| 295,608 | - | 295,608 |
| 89,021 | - | 89,021 |
| 57,450 | - | 57,450 |
| 812,808 | - | 812,808 |
| 62,290 | 795,079 | 857,369 |
| 8,467 | 932 | 9,399 |
| 588,642 | (588,642) | - |
| <u>6,431,488</u> | <u>207,369</u> | <u>6,638,857</u> |
| (6,300,263) | 6,551,516 | 251,253 |
| 1,973,374 | 49,425,937 | 51,399,311 |
| 139,960 | 101,351 | 241,311 |
| <u>\$ (4,186,929)</u> | <u>\$ 56,078,804</u> | <u>\$ 51,891,875</u> |

CITY OF LAGO VISTA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

| | General Fund | Capital Projects | Debt Service Fund |
|---|----------------------|---------------------|----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 214,462 | \$ - | \$ - |
| Investments - Current | 1,842,832 | 653,274 | 85,795 |
| Taxes Receivable | 286,544 | - | 247,157 |
| Receivables (Net) | 199,960 | - | - |
| Intergovernmental Receivables | 66,291 | - | - |
| Due from Other Funds | 9,194,543 | - | 70,374 |
| Inventories | 3,398 | - | - |
| Prepaid Items | 15,641 | - | - |
| Restricted Asset - Capital Improvements | - | 3,975,624 | - |
| Restricted Asset - Parkland Fees | 21,484 | - | - |
| Total Assets | <u>\$ 11,845,155</u> | <u>\$ 4,628,898</u> | <u>\$ 403,326</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 271,383 | \$ 297,451 | \$ - |
| Wages and Salaries Payable | 71,619 | - | - |
| Intergovernmental Payable | 4,712 | - | - |
| Due to Other Funds | 8,250,316 | 4,534,615 | - |
| Accrued Interest Payable | - | - | 169,518 |
| Unearned Revenues | 60,000 | 177,394 | - |
| Other Current Liabilities | 65,906 | - | - |
| Total Liabilities | <u>8,723,936</u> | <u>5,009,460</u> | <u>169,518</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | 286,544 | - | 247,157 |
| Total Deferred Inflows of Resources | <u>286,544</u> | <u>-</u> | <u>247,157</u> |
| FUND BALANCES | | | |
| Restricted Fund Balance: | | | |
| Restricted for Tourism | - | - | - |
| Parkland Fees | 21,484 | - | - |
| Unassigned Fund Balance | 2,813,191 | (380,562) | (13,349) |
| Total Fund Balances | <u>2,834,675</u> | <u>(380,562)</u> | <u>(13,349)</u> |
| Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 11,845,155</u> | <u>\$ 4,628,898</u> | <u>\$ 403,326</u> |

The notes to the financial statements are an integral part of this statement.

| Hotel Fund | Total Governmental Funds |
|-------------------|--------------------------------|
| \$ - | \$ 214,462 |
| 320,607 | 2,902,508 |
| - | 533,701 |
| 30,725 | 230,685 |
| - | 66,291 |
| - | 9,264,917 |
| - | 3,398 |
| - | 15,641 |
| - | 3,975,624 |
| - | 21,484 |
| <u>\$ 351,332</u> | <u>\$ 17,228,711</u> |
| | |
| \$ 7,000 | \$ 575,834 |
| - | 71,619 |
| - | 4,712 |
| 18,857 | 12,803,788 |
| - | 169,518 |
| - | 237,394 |
| - | 65,906 |
| <u>25,857</u> | <u>13,928,771</u> |
| | |
| - | 533,701 |
| - | 533,701 |
| | |
| 325,475 | 325,475 |
| - | 21,484 |
| - | 2,419,280 |
| <u>325,475</u> | <u>2,766,239</u> |
| | |
| <u>\$ 351,332</u> | <u>\$ 17,228,711</u> |

CITY OF LAGO VISTA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015

| | | |
|--|-----------|--------------------|
| Total Fund Balances - Governmental Funds | \$ | 2,766,239 |
| | | |
| The implementation of GASB 68 for this fiscal year required that the City report their net pension asset in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension asset of \$72,987, a Deferred Resource Outflow of \$142,663 and a Deferred Resource Inflow of \$33,369. The net effect of these was to increase the ending net position by \$182,281. | | 182,281 |
| | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$23,314,749 and the accumulated depreciation was \$2,357,676. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. | | (6,509,101) |
| | | |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to decrease net position. | | (387,507) |
| | | |
| The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | | (801,445) |
| | | |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position. | | 562,604 |
| | | |
| Net Position of Governmental Activities | \$ | (4,186,929) |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | General Fund | Capital Projects | Debt Service Fund |
|---|---------------------|---------------------|----------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Property Taxes | \$ 2,252,951 | \$ - | \$ 1,943,270 |
| General Sales and Use Taxes | 371,054 | - | - |
| Franchise Tax | 295,608 | - | - |
| Other Taxes | 8,694 | - | - |
| Licenses and Permits | 115,835 | - | - |
| Intergovernmental Revenue and Grants | 18,459 | 876,172 | - |
| Charges for Services | 716,434 | - | - |
| Fines | 76,230 | - | - |
| Investment Earnings | 2,351 | 5,253 | 521 |
| Other Revenue | 32,791 | 18,244 | - |
| Total Revenues | <u>3,890,407</u> | <u>899,669</u> | <u>1,943,791</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Administration | 535,067 | - | - |
| Non Departmental | 36,500 | - | - |
| Development Services | 532,870 | - | - |
| Finance | 251,246 | - | - |
| Municipal Court | 82,329 | - | - |
| Police Department | 1,538,971 | - | - |
| Dispatching | 292,256 | - | - |
| Public Works Streets | 742,734 | - | - |
| Solid Waste | 544,170 | - | - |
| Building Maintenance | 40,536 | - | - |
| Recreation | 81,971 | - | - |
| Aviation | 16,138 | - | - |
| Library | 142,030 | - | - |
| Culture and Recreation: | | | |
| Parks | 147,958 | - | - |
| Tourism | - | - | - |
| Debt Service: | | | |
| Bond Principal | - | - | 1,086,000 |
| Bond Interest | - | - | 909,208 |
| Fiscal Agent's Fees | - | - | 2,650 |
| Issuance Costs | - | 27,800 | 86,410 |
| Capital Outlay: | | | |
| Capital Outlay | - | 7,840,540 | - |
| Total Expenditures | <u>4,984,776</u> | <u>7,868,340</u> | <u>2,084,268</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,094,369)</u> | <u>(6,968,671)</u> | <u>(140,477)</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Capital-related Debt Issued (Regular Bonds) | - | 2,200,000 | 6,955,000 |
| Sale of Real and Personal Property | 958 | - | - |
| Non-Current Loans | 273,711 | - | - |
| Transfers In | 1,000,000 | (283,096) | (233,728) |
| Premium or Discount on Issuance of Bonds | - | - | 725,023 |
| Transfers Out (Use) | (128,262) | - | 233,728 |
| Other (Uses) | - | - | (7,598,093) |
| Total Other Financing Sources (Uses) | <u>1,146,407</u> | <u>1,916,904</u> | <u>81,930</u> |
| Net Change in Fund Balances | 52,038 | (5,051,767) | (58,547) |
| Fund Balance - October 1 (Beginning) | <u>2,782,637</u> | <u>4,671,205</u> | <u>45,198</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 2,834,675</u> | <u>\$ (380,562)</u> | <u>\$ (13,349)</u> |

