

Town of Lakeside, Texas

Financial Statements

September 30, 2017

HMSW CPA, P.L.L.C.
Professional Limited Liability Company
1010 N. Center Street
Arlington, TX 76011
817-704-6400

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Lakeside, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Lakeside, Texas (the "Town") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town'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 an opinion 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 opinion.

Opinion

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 and each major fund of the Town of Lakeside, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

HMSW CPA

HMSW, CPA, P.L.L.C.
Arlington, Texas
January 3, 2018

Town of Lakeside, Texas
Government-Wide Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash-like investments	\$ 659,519	\$ 1,318,269	\$ 1,977,788
Certificates of deposit	600,967	140,298	741,265
Property taxes receivable, net of allowance for uncollectibles	-	-	-
Accounts receivable	17,288	112,028	129,316
Restricted assets:			
Customer deposits	-	46,598	46,598
Court technology fund	5,767	-	5,767
Court security fund	5,322	-	5,322
Economic development corporation	160,050	-	160,050
2013 Series bond fund	-	165,416	165,416
Debt service	-	21,221	21,221
Capital assets:			
Land	21,474	136,275	157,749
Building	225,221	65,519	290,740
Furniture and equipment	270,788	294,069	564,857
Water system	-	4,159,857	4,159,857
Sewer system	-	511,808	511,808
Less: accumulated depreciation	(353,571)	(1,568,218)	(1,921,789)
TOTAL ASSETS	\$ 1,612,825	\$ 5,403,140	\$ 7,015,965

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

Town of Lakeside, Texas
Government-Wide Statement of Net Position
September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 50,173	\$ 19,339	\$ 69,512
Accrued liabilities	40,664	6,738	47,402
Payable from restricted assets:			
Customer deposits	-	46,598	46,598
Court technology fund	5,767	-	5,767
Court security fund	5,322	-	5,322
Non-current liabilities:			
Due within one year:			
Long-term debt	-	100,000	100,000
Due in more than one year			
Long-term debt	-	2,110,000	2,110,000
Net pension liability	89,215	-	89,215
TOTAL LIABILITIES	<u>191,141</u>	<u>2,282,675</u>	<u>2,473,816</u>
NET POSITION			
Invested in capital assets , net of related debt	163,912	1,554,726	1,718,638
Unrestricted	1,257,772	1,565,739	2,823,511
TOTAL NET POSITION	<u>\$ 1,421,684</u>	<u>\$ 3,120,465</u>	<u>\$ 4,542,149</u>

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

Town of Lakeside, Texas
Government-Wide Statement of Activities
For the Year Ended September 30, 2017

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General and administrative	\$ 335,420	\$ 18,278	\$ -	\$ -
Corporation court	35,621	-	-	-
Public works	78,537	-	-	-
Police department	521,032	56,666	-	-
TOTAL GOVERNMENTAL ACTIVITIES	970,610	74,944	-	-
BUSINESS-TYPE ACTIVITIES				
Water, sewer and sanitation	912,266	1,220,273	-	-
Interest on long-term debt	71,245	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	983,511	1,220,273	-	-
TOTAL GOVERNMENT	\$ 1,954,121	\$ 1,295,217	\$ -	\$ -

GENERAL REVENUES

Property taxes
Franchise taxes
Sales taxes
Interest
Gain on sale of capital assets
Other

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, BEGINNING OF YEAR

NET POSITION, END OF YEAR

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

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (317,142)	\$ -	\$ (317,142)
(35,621)	-	(35,621)
(78,537)	-	(78,537)
(464,366)	-	(464,366)
(895,666)	-	(895,666)
-	308,007	308,007
-	(71,245)	(71,245)
-	236,762	236,762
(895,666)	236,762	(658,904)
447,511	-	447,511
114,625	-	114,625
220,027	-	220,027
4,118	4,759	8,877
135,123	-	135,123
50,314	-	50,314
971,718	4,759	976,477
76,052	241,521	317,573
1,345,632	2,878,944	4,224,576
\$ 1,421,684	\$ 3,120,465	\$ 4,542,149

Town of Lakeside, Texas

Balance Sheet

Governmental Funds

September 30, 2017

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash like investments	\$ 659,519	\$ 659,519
Certificates of deposit	600,967	600,967
Property taxes receivable, net of allowance for uncollectibles	-	-
Accounts receivable	17,288	17,288
Mineral lease receivable	-	-
Restricted assets:		
Court technology fund	5,767	5,767
Court security fund	5,322	5,322
Economic development corporation	160,050	160,050
TOTAL ASSETS	<u><u>\$ 1,448,913</u></u>	<u><u>\$ 1,448,913</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 50,173	\$ 50,173
Accrued liabilities	40,664	40,664
Payable from restricted assets:		
Court technology fund	5,767	5,767
Court security fund	5,322	5,322
TOTAL LIABILITIES	<u>101,926</u>	<u>101,926</u>
 FUND BALANCES		
Unassigned	<u>1,346,987</u>	<u>1,346,987</u>
TOTAL FUND BALANCES	<u>1,346,987</u>	<u>1,346,987</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 1,448,913</u></u>	 <u><u>\$ 1,448,913</u></u>

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

Town of Lakeside, Texas
Reconciliation of the Governmental Funds Balance Sheet to
Government-Wide Statement of Net Position
September 30, 2017

Total fund balance per governmental funds balance sheet	\$ 1,346,987
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	163,912
Net pension liability used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet	<u>(89,215)</u>
Total net position of governmental activities	<u><u>\$ 1,421,684</u></u>

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

Town of Lakeside, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Property taxes	\$ 447,511	\$ 447,511
Franchise taxes	114,625	114,625
Sales taxes	220,027	220,027
Fines and service fees	56,666	56,666
Permits and inspections	18,278	18,278
Interest	4,118	4,118
Other	447,135	447,135
	<u>1,308,360</u>	<u>1,308,360</u>
TOTAL REVENUES		
EXPENDITURES		
General and administrative	299,926	299,926
Corporation court	35,621	35,621
Public works	78,537	78,537
Police department	524,114	524,114
	<u>938,198</u>	<u>938,198</u>
TOTAL EXPENDITURES		
Excess (deficiency) of revenues over (under) expenditures	370,162	370,162
FUND BALANCE, BEGINNING OF YEAR	<u>976,825</u>	<u>976,825</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,346,987</u>	<u>\$ 1,346,987</u>

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

Town of Lakeside, Texas
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balance of Governmental Funds
 to the Statement of Activities
 For the Year Ended September 30, 2017

Net change in fund balance - total governmental funds	\$	370,162
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		29,776
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and contributions).</p>		(261,698)
<p>Depreciation on capital assets is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in governmental funds.</p>		(31,644)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Net pension obligation		(30,544)
Change in net position of governmental activities	\$	76,052

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

Town of Lakeside, Texas
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		favorable (unfavorable)
REVENUES				
Property taxes	\$ 452,656	\$ 452,656	\$ 447,511	\$ (5,145)
Franchise taxes	110,000	110,000	114,625	4,625
Sales taxes	233,811	233,811	220,027	(13,784)
Fines and service fees	32,000	32,000	56,666	24,666
Permits, plats and inspections	48,800	48,800	18,278	(30,522)
Interest	3,500	3,500	4,118	618
Other	434,790	434,790	447,135	12,345
TOTAL REVENUES	1,315,557	1,315,557	1,308,360	(7,197)
EXPENDITURES				
General and administrative	768,062	768,062	299,926	468,136
Corporation court	35,891	35,891	35,621	270
Public works	97,086	97,086	78,537	18,549
Police department	526,719	526,719	524,114	2,605
TOTAL EXPENDITURES	1,427,758	1,427,758	938,198	489,560
Excess (deficiency) of revenues over (under) expenditures:	\$ (112,201)	\$ (112,201)	370,162	\$ 482,363
FUND BALANCE, BEGINNING OF YEAR			976,825	
FUND BALANCE, END OF YEAR			\$ 1,346,987	