The notes to the financial statements are an integral part of this statement.

| Hotel Fund | Total Governmental Funds |
|--------------------------|--------------------------------|
| \$ - | \$ 4,196,221 |
| - | 371,054 |
| - | 295,608 |
| 80,327 | 89,021 |
| - | 115,835 |
| - | 894,631 |
| - | 716,434 |
| - | 76,230 |
| 342 | 8,467 |
| - | <u>51,035</u> |
| <u>80,669</u> | <u>6,814,536</u> |
| - | 535,067 |
| - | 36,500 |
| - | 532,870 |
| - | 251,246 |
| - | 82,329 |
| - | 1,538,971 |
| - | 292,256 |
| - | 742,734 |
| - | 544,170 |
| - | 40,536 |
| - | 81,971 |
| - | 16,138 |
| - | 142,030 |
| - | 147,958 |
| 58,000 | 58,000 |
| - | 1,086,000 |
| - | 909,208 |
| - | 2,650 |
| - | 114,210 |
| - | <u>7,840,540</u> |
| <u>58,000</u> | <u>14,995,384</u> |
| <u>22,669</u> | <u>(8,180,848)</u> |
| - | 9,155,000 |
| - | 958 |
| - | 273,711 |
| - | 483,176 |
| - | 725,023 |
| - | 105,466 |
| - | <u>(7,598,093)</u> |
| - | <u>3,145,241</u> |
| <u>22,669</u> | <u>(5,035,607)</u> |
| <u>302,806</u> | <u>7,801,846</u> |
| <u><u>\$ 325,475</u></u> | <u><u>\$ 2,766,239</u></u> |

CITY OF LAGO VISTA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | | |
|---|-----------|--------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | (5,035,607) |
| <p>The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the CHANGE in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expense were \$136,638 and total debits to expenses were \$94,317. The net effect on the change in net position on Exhibit B-1 is an increase of \$42,321.</p> | | |
| | | 42,321 |
| <p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to decrease the change in net position.</p> | | |
| | | (387,507) |
| <p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.</p> | | |
| | | (801,445) |
| <p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.</p> | | |
| | | (118,025) |
| Change in Net Position of Governmental Activities | \$ | (6,300,263) |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

| | Business-Type Activities - Enterprise Funds | | |
|--|---|-------------------|------------------------------|
| | Golf Course Fund | Utility Fund | Total Enterprise Funds |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 1,000 | \$ 111,791 | \$ 112,791 |
| Investments - Current | - | 155,359 | 155,359 |
| Restricted Assets - Current: | | | |
| Restricted Asset - Impact Fees | - | 725,362 | 725,362 |
| Accounts Receivable-Net of Uncollectible Allowance | 18,846 | 837,687 | 856,533 |
| Due from Other Funds | - | 5,498,355 | 5,498,355 |
| Inventories | 21,881 | 196,803 | 218,684 |
| Prepaid Items | 5,141 | 8,186 | 13,327 |
| Total Current Assets | 46,868 | 7,533,543 | 7,580,411 |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Land Purchase and Improvements | 935,399 | 2,336,444 | 3,271,843 |
| Buildings | 513,219 | 405,538 | 918,757 |
| Accumulated Depreciation - Buildings | (85,389) | (230,285) | (315,674) |
| Improvements other than Buildings | 1,547,151 | 46,911,570 | 48,458,721 |
| Accumulated Depreciation - Other Improvements | (328,587) | (13,317,721) | (13,646,308) |
| Machinery and Equipment | 1,506,223 | 2,102,260 | 3,608,483 |
| Accumulated Depreciation - Machinery & Equipment | (1,342,555) | (1,635,383) | (2,977,938) |
| Construction in Progress | 38,071 | 11,531,189 | 11,569,260 |
| Net Pension Asset | 17,618 | 35,235 | 52,853 |
| Total Noncurrent Assets | 2,801,150 | 48,138,847 | 50,939,997 |
| Total Assets | 2,848,018 | 55,672,390 | 58,520,408 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflow Related to Pension Plan | 34,436 | 68,872 | 103,308 |
| Total Deferred Outflows of Resources | 34,436 | 68,872 | 103,308 |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

| | Business-Type Activities - Enterprise Funds | | |
|--|---|-----------------|------------------------------|
| | Golf Course Fund | Utility Fund | Total Enterprise Funds |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | - | 55,305 | 55,305 |
| Wages and Salaries Payable | 34,986 | 36,804 | 71,790 |
| Compensated Absences Payable | 48,825 | 103,262 | 152,087 |
| Intergovernmental Payable | 2,550 | - | 2,550 |
| Due to Other Funds | 1,959,484 | - | 1,959,484 |
| Unearned Revenue | - | 9,422 | 9,422 |
| Notes Payable - Current | - | 50,030 | 50,030 |
| Other Current Liabilities | - | 156,620 | 156,620 |
| Total Current Liabilities | 2,045,845 | 411,443 | 2,457,288 |
| NonCurrent Liabilities: | | | |
| Notes Payable - Noncurrent | - | 63,461 | 63,461 |
| Total Noncurrent Liabilities | - | 63,461 | 63,461 |
| Total Liabilities | 2,045,845 | 474,904 | 2,520,749 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Resource Inflow - Related to Pension Plan | 8,054 | 16,109 | 24,163 |
| Total Deferred Inflows of Resources | 8,054 | 16,109 | 24,163 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 2,783,532 | 47,990,121 | 50,773,653 |
| Restricted for Capital Improvements | - | 725,362 | 725,362 |
| Unrestricted Net Position | (1,954,977) | 6,534,766 | 4,579,789 |
| Total Net Position | \$ 828,555 | \$ 55,250,249 | \$ 56,078,804 |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D-2 (Cont'd)