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

Town of Lakeside, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
ASSETS		
CURRENT ASSETS		
Cash and cash like investments	\$ 1,318,269	\$ 1,318,269
Certificates of deposit	140,298	140,298
Accounts receivable	112,028	112,028
TOTAL CURRENT ASSETS	1,570,595	1,570,595
NON-CURRENT ASSETS		
Restricted Assets		
Customer deposits	46,598	46,598
2013 Series bond fund	165,416	165,416
Debt service	21,221	21,221
TOTAL NON-CURRENT ASSETS	233,235	233,235
CAPITAL ASSETS		
Land	136,275	136,275
Building	65,519	65,519
Furniture and equipment	294,069	294,069
Water system	4,159,857	4,159,857
Sewer system	511,808	511,808
	5,167,528	5,167,528
Less: accumulated depreciation	(1,568,218)	(1,568,218)
TOTAL CAPITAL ASSETS, net	3,599,310	3,599,310
TOTAL ASSETS	\$ 5,403,140	\$ 5,403,140

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

Town of Lakeside, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 19,339	\$ 19,339
Accrued liabilities	6,738	6,738
Bonds payable-current portion	100,000	100,000
TOTAL CURRENT LIABILITIES	126,077	126,077
CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS		
Customer deposits	46,598	46,598
TOTAL CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS	46,598	46,598
NON-CURRENT LIABILITIES		
Bonds payable-net	2,110,000	2,110,000
TOTAL NON-CURRENT LIABILITIES	2,110,000	2,110,000
TOTAL LIABILITIES	2,282,675	2,282,675
NET POSITION		
Invested in capital assets, net of related debt	1,554,726	1,554,726
Unrestricted	1,565,739	1,565,739
TOTAL NET POSITION	\$ 3,120,465	\$ 3,120,465

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

Town of Lakeside, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
OPERATING REVENUES		
Water sales	\$ 817,593	\$ 817,593
Sewer sales	61,240	61,240
Fees	21,273	21,273
Sanitation services	133,409	133,409
Penalties and services charges	10,478	10,478
Other	176,280	176,280
	<u>1,220,273</u>	<u>1,220,273</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personnel services	436,034	436,034
Supplies and materials	13,319	13,319
Utilities and telephone	45,283	45,283
Insurance	8,374	8,374
Maintenance	78,163	78,163
Other expenses	27,740	27,740
Contractual services	132,783	132,783
Engineering and professional services	9,000	9,000
Water purchases	25,000	25,000
Depreciation	136,570	136,570
	<u>912,266</u>	<u>912,266</u>
TOTAL OPERATING EXPENSES		
INCOME FROM OPERATIONS	<u>308,007</u>	<u>308,007</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest revenues	4,759	4,759
Interest and fiscal charges	(71,245)	(71,245)
	<u>(66,486)</u>	<u>(66,486)</u>
TOTAL NON-OPERATING EXPENSE		
CHANGE IN NET POSITION	<u>241,521</u>	<u>241,521</u>
NET POSITION, BEGINNING OF YEAR	<u>2,878,944</u>	<u>2,878,944</u>
NET POSITION, END OF YEAR	<u>\$ 3,120,465</u>	<u>\$ 3,120,465</u>

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

Town of Lakeside, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and other	\$ 1,206,688	\$ 1,206,688
Cash paid to suppliers and employees	(754,292)	(754,292)
NET CASH PROVIDED BY OPERATING ACTIVITIES	452,396	452,396
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,759	4,759
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,759	4,759
CASH FLOWS FROM CAPITAL AND AND RELATED FINANCING ACTIVITIES		
Principal payments-bonds	(95,000)	(95,000)
Interest and fiscal charges	(71,245)	(71,245)
NET CASH USED FOR CAPITAL AND AND RELATED FINANCING ACTIVITIES	(166,245)	(166,245)
INCREASE IN CASH AND CASH EQUIVALENTS	290,910	290,910
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$227,658 in restricted assets)	1,260,594	1,260,594
CASH AND CASH EQUIVALENTS, END OF YEAR (including \$233,235 in restricted assets)	\$ 1,551,504	\$ 1,551,504

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

Town of Lakeside, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
INCOME FROM OPERATIONS	\$ 308,007	\$ 308,007
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Depreciation	136,570	136,570
Increase in accounts receivable	(17,990)	(17,990)
Increase in accounts payable	19,339	19,339
Increase in accrued expenses	2,065	2,065
Increase in customer deposit	4,405	4,405
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 452,396	\$ 452,396

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

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lakeside, Texas (the “Town”) was formed as an incorporated town on March 10, 1958. The Town is governed by an elected mayor and five-member council and provides the following services to the citizens of the Town: library, police department, water and sewer utilities, fire and ambulance, and general administration.