| | Business-Type Activities - Enterprise Funds | | |
|---|---|------------------|------------------------------|
| | Golf Course Fund | Utility Fund | Total Enterprise Funds |
| OPERATING REVENUES: | | | |
| Charges for Water Services | \$ - | \$ 2,493,332 | \$ 2,493,332 |
| Charges for Sewerage Service | - | 1,900,496 | 1,900,496 |
| Charges for Services - Golf Course | 758,748 | - | 758,748 |
| Rents and Royalties | 181,571 | - | 181,571 |
| Other Revenue | 188,782 | 424,726 | 613,508 |
| Total Operating Revenues | <u>1,129,101</u> | <u>4,818,554</u> | <u>5,947,655</u> |
| OPERATING EXPENSES: | | | |
| Utilities Administration | | | |
| Personnel Services - Salaries and Wages | - | 178,680 | 178,680 |
| Personnel Services - Employee Benefits | - | 72,181 | 72,181 |
| Purchased Professional & Technical Services | - | 113,924 | 113,924 |
| Purchased Property Services | - | 1,492 | 1,492 |
| Other Operating Expenses | - | 54,224 | 54,224 |
| Supplies | - | 17,764 | 17,764 |
| Total Utilities Administration | <u>-</u> | <u>438,265</u> | <u>438,265</u> |
| Water Services | | | |
| Personnel Services - Salaries and Wages | - | 288,690 | 288,690 |
| Personnel Services - Employee Benefits | - | 114,805 | 114,805 |
| Purchased Professional & Technical Services | - | 4,904 | 4,904 |
| Purchased Property Services | - | 79,716 | 79,716 |
| Other Operating Expenses | - | 13,543 | 13,543 |
| Supplies | - | 87,220 | 87,220 |
| Total Water Services | <u>-</u> | <u>588,878</u> | <u>588,878</u> |
| Water Plant | | | |
| Personnel Services - Salaries and Wages | - | 104,014 | 104,014 |
| Personnel Services - Employee Benefits | - | 39,428 | 39,428 |
| Purchased Professional & Technical Services | - | 58,619 | 58,619 |
| Purchased Property Services | - | 265,862 | 265,862 |
| Other Operating Expenses | - | 3,103 | 3,103 |
| Supplies | - | 375,701 | 375,701 |
| Total Water Plant | <u>-</u> | <u>846,727</u> | <u>846,727</u> |
| Wastewater Services | | | |
| Personnel Services - Salaries and Wages | - | 107,710 | 107,710 |
| Personnel Services - Employee Benefits | - | 45,315 | 45,315 |
| Purchased Professional & Technical Services | - | 16,793 | 16,793 |
| Purchased Property Services | - | 145,355 | 145,355 |
| Other Operating Expenses | - | 3,245 | 3,245 |
| Supplies | - | 71,105 | 71,105 |
| Total Wastewater Services | <u>-</u> | <u>389,523</u> | <u>389,523</u> |
| Wastewater Plant | | | |
| Personnel Services - Salaries and Wages | - | 90,770 | 90,770 |
| Personnel Services - Employee Benefits | - | 40,233 | 40,233 |
| Purchased Professional & Technical Services | - | 78,521 | 78,521 |
| Purchased Property Services | - | 104,206 | 104,206 |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

| | Business-Type Activities - Enterprise Funds | | |
|--|---|-----------------|------------------------------|
| | Golf Course Fund | Utility Fund | Total Enterprise Funds |
| Other Operating Expenses | - | 1,914 | 1,914 |
| Supplies | - | 21,989 | 21,989 |
| Total Wastewater Plant | - | 337,633 | 337,633 |
| Golf Course | | | |
| Personnel Services - Salaries and Wages | 559,865 | - | 559,865 |
| Personnel Services - Employee Benefits | 227,416 | - | 227,416 |
| Purchased Professional & Technical Services | 96,999 | - | 96,999 |
| Purchased Property Services | 343,157 | - | 343,157 |
| Other Operating Expenses | 37,525 | - | 37,525 |
| Supplies | 248,816 | - | 248,816 |
| Total Golf Course | 1,513,778 | - | 1,513,778 |
| Effluent Disposal | | | |
| Personnel Services - Salaries and Wages | - | 91,823 | 91,823 |
| Personnel Services - Employee Benefits | - | 42,003 | 42,003 |
| Purchased Professional & Technical Services | - | 20,880 | 20,880 |
| Purchased Property Services | - | 78,275 | 78,275 |
| Other Operating Expenses | - | 431 | 431 |
| Supplies | - | 7,451 | 7,451 |
| Total Effluent Disposal | - | 240,863 | 240,863 |
| Information Technology | | | |
| Personnel Services - Salaries and Wages | - | 58,800 | 58,800 |
| Personnel Services - Employee Benefits | - | 15,011 | 15,011 |
| Purchased Professional & Technical Services | - | 4,393 | 4,393 |
| Purchased Property Services | - | 56,819 | 56,819 |
| Other Operating Expenses | - | 50,945 | 50,945 |
| Supplies | - | 23,770 | 23,770 |
| Total Information Technology | - | 209,738 | 209,738 |
| Depreciation | 252,226 | 1,082,318 | 1,334,544 |
| Total Operating Expenses | 1,766,004 | 4,133,945 | 5,899,949 |
| Operating Income (Loss) | (636,903) | 684,609 | 47,706 |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Investment Earnings | - | 932 | 932 |
| Interest Expense - Non-Operating | (1,070) | (3,685) | (4,755) |
| Total Non-operating Revenue (Expenses) | (1,070) | (2,753) | (3,823) |
| Income (Loss) Before Contributions & Transfers | (637,973) | 681,856 | 43,883 |
| Capital Contributions | 30,969 | 7,065,306 | 7,096,275 |
| Non-Operating Transfer In | - | 128,262 | 128,262 |
| Transfers Out | - | (716,904) | (716,904) |
| Change in Net Position | (607,004) | 7,158,520 | 6,551,516 |
| Total Net Position - October 1 (Beginning) | 1,401,775 | 48,024,162 | 49,425,937 |
| Prior Period Adjustment | 33,784 | 67,567 | 101,351 |
| Total Net Position - September 30 (Ending) | \$ 828,555 | \$ 55,250,249 | \$ 56,078,804 |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D-3 (Cont'd)

| | Business-Type Activities | | |
|--|--------------------------|-------------------|------------------------------|
| | Golf Course Fund | Utility Fund | Total Enterprise Funds |
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from User Charges | \$ 745,291 | \$ 4,305,062 | \$ 5,050,353 |
| Cash Received from Assessments - Other Funds | 370,352 | 141,630 | 511,982 |
| Cash Payments to Employees for Services | (781,070) | (1,347,664) | (2,128,734) |
| Cash Payments for Suppliers | (248,816) | (605,000) | (853,816) |
| Cash Payments for Other Operating Expenses | (42,459) | (1,511,540) | (1,553,999) |
| Net Cash Provided by Operating Activities | <u>43,298</u> | <u>982,488</u> | <u>1,025,786</u> |
| <u>Cash Flows from Non-Capital Financing Activities:</u> | | | |
| Operating Transfer Out | <u>-</u> | <u>(588,642)</u> | <u>(588,642)</u> |
| <u>Cash Flows from Capital & Related Financing Activities:</u> | | | |
| Acquisition of Capital Assets | (30,970) | (7,163,061) | (7,194,031) |
| Capital Contributed by Other Funds | 30,970 | 7,065,306 | 7,096,276 |
| Principal Payments - Notes | (42,228) | (63,981) | (106,209) |
| Interest Paid | (1,070) | (3,685) | (4,755) |
| Loan Proceeds | - | 69,422 | 69,422 |
| Restricted Assets | - | (297,834) | (297,834) |
| Net Cash Provided by (Used for) Capital & Related Financing Activities | <u>(43,298)</u> | <u>(393,833)</u> | <u>(437,131)</u> |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Interest and Dividends on Investments | <u>-</u> | <u>932</u> | <u>932</u> |
| Net Increase in Cash and Cash Equivalents | - | 945 | 945 |
| Cash and Cash Equivalents at Beginning of the Year: | <u>1,000</u> | <u>266,205</u> | <u>267,205</u> |
| Cash and Cash Equivalents at the End of the Year: | <u>\$ 1,000</u> | <u>\$ 267,150</u> | <u>\$ 268,150</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT D-3