The financial statements of the Town have been prepared to conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to state and local governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund. The Town’s statement of net position includes both non-current assets and non-current liabilities. The government-wide statement of activities also reflects depreciation expense of the Town’s capital assets.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting of the Town’s governmental funds is similar to that previously presented in the Town’s financial statements, although the format of financial statements has been modified by GASB Statement No. 34, “*Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.*” The accrual basis of accounting and the economic resources measurement focus is utilized by the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management’s Discussion and Analysis. However, management has elected to exclude this information. In addition, a budgetary comparison statement is presented that compares the general fund budget with actual results.

B. Reporting Entity

The Town’s basic financial statements include the accounts of all Town operations. GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*”, defines component units as legally separate entities that meet any one of the following tests:

- The organization is legally separate (can sue and be sued in their own name).
- The Town holds the corporate powers of the organization.
- The Town appoints a voting majority of the organization’s board.
- The Town is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Town.
- There is fiscal dependency by the organization on the Town.

Based on these criteria, the Town of Lakeside has no component units.

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (general and administrative, police, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. All franchise fees are based on gross receipts and are included in general revenues. The net cost is normally covered by general revenue (property and sales taxes, franchise fees, interest income, etc.).

The Town segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The only governmental fund of the Town is the General Fund. It accounts for all revenues and expenditures of the Town.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The only proprietary fund of the Town is the Water, Sewer and Sanitation Fund. It is used to account for the provision of water, sewer and sanitation services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of personal and contractual services, supplies and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The government-wide statements and financial statements for proprietary funds are reported using 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. However, the Town has established an allowance for delinquent taxes equivalent to 100 percent of uncollected property taxes. As of September 30, 2017, there was \$8,923 in levied delinquent property taxes that were fully reserved. Gross receipts of taxes, licenses, and charges for services, fines and other revenues are recorded as revenue when received as they are generally not measurable until received.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

E. Budgetary Data

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the General Fund. All annual unencumbered appropriations lapse at fiscal year end.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

F. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets and are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Capital assets are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. There is no capitalized interest associated with capital acquisitions for the year ended September 30, 2017.

The Town has elected to account for infrastructure assets on a prospective basis beginning October 1, 2003. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives for buildings and water and sewer system and equipment are 20 to 40 and 5 to 10 years, respectively.

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital asset activity for the year ended September 30, 2017, was as follows:

Governmental Activities:

	<u>Balance 10/1/2016</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 9/30/2017</u>
Capital Assets:							
Land	\$ 283,172	\$	-	\$	(261,698)	\$	21,474
Building	225,221		-		-		225,221
Furniture & equipment	367,557		29,776		(126,545)		270,788
	<u>\$ 875,950</u>	\$	<u>29,776</u>	\$	<u>(388,243)</u>	\$	<u>517,483</u>
Accumulated Depreciation:							
Building	\$ (157,097)	\$	(4,950)	\$	-	\$	(162,047)
Furniture & equipment	(291,375)		(26,694)		126,545		(191,524)
	<u>\$ (448,472)</u>	\$	<u>(31,644)</u>	\$	<u>126,545</u>	\$	<u>(353,571)</u>
Governmental Activities							
Net Capital Assets	<u>\$ 427,478</u>	\$	<u>(1,868)</u>	\$	<u>(261,698)</u>	\$	<u>163,912</u>

Business-Type Activities (Water, Sewer and Sanitation Fund):