| | Business-Type Activities | | |
|--|--------------------------|-------------------|------------------------------|
| | Golf Course Fund | Utility Fund | Total Enterprise Funds |
| <u>Reconciliation of Operating Income (Loss) to Net Cash</u> | | | |
| <u>Provided By Operating Activities:</u> | | | |
| Operating Income (Loss): | \$ (636,903) | \$ 684,609 | \$ 47,706 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 252,226 | 1,082,318 | 1,334,544 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | | | |
| Decrease (increase) in Receivables | (13,457) | (88,766) | (102,223) |
| Decrease (increase) in Inventories | 2,718 | - | 2,718 |
| Increase (decrease) in Unearned Revenue | - | (283,096) | (283,096) |
| Increase (decrease) in Accounts Payable | - | (447) | (447) |
| Increase (decrease) in Pension Asset | (10,216) | (20,431) | (30,647) |
| Increase (decrease) in Compensated Absences | 14,132 | (35,671) | (21,539) |
| Increase (decrease) in Intergovernmental | 999 | - | 999 |
| Increase (decrease) in Due to Other Funds | 431,505 | (364,676) | 66,829 |
| Increase (decrease) in Wages Payable | 2,294 | (2,099) | 195 |
| Increase (decrease) in Other Current Liabilities | - | 10,747 | 10,747 |
| Net Cash Provided by Operating Activities | <u>\$ 43,298</u> | <u>\$ 982,488</u> | <u>\$ 1,025,786</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

| | Total Pension Trust Fund |
|---|--------------------------------|
| <hr/> | |
| ASSETS | |
| Restricted Asset - Deferred Compensation Plan | \$ 741,022 |
| Total Assets | <u>741,022</u> |
| LIABILITIES | |
| Due to Others | <u>741,022</u> |
| Total Liabilities | <u>741,022</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lago Vista, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Lago Vista nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes, franchise taxes and user charges. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the governmental-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989 for its business-type and enterprise fund activities.

D. Fund Accounting

The City reports the following major governmental funds:

1. **The General Fund** - The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

3. **Capital Projects Fund** - The Capital Projects Fund is used to account for the financial resources used for acquisition of major capital improvements.

Additionally, the City reports the following fund type(s):
Governmental Funds:

1. **Special Revenue Funds** - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Fund:

1. **Enterprise Funds** – The Utility Fund and Golf Course Fund are operated as Enterprise Funds.

E. Other Accounting Policies

1. In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

2. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
3. All inventories are valued at cost using the weighted average cost method. The consumption method is used to account for governmental fund type inventories. Under the consumption method, inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
4. Capital assets, which include land, buildings, furniture and equipment 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 estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Buildings | 30-50 |
| Improvements | 10-30 |
| Equipment | 3-10 |

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

5. Beginning with fiscal year end September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

6. Implementation of new GASB Accounting Standard:

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

7. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
8. The original budget is adopted by the City Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

9. Pensions. For purposes of measuring the net pension liability or asset, 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.
10. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

NOTE II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2015, the carrying amount of the City's deposits was \$326,058 and the bank balance was \$509,080. The City's cash deposits held at Security State Bank at September 30, 2015 and during the year ended September 30, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8)

investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Temporary investments:

| | Carrying Amount | Market Value | FDIC Coverage | Pledged Securities |
|-------|--------------------|-----------------|------------------|-----------------------|
| LOGIC | \$ 7,780,335 | \$ 7,780,335 | \$ - 0 - | \$ - 0 - |

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2015 were covered by depository insurance or by pledged collateral held by the City's agent bank in the City's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Logic Investment Pool invests only in investments authorized under the Public Funds Investment Act. Logic's portfolio has low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net position value and must take immediate action if the net position value of the portfolio falls below \$.995 or rises above \$1.005.

B. Property Taxes

The city levies taxes on real property within the city on October 1 each year which is the lien date. Such taxes become delinquent the following February 1. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The Travis County Appraisal District appraises and collects taxes for the city. For the 2014 tax roll, the tax rate was \$.349 for maintenance and operations and \$.3010 for interest and sinking. The total tax rate was \$.65 per \$100 valuation and the total property valuation was \$648,269,778.

C. Court Fines and Fees Receivable

In accordance with GASB Statement Number 34, the City has determined the amount of court fines and fees receivable to be \$185,292. Based on historical collection rates for the various courts, the City has booked an allowance for uncollectible court fines and fees of \$129,705, resulting in a net receivable of \$55,588.

D. Restricted Assets

Restricted assets represent cash that has been set aside for future payment of revenue bonds and capital improvements. A summary of restricted assets at September 30, 2015 appears below:

| | |
|---------------------------------|---------------------|
| General Fund- | |
| Park Land Fees | 21,484 |
| Capital Projects Fund - | |
| Airport Taxiway | 35 |
| Austin Boulevard Paving | 26,495 |
| 2015 Tax Note | 2,052,640 |
| 2014 Certificates of Obligation | 702,195 |
| Hollows/Centex LOC | 340,998 |
| LVISD Utility Improvements | 98,388 |
| PID Offset Utilities | |
| Jonestown/LV/Centex Settlement | 424,272 |
| LCRA Hollows Water Quality Impr | 330,601 |
| Utility Fund- | |
| Impact Fees | 725,362 |
| Pension Trust Fund- | |
| Deferred Compensation Plan | 741,022 |
| Total Restricted Assets | <u>\$ 5,463,492</u> |

E. Capital Asset Activity

Changes in Governmental fixed assets during the year ended September 30, 2015 were as follows:

| | Primary Government | | | |
|-------------------------------|----------------------|------------------|-------------|----------------------|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Governmental Activities: | | | | |
| Land | \$ 1,052,035 | \$ | \$ | \$ 1,052,035 |
| Buildings & Streets | 12,604,514 | | | 12,604,514 |
| Machinery & Equipment | 988,040 | 127,818 | | 1,115,858 |
| Autos & Trucks | 820,933 | 192,249 | | 1,013,182 |
| Furniture & Fixtures | 98,623 | | | 98,623 |
| Improvements | 6,570,399 | 67,409 | | 6,637,808 |
| Construction in Progress | 1,180,205 | 459,692 | | 1,639,897 |
| Totals at Historic Cost | \$ 23,314,749 | \$ 847,168 | \$ - | \$ 24,161,917 |
| Less Accumulated Depreciation | (2,357,676) | (785,200) | | (3,142,876) |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>\$ 20,957,073</u> | <u>\$ 61,968</u> | <u>\$ -</u> | <u>\$ 21,019,041</u> |

F. Property, Plant and Equipment

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

| | Balance 10/01/14 | Additions | Deletions | Balance 09/30/15 |
|--------------------------|---------------------|--------------|-----------|---------------------|
| Land | \$ 3,271,843 | \$ | \$ | \$ 3,271,843 |
| Buildings | 918,757 | | | 918,757 |
| Improvements | 12,074,083 | 24,650 | | 12,098,733 |
| Water Treatment Plant | 7,714,198 | 832 | | 7,715,030 |
| Construction in Progress | 4,704,539 | 7,076,656 | | 11,781,195 |
| Water and Sewer System | 28,413,405 | 19,619 | | 28,433,024 |
| Machinery & Equipment | 3,536,210 | 72,273 | | 3,608,483 |
| Totals | \$ 60,633,035 | \$ 7,194,030 | \$ - | \$ 67,827,065 |
| Accumulated Depreciation | (15,605,378) | (1,334,544) | | (16,939,922) |
| Fixed Assets, Net | \$ 45,027,657 | \$ 5,859,486 | \$ - | \$ 50,887,143 |

G. Intangible Asset

On December 3, 2012 the City purchased a 20 year public access to the school facilities from the Lago Vista Independent School District. The easement is being amortized over the contract period (20 years). The unamortized balance as of September 30, 2015 was \$292,427.

H. Changes in Long-Term Debt

A summary of changes in long-term debt follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|--|----------------------|---------------|--------------|-------------------|------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Bonds Payable | \$ 26,815,000 | \$ 9,155,000 | 8,531,000 | \$ 27,439,000 | \$ 1,218,000 |
| Premium on Bonds | 572,036 | 725,023 | 63,083 | 1,233,976 | |
| Compensated Absences | 272,790 | 37,759 | | 310,549 | |
| Loans Payable | 197,548 | 273,709 | 115,048 | 356,209 | 117,578 |
| Less: Deferred Loss on Refunding Bonds | (210,146) | (153,093) | 33,023 | (330,216) | |
| Governmental Activity Long-Term Debt | \$ 27,647,228 | \$ 10,038,398 | \$ 8,742,154 | \$ 29,009,518 | \$ 1,335,578 |
| <u>Business-Type Activities</u> | | | | | |
| Loans Payable - | | | | | |
| Water & Sewer Fund | \$ 108,063 | \$ 69,422 | 63,981 | \$ 113,504 | 50,030 |
| Golf Courses Fund | 42,215 | | 42,215 | - | - |
| Business Type Activity Long-Term Debt | \$ 150,278 | \$ 69,422 | \$ 106,196 | \$ 113,504 | \$ 50,030 |
| TOTAL ACTIVITIES | \$ 27,797,506 | \$ 10,107,820 | \$ 8,848,350 | \$ 29,123,022 | \$ 1,385,608 |

I. Bonds Payable

A detail of General Long-Term Debt is as follows:

| | <u>Balance at 9/30/15</u> | <u>Due within one Year</u> |
|--|-------------------------------|--------------------------------|
| \$6,515,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006 Date of Issue: October 5, 2006 Interest Rate 4.13% Balance, September 30, 2015 | \$ 4,655,000 | \$ 420,000 |
| \$2,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2008 Date of Issue: July 3, 2008 Interest Rate 3.87% Balance, September 30, 2015 | 1,451,000 | 88,000 |
| \$2,340,000 General Obligation Refunding Bonds, Series 2009 Date of Issue: August 20, 2009 Interest Rate 3.30% Balance, September 30, 2015 | 643,000 | 155,000 |
| \$4,535,000 General Obligation Refunding Bonds, Series 2011 Date of Issue: December 1, 2011 Interest Rate: 2.0% Balance, September 30, 2015 | 3,880,000 | 460,000 |
| \$7,655,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 Date of Issue: August 19, 2014 Interest Rate: 2.0-4.50% Balance, September 30, 2015 | 7,655,000 | 25,000 |
| \$2,200,000 Limited Tax Note, Series 2015 Date of Issue: May 21, 2015 Interest Rate: 2.160% Balance, September 30, 2015 | 2,200,000 | 70,000 |
| \$6,955,000 General Obligation Refunding Bonds, Series 2015 Date of Issue: January 8, 2015 Interest Rate: 2.0-4.0% Balance, September 30, 2015 | <u>6,955,000</u> | <u>-</u> |
| TOTAL BONDS PAYABLE | <u>\$ 27,439,000</u> | <u>\$ 1,218,000</u> |

The annual requirements to amortize the obligation outstanding at September 30, 2015 follow:

General Long-Term Debt

| <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|----------------------|----------------------|----------------------|
| 2016 | \$ 1,218,000 | 999,755 | \$ 2,217,755 |
| 2017 | 1,284,000 | 953,131 | 2,237,131 |
| 2018 | 1,391,000 | 910,938 | 2,301,938 |
| 2019 | 1,458,000 | 866,720 | 2,324,720 |
| 2020 | 1,506,000 | 820,239 | 2,326,239 |
| 2021-2025 | 6,410,000 | 3,408,164 | 9,818,164 |
| 2026-2030 | 6,377,000 | 2,242,770 | 8,619,770 |
| 2031-2035 | <u>7,795,000</u> | <u>827,513</u> | <u>8,622,513</u> |
| Totals | <u>\$ 27,439,000</u> | <u>\$ 11,029,230</u> | <u>\$ 38,468,230</u> |

J. Notes Payable

The following is a summary of notes payable:

| | <u>Balance at</u> <u>9/30/15</u> | <u>Due Within</u> <u>One Year</u> |
|---|-------------------------------------|--------------------------------------|
| UTILITY FUND | | |
| Security State Bank, secured by Kubota Tractor, original amount \$28,950, payable in quarterly installments of \$2,554 (including interest at 3.5%) through January 2016. | 4,962 | 4,962 |
| Security State Bank, secured by Land Pride Shredder, original amount \$2,600, payable in quarterly installments of \$229 (including interest at 3.5%) through January 2016. | 446 | 446 |
| Security State Bank, secured by 2009 Doosan Lift Truck, original amount \$17,894, payable in quarterly installments of \$1,586 (including interest at 3.5%) through January, 2017 | 9,210 | 6,098 |
| Security State Bank, secured by 2014 Equipment Trailer, original amount \$8,875, payable in quarterly installments of \$783 (including interest at 3.5%) through January, 2017 | 4,545 | 3,009 |
| Security State Bank, secured by Magnum Light Tower, original amount \$8,500, payable in quarterly installments of \$750 (including interest at 3.5%) through January, 2017 | 4,353 | 2,882 |
| Security State Bank, secured by 2014 Coats Spin Tire Balancer, original amount \$3,000, payable in quarterly installments of \$265 (including interest at 3.5%) through January, 2017 | 1,536 | 1,017 |
| Security State Bank, secured by 2014 Chevrolet 3500 Truck, original amount \$32,542, payable in quarterly installments of \$2,871 (including interest at 3.5%) through March, 2017 | 16,690 | 11,037 |