	<u>Balance 10/1/2016</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 9/30/2017</u>
Capital Assets:							
Land	\$ 136,275	\$	-	\$	-	\$	136,275
Building	65,519		-		-		65,519
Furniture & equipment	294,069		-		-		294,069
Water & sewer system	4,671,665		-		-		4,671,665
	<u>\$ 5,167,528</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>5,167,528</u>
Accumulated Depreciation:							
Building	\$ (7,062)	\$	(3,276)	\$	-	\$	(10,338)
Furniture & equipment	(197,447)		(23,781)		-		(221,228)
Water & sewer system	(1,227,139)		(109,513)		-		(1,336,652)
	<u>\$ (1,431,648)</u>	\$	<u>(136,570)</u>	\$	<u>-</u>	\$	<u>(1,568,218)</u>
Business-Type Activities							
Net Capital Assets	<u>\$ 3,735,880</u>	\$	<u>(136,570)</u>	\$	<u>-</u>	\$	<u>3,599,310</u>

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation was charged to programs as follows:

Governmental Activities:

General and administrative	\$ 4,950
Police department	26,694
	<u>\$ 31,644</u>

Business-Type Activities:

Water, sewer and sanitation	\$ 136,570
	<u>\$ 136,570</u>

G. Fund Balance

Governmental fund balances classified as nonspendable are amounts that are not in spendable form or are required to be maintained intact. Fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by the intent to be used for specific purposes, neither restricted nor committed. Assignments are made by Town management based on Council direction. Unassigned fund balances are amounts that are available for any purpose.

H. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted or committed when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

I. Cash and Cash-like Investments

For purposes of the statement of cash flows, the Water, Sewer and Sanitation Fund considers all short-term investments with a maturity of three months or less at the date of acquisition, plus net proceeds from bond sales to be cash equivalents.

J. Restricted Assets

Restricted assets in the Water, Sewer and Sanitation Fund include customer security deposits, funds designated for improvements to the water system and funds designated for debt service. Restricted assets in the General Fund include amounts received to be used for court technology and security.

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

The Town's employees earn vacation leave for each year of work performed. The accrual rate increases with years of service to a maximum of four weeks after fifteen years of service. Employees earn compensatory time to the extent they work overtime. Accrued vacation leave and compensatory time is accrued when incurred in the financial statements. At September 30, 2017, accrued compensated absences for the governmental funds and proprietary funds were \$31,974 and \$6,738, respectively.

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund types 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/discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method and straight line method, respectively. Bonds payable are reported net of the applicable bond premium or discount.

M. Pension Plan

The fiduciary net position of the Texas Municipal Retirement System ("TMRS") has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, this includes deferred outflows and inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TMRS's fiduciary net position. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Accounting Standards Updates

Accounting standard updates not effective until after September 30, 2017 are not expected to have a significant effect on the Town's financial statements.

2. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS

Deposits - At September 30, 2017, the carrying amount of the Town's cash deposits was \$1,836,409 (bank balance was \$1,882,267). The balance of cash on hand was \$1,000.

Investments – State statutes and the Town's Investment Policy govern the investments of the Town. The Town is authorized to invest in obligations of the United States of America, its agencies or instrumentalities, direct obligations of the State of Texas and agencies thereof, other obligations, the principal and interest of which are unconditionally guaranteed by the State of Texas and the United States of America, obligations of states, agencies thereof, counties, cities, and other political subdivision of any state, rated as to investment quality by a nationally recognized investment rating firm, and having received a rating of not less than A or its equivalent; certificates of deposit of state and national banks domiciled in Texas, guaranteed or insured by the FDIC, or its successor or are secured as to principal by obligations describe above; government pools rated AAA or AAAM or their equivalents, and other investment options which are more restricted than those allowed by State law.

Town of Lakeside, Texas
Notes to Basic Financial Statements

2. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS (CONTINUED)

As of September 30, 2017, the Town had the following investments:

Investments	Fair Value	Weighted Ave Maturity (in days)	Credit Risk
Local Gov't Invest Pools	\$ 544,753	1	AAAm
Certificates of Deposit	741,265	313	AAA
Total Fair Value	<u>\$ 1,286,018</u>		

Credit Risk. In accordance with its investment policy, the Town minimizes credit risk by limiting investments to the safest type of investments.

Custodial Credit Risk. State status require that all Town deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (“FDIC”), collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of deposits, or by a Letter of Credit from a Federal Agency.

The Town’s investments in local government investment pools include investments in TexPool and Logic. These are public fund investment pools operating as SEC 2a-7 like pools in full compliance with the Public Funds Investment Act and are rated as AAA money market funds by Standard & Poor’s.

3. PROPERTY TAXES

Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at 7 percent on delinquent taxes beginning February 1 and increases each month to 18 percent on July 1.

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Appraisal Review Board. The assessed value for the tax roll of January 1, 2016, upon which the original levy for fiscal year 2017 was based, was \$124,322,892.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The Town may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the Town sets tax rates on Town property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the Town may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

Property tax revenues are recognized when levied to the extent that they result in current receivable available for financing current operations. The Town has chosen to establish an allowance for delinquent taxes equal to 100 percent of uncollected ad valorem taxes. Current tax collections for the period ended September 30, 2017 were 99.0 percent of tax levy.

Town of Lakeside, Texas
Notes to Basic Financial Statements

4. DEBT AND LIABILITIES

On November 14, 2013, the Town issued Revenue Certificates of Obligation, Series 2013 of \$2,540,000 with interest rates of 2.0 to 3.125 percent with maturities on August 15 from 2014 through 2027. Interest on notes is due every February and August 15, beginning August 15, 2014. The Certificates were issued to construct a water line. Activity for the year ended September 30, 2017 was as follows:

<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/2017</u>
\$ 2,305,000	\$ -	\$ (95,000)	\$ 2,210,000

Future minimum payments on bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 100,000	\$ 69,950	\$ 169,950
2019	105,000	67,050	172,050
2020	110,000	64,950	174,950
2021	115,000	62,612	177,612
2022	120,000	60,025	180,025
Thereafter	1,660,000	384,057	2,044,057
	<u>\$ 2,210,000</u>	<u>\$ 708,644</u>	<u>\$ 2,918,644</u>

5. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Town provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan (the "Plan"). The Plan is administered by the Texas Municipal Retirement System. TMRS's defined benefit pension plan is an agency created by the State of Texas and administered in accordance with the Texas Municipal Retirement System Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement and disability pension system for municipal employees in the State of Texas. As such, TMRS is a public trust fund that has the responsibility of administering the System in accordance with the TMRS Act and bears a fiduciary obligation to its members and their beneficiaries. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The Pension Fund's Board of Trustees does not have the authority to establish or amend benefit terms. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

As of December 31, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	<u>15</u>
Total	<u><u>36</u></u>

B. Pension Plan Fiduciary Net Position

Detailed information about the TMRS's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained from the TMRS website at www.tmrs.com.

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Benefits Provided

Upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the Town-financed monetary credits, with interest. Town-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior Service Credit, granted by each entity joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times an employee's deposits that would have been made, based on the average salary prior to participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the Town. Monetary credits for service since each plan began (or current service credits) are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the Town may grant, either annually or on an annually repeating basis, another type of monetary credit referred to as updated service credit. This monetary credit is determined by hypothetically re-computing the member's account balance by assuming that the current member deposit rate of the Town has always been in effect. The computation also assumes that the member's salary has always been the member's average salary — using a salary calculation based on the 36-month period ending a year before the effective date of calculation.

This hypothetical account balance is increased by 3% each year (not the actual interest credited to the member's account in previous years), and increased by the Town match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual Town match and actual interest credited.

At retirement, the benefit is calculated as if the sum of the employee's contributions with interest and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options: retiree life only; one of three survivor lifetime options; or one of three guaranteed term options. Employees can retire at age 60 and above with 5 or more years of service or with 25 years of service regardless of age.

D. Contributions

The contribution rate for employees of the Town is 5% of employee gross earnings and the Town's matching percentage is 200%, as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method.

Contributions are made monthly by both the employees and the Town. Since the Town must know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the contribution rate and the calendar year when the rate goes into effect. The Town made contributions totaling \$44,803 in 2016, based on the December 31, 2015 actuarial valuation.

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Actuarial Cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Closed
Remaining amortization period	27.0 years
Asset valuation method	10-year smoothed market; 15% soft corridor
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	3.50% to 10.5% including inflation
Includes inflation at	2.5%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information: There were no benefit changes during the year.

F. Discount Rate and Investments

The expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the Town's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the Town. The projection of cash flows used to determine the single discount rate for the Town assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the Town will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

The long-term expected rate of return 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

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Estate	10.0%	4.75%
Real Return	10.0%	4.15%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was actually used (6.75%).

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Town's proportionate share of the net pension plan liability	\$270,192	\$89,215	\$(56,732)

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

At September 30, 2017, the Town reported a liability of \$89,215 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and the total pension liability used to calculate the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At September 30, 2016, the Town's proportion of the collective net pension liability was 91.62%, which was a decrease of 1.89% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the Town recognized pension expense of \$52,084. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

At September 30, 2017, the Town reported its proportionate share of the TMRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred (Inflows) Outflows In Future Expense
Differences between expected and actual economic experience	\$17,873
Changes in actuarial assumptions	-
Difference between projected and actual investment earnings	(99)
Total	\$17,774

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. The net amounts of the Town's deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Amount
2017	\$23,879
2018	19,706
2019	16,156
2020	(24)
Thereafter	-
Total	\$59,717

I. Schedule of Town Contributions

The following table presents the Town's schedule of contributions. Eventually, 10 fiscal years of data will be displayed as future years become available.

	FY 2016	FY 2015	FY 2014
Actuarially determined contribution	\$44,803	\$39,236	\$26,733
Contributions in relation to the actuarially determined contribution	44,803	39,217	21,481
Contribution deficiency (excess)	-	19	2,252
City's covered employee payroll	\$628,378	\$562,931	\$473,147
Contributions as a percentage of covered employee payroll	7.13%	6.97%	4.54%

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

J. Schedule of Changes in Net Pension Liability

The following table presents the Town's schedule of changes in net pension liability and related ratios. Eventually, 10 fiscal years of data will be displayed as future years become available.

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Total pension liability			
Service cost	\$82,003	\$72,674	\$57,691
Interest (on the total pension liability)	63,503	56,010	48,820
Changes of benefit terms	-	-	-
Difference between expected and actual experience	24,079	(6,497)	(1,374)
Change of assumptions	-	23,393	-
Benefit payments, including refunds of employee contributions	(9,376)	(9,818)	(10,016)
Net change in total pension liability	\$160,209	\$135,762	\$95,121
Total pension liability – beginning	904,475	768,713	673,592
Total pension liability – ending (a)	<u>\$1,064,684</u>	<u>\$904,475</u>	<u>\$768,713</u>
Plan fiduciary net position			
Contributions – employer	\$44,803	\$39,217	\$21,481
Contributions – employee	37,703	33,776	28,389
Net investment income	57,216	1,154	40,202
Benefit payments, including refunds of employee contributions	(9,376)	(9,818)	(10,016)
Administrative expense	(646)	(703)	(420)
Other	(35)	(35)	(35)
Net change in plan fiduciary net position	\$129,665	\$63,591	\$79,601
Plan fiduciary net position – beginning	845,804	782,213	702,612
Plan fiduciary net position – ending (b)	<u>\$975,469</u>	<u>\$845,804</u>	<u>\$782,213</u>
Net pension liability – ending ((a) – (b)) (d)	<u>\$89,215</u>	<u>\$58,671</u>	<u>\$(13,500)</u>
Plan fiduciary net position as a percentage of total pension liability (b) / (a)	91.62%	93.51%	101.76%
Covered employee payroll (c)	\$628,378	\$562,931	\$473,147
Net pension liability as a percentage of covered employee payroll (d) / (c)	14.20%	10.42%	(2.85%)

6. SUPPLEMENTAL DEATH BENEFITS

The Town contributes to the Supplemental Death Benefit Fund (“SDBF”), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town 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

Town of Lakeside, Texas
Notes to Basic Financial Statements

6. SUPPLEMENTAL DEATH BENEFITS (CONTINUED)

preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

The Town 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 life insurance during employees’ entire careers.

The Town’s contributions to SDBF for the years ended September 30, 2017, 2016, and 2015 were \$1,626, \$1,595, and \$1,208, respectively, which equaled 100% of the required contributions each year.