| | <u>Balance at 9/30/15</u> | <u>Due Within One Year</u> |
|---|-------------------------------|--------------------------------|
| Security State Bank, secured by Kubota Utility Vehicle, original amount \$16,950, payable in quarterly installments of \$1,495 (including interest at 3.5%) through January 2016. | 2,906 | 2,906 |
| Security State Bank, secured by Rock Bucket, original amount \$995, payable in quarterly installments of \$88 (including interest at 3.5%) through January 2016. | 171 | 171 |
| Security State Bank, secured by 2012 Chevy 2500 Truck, original amount \$25,388 payable in quarterly installments of \$2,239 (including interest at 3.5%) through January 2016. | 4,403 | 4,403 |
| Security State Bank, secured by 2012 Doosan Lift Truck, original amount \$19,544 payable in quarterly installments of \$1,071 (including interest at 3.5%) through January, 2020 | 17,729 | 3,701 |
| Security State Bank, secured by Kubota Utility Vehicle, original amount \$17,695 payable in quarterly installments of \$969 (including interest at 3.5%) through January, 2020 | 16,052 | 3,351 |
| Security State Bank, secured by Four Post Lift, original amount \$3,879 payable in quarterly installments of \$213 (including interest at 3.5%) through January, 2020 | 3,517 | 734 |
| Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$28,304 payable in quarterly installments of \$1,551 (including interest at 3.5%) through April, 2020 | <u>26,984</u> | <u>5,313</u> |
| TOTAL ENTERPRISE FUNDS | <u>\$ 113,504</u> | <u>\$ 50,030</u> |

| GOVERNMENTAL FUNDS | <u>Balance at 9/30/15</u> | <u>Due Within One Year</u> |
|--|-------------------------------|--------------------------------|
| Security State Bank, secured by 2013 Silverado, original amount \$39,943, payable in quarterly installments of \$3,523 (including interest at 3.5%) through March, 2016 | 6,874 | 6,874 |
| Security State Bank, secured by Pro Turn 260 mower, original amount \$8,099, payable in quarterly installments of \$714 (including interest at 3.5%) through December, 2015 | 694 | 694 |
| Security State Bank, secured by 2006 Chevrolet bucket truck, original amount \$41,970, payable in quarterly installments of \$3,702 (including interest at 3.5%) through January, 2016 | 7,290 | 7,290 |
| Security State Bank, secured by 2014 Ford Explorer, original amount \$40,321, payable in quarterly installments of \$3,557 (including interest at 3.5%) through June, 2017 | 24,034 | 13,554 |
| Security State Bank, secured by 2014 Case 580N Backhoe, original amount \$86,089, payable in quarterly installments of \$7,594 (including interest at 3.5%) through January, 2017 | 44,066 | 29,189 |
| Security State Bank, secured by 2014 Chevrolet 2500 Truck, original amount \$25,286, payable in quarterly installments of \$2,231 (including interest at 3.5%) through January, 2017 | 12,943 | 8,573 |
| Security State Bank, secured by 2015 Chevrolet Express Van, original amount \$25,565, payable in quarterly installments of \$1,401 (including interest at 3.5%) through August, 2020 | 25,565 | 4,757 |
| Security State Bank, secured by Case F50B Tractor & Cutter, original amount \$38,450, payable in quarterly installments of \$2,107 (including interest at 3.5%) through January, 2020 | 34,879 | 7,281 |
| Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$23,146, payable in quarterly installments of \$1,268 (including interest at 3.5%) through May, 2020 | 22,071 | 4,345 |
| Security State Bank, secured by 2014 Top Hat BP Trailer, original amount \$1,764, payable in quarterly installments of \$97 (including interest at 3.5%) through January, 2020 | 1,601 | 334 |
| Security State Bank, secured by John Deere ATRAK Mower, original amount \$7,363, payable in quarterly installments of \$404 (including interest at 3.5%) through June, 2020 | 7,018 | 1,382 |
| Security State Bank, secured by Broyhill Stadium Sprayer, original amount \$6,801, payable in quarterly installments of \$373 (including interest at 3.5%) through May, 2020 | 6,482 | 1,277 |
| Security State Bank, secured by 2015 Trim Mower, original amount \$27,083, payable in quarterly installments of \$1,484 (including interest at 3.5%) through May, 2020 | 25,812 | 5,084 |
| Security State Bank, secured by 2015 Chevrolet Silverado, original amount \$23,146, payable in quarterly installments of \$1,268 (including interest at 3.5%) through May, 2020 | 22,067 | 4,345 |
| Security State Bank, secured by 2015 Ford Explorer Police, original amount \$39,997, payable in quarterly installments of \$2,192 (including interest at 3.5%) through June, 2020 | 38,144 | 7,508 |
| Security State Bank, secured by 2015 Ford Explorer Police, original amount \$39,997, payable in quarterly installments of \$2,192 (including interest at 3.5%) through June, 2020 | 38,144 | 7,508 |
| Security State Bank, secured by 2015 Ford Explorer Police, original amount \$40,397, payable in quarterly installments of \$2,214 (including interest at 3.5%) through June, 2020 | 38,525 | 7,583 |
| TOTAL GENERAL LONG-TERM DEBT | <u>\$ 356,209</u> | <u>\$ 117,578</u> |
| TOTAL NOTES PAYABLE | <u>\$ 469,713</u> | <u>\$ 167,608</u> |

The annual requirements to amortize the notes outstanding at September 30, 2015 follow:

| <u>September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|-------------------|------------------|-------------------|
| 2016 | \$ 167,608 | \$ 14,519 | \$ 182,127 |
| 2017 | 108,868 | 9,167 | 118,035 |
| 2018 | 69,256 | 5,948 | 75,204 |
| 2019 | 71,747 | 3,457 | 75,204 |
| 2020 | 52,234 | 1,116 | 53,350 |
| Totals | <u>\$ 469,713</u> | <u>\$ 34,207</u> | <u>\$ 503,920</u> |

K. Risk Management

The City of Lago Vista is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the City is generally limited to the contributed amounts. Contributions for the year ended September 30, 2015 were \$138,238.

L. Defined Benefit Pension Plan

Plan Description

The City of Lago Vista, Texas 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.tmr.com.

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

Benefits Provided

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

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

The plan 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 were as follows:

| | Plan Year 2014 | Plan Year 2015 |
|---|------------------------------|------------------------------|
| Employee Deposit Rate: | 6% | 6% |
| Matching Ratio (City to Employee) | 2 - 1 | 2 - 1 |
| Years required for Vesting | 5 | 5 |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated Service Credit | 100% Repeating, Transfers | 100% Repeating, Transfers |
| Annuity Increase (to retirees) | 0% of CPI | 0% of CPI |

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 | 25 |
| Inactive employees entitled to but not yet receiving benefits | 42 |
| Active employees | 87 |
| | 154 |

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 of Lago Vista, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lago Vista, Texas were 6.55% and 6.82% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$235,583, 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 Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability 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%. Based on the size of the city, rates are multiplied by a factor of 100%. 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.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Domestic Equity | 17.5% | 4.80% |
| International Equity | 17.5% | 6.05% |
| Core Fixed Income | 30.0% | 1.50% |
| Non-Core Fixed Income | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | 100.0% | |

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.

| | Increase/(Decrease) | | |
|---|----------------------------|---------------------------|----------------------------------|
| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a)-(b) |
| Balances as of December 31, 2013 | \$ 6,944,898 | \$ 7,032,295 | \$ (87,397) |
| Changes for the year: | | | |
| Service cost | 362,015 | | 362,015 |
| Interest | 489,774 | | 489,774 |
| Changes of Benefit Terms | | | - |
| Difference between Expected and Actual Experience | (73,396) | | - |
| Changes in Assumptions | | | - |
| Contributions - Employer | | 215,450 | (215,450) |
| Contributions - Employee | | 203,575 | (203,575) |
| Net investment income | | 402,356 | (402,356) |
| Benefit Payments, Including Refunds of Employee Contributions | (258,266) | (258,266) | - |
| Administrative Expense | | (4,200) | 4,200 |
| Other Changes | | (345) | 345 |
| | - | - | - |
| Net Changes | 520,127 | 558,570 | 34,953 |
| Balances as of December 31, 2014 | \$ 7,465,025 | \$ 7,590,865 | \$ (125,840) |

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 6.00% | Current Single Rate Assumption 7.00% | 1% Increase 8.00% |
|----------------------|---|----------------------|
| \$ 916,141 | \$ (125,840) | \$ (989,737) |

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.tmrs.com.

Pension Expense and 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 \$162,615.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 57,532 | |
| Changes of assumptions | - | |
| Net difference between projected and actual earnings | - | 71,924 |
| Contributions made subsequent to measurement date | - | 174,047 |

\$174,047 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | |
|-------------------------|------------------|
| 2015 | \$ 2,117 |
| 2016 | 2,117 |
| 2017 | 2,117 |
| 2018 | 8,041 |
| 2019 | - |
| Thereafter | - |
| Total | <u>\$ 14,392</u> |

M. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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 year ended 2015, 2014 and 2013 were \$6,795, \$6,477 and \$5,482 respectively, which equaled the required contributions each year.

N. Deferred Compensation Plan

The City offers its employees deferred compensation programs through Nationwide Retirement Solutions, Inc. The plan, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

O. Employee Insurance Benefits

All regular full time employees of the city are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the city through TML Group Benefits Risk Pool. The city pays the premium for eligible employees and employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

P. Interfund Transactions

Interfund balances at September 30, 2015 consisted of the following:

| | <u>Receivable</u> | <u>Payable</u> |
|-----------------------|----------------------|-----------------------------|
| General Fund | \$ 9,194,543 | \$ 8,250,316 |
| Debt Service Fund | 70,375 | |
| Special Revenue Fund | | 18,858 |
| Capital Projects Fund | | 4,534,615 |
| Golf Course Fund | | 1,959,484 |
| Utility Fund | <u>5,498,355</u> | <u> </u> |
| TOTALS | <u>\$ 14,763,273</u> | <u>\$ 14,763,273</u> |

During the year ended September 30, 2015, the City's transfers between funds consisted of:

| | Transfers In | Transfers Out |
|-----------------------|---------------------|---------------------|
| General Fund | \$ 1,000,000 | \$ 128,262 |
| Capital Projects Fund | | 283,096 |
| Golf Course | | |
| Utility Fund | 411,358 | 1,000,000 |
| TOTALS | \$ 1,411,358 | \$ 1,411,358 |

Q. Long-Term Debt-Advance Refundings

General Obligation Refunding Bonds – Series 2015

During 2015, the City advance refunded general obligation refunding bonds – Series 2005 (\$9,960,000). The bonds were called and were redeemed on February 15, 2015 by purchasing \$7,598,093 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2015 bonds mature on February 15, in each of the years 2016 through 2022, bearing interest at 2.16%. The refunding bonds resulted in a gross debt service loss of \$2,386,573 and the net present value savings of \$138,877. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

| Description | Refunded Amount | Balance 9/30/2015 |
|---|---------------------|----------------------|
| General Obligation – Refunding Bonds – Series 2005 | \$ 7,445,000 | \$ 6,525,000 |
| Total Amount refunded | \$ 7,445,000 | \$ 6,525,000 |

General Obligation Refunding Bonds – Series 2011

During 2012, the City advance refunded a portion of several of the City's obligations with one refunding, general obligation refunding bonds – Series 2011 (\$4,535,000). The various bonds were called and were redeemed on December 1, 2011 by purchasing \$4,612,372 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2011 bonds mature on February 15, in each of the years 2012 through 2023, bearing interest at 2.0% and 3.0%. The refunding bonds resulted in a gross debt service savings of \$351,141 and the net present value savings of \$293,664. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

| Description | Refunded Amount | Balance 9/30/2015 |
|--|---------------------|----------------------|
| Combination Tax & Limited Revenue – Refunding Bonds – Series 2003 | \$ 4,050,000 | \$ 3,685,000 |
| Limited Tax Notes – Series 2010 | 295,000 | 125,000 |
| Total Amount refunded | \$ 4,345,000 | \$ 3,810,000 |

General Obligation Refunding Bonds – Series 2009

During 2009, the City advance refunded a portion of several of the City's obligations with one refunding, general obligation refunding bonds - Series 2009 (\$2,340,000). The various bonds were called and were redeemed on August 20, 2009 by purchasing \$2,305,790 in U.S. State and Local Government securities. The various bonds have been defeased and removed as a liability of the City. The Series 2009 bonds mature on February 15, in each of the years 2010 through 2019, bearing interest at 3.3%. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

| <u>Description</u> | <u>Refunded Amount</u> | <u>Balance, 9/30/15</u> |
|--|----------------------------|-----------------------------|
| Combination Tax & Limited Revenue Refunding Bonds – Series 1999 | \$ 1,440,000 | \$ 655,000 |
| General Obligation Bonds - Series 1999 | <u>855,000</u> | |
| Total Amount Refunded | <u>\$ 2,295,000</u> | <u>\$ 655,000</u> |

R. Negative Unrestricted Net Position

The unrestricted net position for the governmental activities reflects a large negative balance. Since the City finances utility fund improvements with taxes, the assets are reflected in the utility fund while the debt is shown in the governmental activities. This causes a large negative balance for unrestricted net position in the governmental activities as shown below:

| | |
|--|------------------------|
| Long-term debt used to finance utility (enterprise) fund improvements - | \$ (26,815,000) |
| Unrestricted Net Position | <u>1,283,555</u> |
| As Reported on Exhibit A-1 | <u>\$ (25,531,445)</u> |

S. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

T. Cash Flows Statement – Supplemental Disclosures

Since the City is tax exempt, no income tax was paid in 2015 and 2014. The City paid interest in the amount of \$4,755 in 2015 and \$6,983 in 2014.

U. Public Improvement Districts

On May 11, 2012 the City granted a petition to create Tessera on Lake Travis Public Improvement District. The Petitioners proposed the District be managed by the City with, at the option of the City, the assistance of other parties as determined by the City. The costs and expenses of the services of such other parties shall be part of the cost of operating and administering the District. The City will not be obligated to provide any funds to finance construction of authorized improvements. All design and construction costs of authorized improvements will be paid from assessments and from other sources of funds, if any, available to the Petitioners.

On September 11, 2014 Hines Lake Travis Land II Limited Partnership conveyed Phase I assets of Tessera on Lake Travis Public Improvement District to the City. The governmental assets totaled \$12,798,379 in infrastructure, improvements and buildings and the proprietary fund assets (Utility Fund) totaled \$4,949,459 in system improvements. The total assets conveyed were \$17,747,838.

V. Excess of Expenditures Over Appropriations

Actual expenditures exceeded appropriations in the General Fund line items Development Services, Police Department and Parks but not in total.

W. Prior Period Adjustment

During fiscal year 2015, the City adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. Adoption of GASB Statement No. 68 required a prior period adjustment to report the effect of GASB Statement No. 68 retroactively. The amount of the prior period adjustment in the governmental activities is \$139,960 and \$101,351 in the business type activities. The restated beginning net position of the Governmental Activities is \$2,113,334 and in the Business Type Activities is \$49,527,288.

X. Subsequent Events

The City has evaluated subsequent events through March 11, 2016, the date which the financial statements were available to be issued. The City is considering a \$2.1 million tax notes issue to complete the utility system improvements. The City is not aware of any other subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT G-1

| | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---------------------|---------------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 2,236,956 | \$ 2,236,956 | \$ 2,252,951 | \$ 15,995 |
| General Sales and Use Taxes | 369,680 | 369,680 | 371,054 | 1,374 |
| Franchise Tax | 327,898 | 327,898 | 295,608 | (32,290) |
| Other Taxes | 9,000 | 9,000 | 8,694 | (306) |
| Licenses and Permits | 173,080 | 173,080 | 115,835 | (57,245) |
| Intergovernmental Revenue and Grants | 65,930 | 65,930 | 18,459 | (47,471) |
| Charges for Services | 700,231 | 700,231 | 716,434 | 16,203 |
| Fines | 102,282 | 102,282 | 76,230 | (26,052) |
| Investment Earnings | 2,300 | 2,325 | 2,351 | 26 |
| Other Revenue | 92,752 | 92,752 | 32,791 | (59,961) |
| Total Revenues | <u>4,080,109</u> | <u>4,080,134</u> | <u>3,890,407</u> | <u>(189,727)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Administration | 564,550 | 602,223 | 535,067 | 67,156 |
| Non Departmental | 11,500 | 36,500 | 36,500 | - |
| Development Services | 516,832 | 522,827 | 532,870 | (10,043) |
| Finance | 246,275 | 258,244 | 251,246 | 6,998 |
| Municipal Court | 104,103 | 107,470 | 82,329 | 25,141 |
| Police Department | 1,454,535 | 1,508,817 | 1,538,971 | (30,154) |
| Dispatching | 307,700 | 331,976 | 292,256 | 39,720 |
| Public Works Streets | 727,262 | 758,678 | 742,734 | 15,944 |
| Solid Waste | 546,583 | 546,583 | 544,170 | 2,413 |
| Building Maintenance | 43,246 | 43,246 | 40,536 | 2,710 |
| Recreation | 86,317 | 86,317 | 81,971 | 4,346 |
| Aviation | 23,141 | 23,141 | 16,138 | 7,003 |
| Library | 151,291 | 155,982 | 142,030 | 13,952 |
| Culture and Recreation: | | | | |
| Parks | 107,804 | 105,507 | 147,958 | (42,451) |
| Debt Service: | | | | |
| Other Debt Principal | - | 1,939 | - | 1,939 |
| Other Debt Interest | - | 359 | - | 359 |
| Total Expenditures | <u>4,891,139</u> | <u>5,089,809</u> | <u>4,984,776</u> | <u>105,033</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(811,030)</u> | <u>(1,009,675)</u> | <u>(1,094,369)</u> | <u>(84,694)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Real and Personal Property | - | - | 958 | 958 |
| Non-Current Loans | - | - | 273,711 | 273,711 |
| Transfers In | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Transfers Out (Use) | - | - | (128,262) | (128,262) |
| Total Other Financing Sources (Uses) | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,146,407</u> | <u>146,407</u> |
| Net Change in Fund Balances | 188,970 | (9,675) | 52,038 | 61,713 |
| Fund Balance - October 1 (Beginning) | <u>2,782,637</u> | <u>2,782,637</u> | <u>2,782,637</u> | <u>-</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 2,971,607</u> | <u>\$ 2,772,962</u> | <u>\$ 2,834,675</u> | <u>\$ 61,713</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2015

EXHIBIT G-2

| | 2015 |
|--|--------------|
| A. Total Pension Liability | |
| Service Cost | \$ 362,015 |
| Interest (on the Total Pension Liability) | 489,774 |
| Changes of Benefit Terms | -0- |
| Difference between Expected and Actual Experience | (73,396) |
| Changes of Assumptions | -0- |
| Benefit Payments, including refunds of employee contributions | (258,266) |
| | \$ 520,127 |
| Net change in Total Pension Liability | \$ 520,127 |
| Total Pension Liability - Beginning | 6,944,898 |
| Total Pension Liability - Ending | \$ 7,465,025 |
| B. Total Fiduciary Net Position | |
| Contributions - Employer | \$ 215,450 |
| Contributions - Employee | 203,575 |
| Net Investment Income | 402,356 |
| Benefit Payments, including refunds of employee contributions | (258,266) |
| Administrative Expense | (4,200) |
| Other | (345) |
| | \$ 558,570 |
| Net Change in Plan Fiduciary Net Position | \$ 558,570 |
| Plan Fiduciary Net Position - Beginning | 7,032,295 |
| Plan Fiduciary Net Position - Ending | \$ 7,590,865 |
| C. Net Pension Liability | \$ (125,840) |
| D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 101.69% |
| E. Covered Employee Payroll | \$ 3,392,918 |
| F. Net Pension Liability as a Percentage of Covered Employee Payroll | (3.71%) |

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF LAGO VISTA, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2015

EXHIBIT G-3

| | 2015 |
|---|--------------|
| Actuarially Determined Contribution | \$ 235,583 |
| Contributions in Relation to the Actuarially Determined Contributions | (235,583) |
| Contribution Deficiency (Excess) | \$ -0- |
| Covered Employee Payroll | \$ 3,491,490 |
| Contributions as a Percentage of Covered Employee Payroll | 6.75% |

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's current fiscal year as opposed to the time period covered by the measurement date.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF LAGO VISTA, TEXAS
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2015

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 3.0% |
| Salary Increases | 3.5% to 12.00% including inflation |
| Investment Rate of Return | 7.00% |
| Retirement Age | Experience-based tables 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 | RP-2000 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 |

Other Information:

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Lago Vista, Texas
Lago Vista, TX 78645

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 Lago Vista, 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 Lago Vista, Texas's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lago Vista, Texas'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 City of Lago Vista, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lago Vista, Texas'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 City of Lago Vista, Texas'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.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

March 11, 2016

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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March 11, 2016

Honorable Mayor and
Members of the City Council
City of Lago Vista, Texas
Lago Vista, TX 78645

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lago Vista, Texas for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 2, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lago Vista, Texas are described in Note 1 to the financial statements. GASB Statement No. 68 *Accounting and Reporting for Pensions* was adopted and the application of existing policies was not changed during the year ended September 30, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 11, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We did find non-material weakness, included for informational purposes as follows:

Prior Year Recommendations

Due To and Due From Accounts

The City utilizes due to and due from accounts. These accounts were out of balance at year end. The accounts should be reviewed and cleared periodically. We again recommend these accounts be reviewed prior to year end and reconciled.

Deferred Revenues – Capital Projects Contributions

The City maintains a subsidiary ledger for all CIP projects which reconcile to the general ledger for funds received and expenditures. However, the general ledger is not adjusted at year-end for deferred revenues on the CIP projects. We again recommend that the general ledger be adjusted at year-end for any deferred revenues.

This information is intended solely for the use of the City Council and management of City of Lago Vista and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas