

Town of Lakeside, Texas

Financial Statements

September 30, 2021

Hagen, Sharp & Company, PLLC
Certified Public Accountants and Consultants
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Hagen, Sharp & Company, PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Lakeside, Texas

Report on the Financial Statements

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, 2021, 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 Town'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 Town'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, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, pension system and other post-employment benefit supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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.

Hagen, Sharp & Company

Hagen, Sharp & Company, PLLC
Arlington, Texas
November 23, 2021

Town of Lakeside, Texas
Government-Wide Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash-like investments	\$ 1,835,468	\$ 556,130	\$ 2,391,598
Property taxes receivable, net of allowance for uncollectibles	-	-	-
Accounts receivable	25,067	101,773	126,840
Restricted assets:			
Customer deposits	-	51,100	51,100
Capital assets:			
Land	21,474	136,275	157,749
Building	736,243	65,519	801,762
Furniture and equipment	449,100	471,520	920,620
Water system	-	4,976,161	4,976,161
Sewer system	-	511,808	511,808
Less: accumulated depreciation	(529,978)	(2,145,287)	(2,675,265)
TOTAL ASSETS	\$ 2,537,374	\$ 4,724,999	\$ 7,262,373
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	1,389	662	2,051
Deferred outflows of resources for OPEB	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,389	662	2,051

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

Town of Lakeside, Texas
Government-Wide Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 85,612	\$ 15,851	\$ 101,463
Accrued liabilities	76,250	8,265	84,515
Payable from restricted assets:			
Customer deposits	-	51,100	51,100
Non-current liabilities:			
Due within one year:			
Long-term debt	-	120,000	120,000
Due in more than one year:			
Long-term debt	-	1,660,000	1,660,000
Net pension liability	194,516	92,677	287,193
OPEB liability	27,250	12,984	40,234
TOTAL LIABILITIES	383,628	1,960,877	2,344,505
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pensions	-	-	-
Deferred inflows of resources for OPEB	1,684	803	2,487
TOTAL DEFERRED INFLOWS OF RESOURCES	1,684	803	2,487
NET POSITION			
Invested in capital assets , net of related debt	676,839	2,235,996	2,912,835
Unrestricted	1,476,612	527,985	2,004,597
TOTAL NET POSITION	\$ 2,153,451	\$ 2,763,981	\$ 4,917,432

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, 2021

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General and administrative	\$ 512,534	\$ 23,514	\$ -	\$ -
Corporation court	158,124	-	-	-
Public works	71,313	-	-	-
Police department	783,279	289,000	-	-
TOTAL GOVERNMENTAL ACTIVITIES	1,525,250	312,514	-	-
BUSINESS-TYPE ACTIVITIES				
Water, sewer and sanitation	949,948	994,787	-	-
Interest on long-term debt	62,908	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,012,856	994,787	-	-
TOTAL GOVERNMENT	\$ 2,538,106	\$ 1,307,301	\$ -	\$ -

GENERAL REVENUES

Property taxes
Franchise taxes
Sales taxes
Interest
Other
Transfers

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
\$ (489,020)	\$ -	\$ (489,020)
(158,124)	-	(158,124)
(71,313)	-	(71,313)
(494,279)	-	(494,279)
<u>(1,212,736)</u>	<u>-</u>	<u>(1,212,736)</u>
-	44,839	44,839
-	(62,908)	(62,908)
<u>-</u>	<u>(18,069)</u>	<u>(18,069)</u>
<u>(1,212,736)</u>	<u>(18,069)</u>	<u>(1,230,805)</u>
660,559	-	660,559
122,099	-	122,099
378,779	-	378,779
1,598	501	2,099
234,424	-	234,424
155,000	(155,000)	-
<u>1,552,459</u>	<u>(154,499)</u>	<u>1,397,960</u>
339,723	(172,568)	167,155
<u>1,813,728</u>	<u>2,936,549</u>	<u>4,750,277</u>
<u>\$ 2,153,451</u>	<u>\$ 2,763,981</u>	<u>\$ 4,917,432</u>

Town of Lakeside, Texas

Balance Sheet

Governmental Funds

September 30, 2021

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash-like investments	\$ 1,835,468	\$ 1,835,468
Property taxes receivable, net of allowance for uncollectibles	-	-
Accounts receivable	25,067	25,067
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,860,535</u>	<u>\$ 1,860,535</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 85,612	\$ 85,612
Accrued liabilities	76,250	76,250
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>161,862</u>	<u>161,862</u>
FUND BALANCES		
Unassigned	1,698,673	1,698,673
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,698,673</u>	<u>1,698,673</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,860,535</u>	<u>\$ 1,860,535</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, 2021

Total fund balance per governmental funds balance sheet		\$ 1,698,673
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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		676,839
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Deferred inflows and outflows related to pension activities		1,389
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Deferred inflows and outflows related to OPEB activities		(1,684)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds Balance Sheet but are included in the governmental activities of the Statement of Net Position

Net pension liability	(194,516)	
Total OPEB liability	<u>(27,250)</u>	<u>(221,766)</u>

Total net position of governmental activities		<u><u>\$ 2,153,451</u></u>
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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, 2021

	General Fund	Total Governmental Funds
REVENUES		
Property taxes	\$ 660,559	\$ 660,559
Franchise taxes	122,099	122,099
Sales taxes	378,779	378,779
Fines and service fees	289,000	289,000
Permits and inspections	23,514	23,514
Interest	1,598	1,598
Other	234,424	234,424
	<u>1,709,973</u>	<u>1,709,973</u>
TOTAL REVENUES		
EXPENDITURES		
General and administrative	598,160	598,160
Corporation court	158,124	158,124
Public works	71,313	71,313
Police department	761,183	761,183
	<u>1,588,780</u>	<u>1,588,780</u>
TOTAL EXPENDITURES		
Excess (deficiency) of revenues over (under) expenditures	121,193	121,193
OTHER FINANCING SOURCES (USES)		
Transfers in	155,000	155,000
	<u>155,000</u>	<u>155,000</u>
NET CHANGE IN FUND BALANCES	276,193	276,193
FUND BALANCE, BEGINNING OF YEAR	<u>1,422,480</u>	<u>1,422,480</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,698,673</u>	<u>\$ 1,698,673</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, 2021

Net change in fund balance - total governmental funds	\$	276,193
<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>		78,605
<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>		(52,230)
<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		42,421
OPEB obligation		(5,266)
Change in net position of governmental activities	\$	339,723

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

Town of Lakeside, Texas
Statement of Net Position
Proprietary Funds
September 30, 2021

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
ASSETS		
CURRENT ASSETS		
Cash and cash-like investments	\$ 556,130	\$ 556,130
Accounts receivable	101,773	101,773
TOTAL CURRENT ASSETS	657,903	657,903
NON-CURRENT ASSETS		
Restricted Assets		
Customer deposits	51,100	51,100
TOTAL NON-CURRENT ASSETS	51,100	51,100
CAPITAL ASSETS		
Land	136,275	136,275
Building	65,519	65,519
Furniture and equipment	471,520	471,520
Water system	4,976,161	4,976,161
Sewer system	511,808	511,808
	6,161,283	6,161,283
Less: accumulated depreciation	(2,145,287)	(2,145,287)
TOTAL CAPITAL ASSETS, NET	4,015,996	4,015,996
TOTAL ASSETS	\$ 4,724,999	\$ 4,724,999
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pensions	662	662
Deferred outflows of resources for OPEB	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	662	662

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

Town of Lakeside, Texas
Statement of Net Position
Proprietary Funds
September 30, 2021

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 15,851	\$ 15,851
Accrued liabilities	8,265	8,265
Bonds payable-current portion	120,000	120,000
TOTAL CURRENT LIABILITIES	144,116	144,116
CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS		
Customer deposits	51,100	51,100
TOTAL CURRENT LIABILITIES DUE FROM RESTRICTED ASSETS	51,100	51,100
NON-CURRENT LIABILITIES		
Bonds payable-net	1,660,000	1,660,000
Net pension liability	92,677	92,677
OPEB liability	12,984	12,984
TOTAL NON-CURRENT LIABILITIES	1,765,661	1,765,661
TOTAL LIABILITIES	1,960,877	1,960,877
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pensions	-	-
Deferred inflows of resources for OPEB	803	803
TOTAL DEFERRED INFLOWS OF RESOURCES	803	803
NET POSITION		
Invested in capital assets, net of related debt	2,235,996	2,235,996
Unrestricted	527,985	527,985
TOTAL NET POSITION	\$ 2,763,981	\$ 2,763,981

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, 2021

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
OPERATING REVENUES		
Water sales	\$ 756,597	\$ 756,597
Sewer sales	60,435	60,435
Fees	10,765	10,765
Sanitation services	138,940	138,940
Penalties and services charges	11,745	11,745
Other	16,305	16,305
	<u>994,787</u>	<u>994,787</u>
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Personnel services	430,654	430,654
Supplies and materials	16,644	16,644
Utilities and telephone	42,965	42,965
Insurance	17,030	17,030
Maintenance	89,161	89,161
Other expenses	44,543	44,543
Contractual services	138,825	138,825
Engineering and professional services	13,000	13,000
Depreciation	157,126	157,126
	<u>949,948</u>	<u>949,948</u>
TOTAL OPERATING EXPENSES		
INCOME FROM OPERATIONS	<u>44,839</u>	<u>44,839</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest revenues	501	501
Interest and fiscal charges	(62,908)	(62,908)
	<u>(62,407)</u>	<u>(62,407)</u>
TOTAL NON-OPERATING EXPENSE		
LOSS BEFORE TRANSFERS	<u>(17,568)</u>	<u>(17,568)</u>
Transfers out	(155,000)	(155,000)
	<u>(155,000)</u>	<u>(155,000)</u>
CHANGE IN NET POSITION	<u>(172,568)</u>	<u>(172,568)</u>
NET POSITION, BEGINNING OF YEAR	<u>2,936,549</u>	<u>2,936,549</u>
NET POSITION, END OF YEAR	<u>\$ 2,763,981</u>	<u>\$ 2,763,981</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, 2021

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and other	\$ 998,156	\$ 998,156
Cash paid to suppliers	(363,259)	(363,259)
Cash paid to employees	(446,557)	(446,557)
NET CASH PROVIDED BY OPERATING ACTIVITIES	188,340	188,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	501	501
Purchase of property and equipment	(708,270)	(708,270)
NET CASH USED BY INVESTING ACTIVITIES	(707,769)	(707,769)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments-bonds	(115,000)	(115,000)
Interest and fiscal charges	(62,908)	(62,908)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(177,908)	(177,908)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers out	(155,000)	(155,000)
NET CASH USED FOR NONCAPITAL AND RELATED FINANCING ACTIVITIES	(155,000)	(155,000)
DECREASE IN CASH AND CASH EQUIVALENTS	(852,337)	(852,337)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$47,575 in restricted assets)	1,459,567	1,459,567
CASH AND CASH EQUIVALENTS, END OF YEAR (including \$51,100 in restricted assets)	\$ 607,230	\$ 607,230

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, 2021

	Business-Type Activities Enterprise Funds	
	Water, Sewer and Sanitation	Total
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
INCOME FROM OPERATIONS	\$ 44,839	\$ 44,839
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Depreciation	157,126	157,126
Increase in accounts receivable	(156)	(156)
Decrease in accounts payable	(729)	(729)
Decrease in accrued expenses	(362)	(362)
Increase in customer deposit	3,525	3,525
Increase in net pension liability	2,442	2,442
Increase in OPEB liability	2,073	2,073
Decrease in pension deferred inflows	(21,019)	(21,019)
Increase in OPEB deferred inflows	601	601
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 188,340	\$ 188,340

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, but distinguish between the Town’s governmental activities and business-type activities. 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 use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. 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.

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, 2021, there was \$9,712 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, 2021.

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, 2021, was as follows:

Governmental Activities:

	<u>Balance 10/1/2020</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 9/30/2021</u>
Capital Assets:							
Land	\$ 21,474	\$	-	\$	-	\$	21,474
Building	725,057		11,186		-		736,243
Furniture & equipment	381,681		67,419		-		449,100
	<u>\$ 1,128,212</u>	\$	<u>78,605</u>	\$	<u>-</u>	\$	<u>1,206,817</u>
Accumulated Depreciation:							
Building	\$ (188,881)	\$	(18,948)	\$	-	\$	(207,829)
Furniture & equipment	(288,867)		(33,282)		-		(322,149)
	<u>\$ (477,748)</u>	\$	<u>(52,230)</u>	\$	<u>-</u>	\$	<u>(529,978)</u>
Governmental Activities							
Net Capital Assets	<u>\$ 650,464</u>	\$	<u>26,375</u>	\$	<u>-</u>	\$	<u>676,839</u>

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

	<u>Balance 10/1/2020</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 9/30/2021</u>
Capital Assets:							
Land	\$ 136,275	\$	-	\$	-	\$	136,275
Building	65,519		-		-		65,519
Furniture & equipment	448,660		22,860		-		471,520
Water & sewer system	4,802,559		685,410		-		5,487,969
	<u>\$ 5,453,013</u>	\$	<u>708,270</u>	\$	<u>-</u>	\$	<u>6,161,283</u>
Accumulated Depreciation:							
Building	\$ (20,166)	\$	(3,276)	\$	-	\$	(23,442)
Furniture & equipment	(302,006)		(39,250)		-		(341,256)
Water & sewer system	(1,665,989)		(114,600)		-		(1,780,589)
	<u>\$ (1,988,161)</u>	\$	<u>(157,126)</u>	\$	<u>-</u>	\$	<u>(2,145,287)</u>
Business-Type Activities							
Net Capital Assets	<u>\$ 3,464,852</u>	\$	<u>551,144</u>	\$	<u>-</u>	\$	<u>4,015,996</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	\$ 18,948
Police department	33,282
	<u>\$ 52,230</u>

Business-Type Activities:

Water, sewer and sanitation	\$ 157,126
	<u>\$ 157,126</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 Town 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 and in all other financial statements of financial position consider 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.

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, 2021, accrued compensated absences for the governmental fund and proprietary fund were \$40,710 and \$8,265, 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. Other-Post Employment Benefits (OPEB)

The Town participates in a defined-benefit group-term life insurance plan, both for current and retired employees, administered by the TMRS. The Town reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the Town's total OPEB liability is obtained from TMRS through a report prepared for the Town by TMRS' consulting actuary, Gabriel Roeder Smith & Company.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The following items that qualify for reporting in this category.

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Deferred outflows of resources for pension - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the Town's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the plan.
- Deferred outflows of resources for other post-employment benefits ("OPEB") - Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the Town's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The following items that qualify for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, EMS services, and other miscellaneous items arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the Town's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Deferred inflows of resources for other post-employment benefits (“OPEB”) – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the plan.

P. Accounting Standards Updates

The GASB has issued the following statements which will be effective in future years as described below after the issuance in May 2021 of Statement No.95 of the Governmental Accounting Standard Board *Postponement of the Effective Dates of Certain Authoritative Guidance*. These date changes have been reflected in the Statements listed below and the Town has not yet determined the impact of implementing the new pronouncements.

Statement No. 84, *Fiduciary Activities*, which is effective for the Town beginning in reporting periods after December 15, 2020. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 87, *Leases*, which is effective for the Town beginning in fiscal years after June 15, 2021. The objective of this statement is to improve accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability and consistency of information about the leasing activities of governments.

Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, which is effective for the Town for reporting periods beginning after December 15, 2022. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period.

Statement No. 90, *Majority Equity Interests*, which is effective for the Town for reporting periods after December 15, 2020. The objectives of this statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Statement No, 91, *Conduit Debt Obligations*, which is effective for the Town’s reporting period beginning after December 15, 2022. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Statement No. 97, *Certain Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84 and a Suppression of GASB Statement No. 32*, which is effective for the Town beginning in Fiscal Year 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension

Town of Lakeside, Texas
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Accounting Standards Updates, continued

plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

2. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS

Deposits - At September 30, 2021, the carrying amount of the Town’s cash deposits was \$2,442,698 (bank balance was \$2,505,118). The balance of cash on hand was \$1,027.

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.

As of September 30, 2021, the Town had the following investments:

	<u>Fair Value</u>	<u>Weighted Ave Maturity (in days)</u>	<u>Credit Risk</u>
Investments			
Local Gov’t Invest Pools	\$ 1,685,683	1	AAAm
Total Fair Value	<u>\$ 1,685,683</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, 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 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.

Town of Lakeside, Texas
Notes to Basic Financial Statements

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, 2020, upon which the original levy for fiscal year 2021 was based, was \$155,462,564.

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, 2021 were 97.0 percent of tax levy.

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, 2021 was as follows:

Balance		Balance
10/1/2020	Additions	9/30/2021
\$ 1,895,000	\$ -	\$ 1,780,000
	\$ (115,000)	

Future minimum payments on bond obligations are as follows:

	Principal	Interest	Total
2022	\$ 120,000	\$ 60,025	\$ 180,025
2023	125,000	57,175	182,175
2024	125,000	53,894	178,894
2025	135,000	50,144	185,144
2026	140,000	46,094	186,094
Thereafter	1,135,000	177,649	1,312,649
	<u>\$ 1,780,000</u>	<u>\$ 444,981</u>	<u>\$ 2,224,981</u>

Town of Lakeside, Texas
Notes to Basic Financial Statements

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, 2020, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	21
Active plan members	19
Total	<u><u>45</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.

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

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 \$107,159 in 2019, based on the December 31, 2019 actuarial valuation.

E. Actuarial Assumptions

The total pension liability in the December 31, 2019 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	23.0 years
Asset valuation method	10-year smoothed market; 12% soft corridor
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	3.50% to 11.5% including inflation
Includes inflation at	2.5%
Retirement Age	Experience-based table of rates that are specific to the Town’s plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Pre-Retirement: PUB (10) mortality tables, with the Public Safety tables for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	There were no benefit changes during the year.

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

F. Discount Rate and Investments

The expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 2.00% (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, 2020. 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 asset allocation percentage and by adding expected inflation of 2.5%. 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
Global Equity	30.0%	6.27%
Core Fixed Income	10.0%	4.55%
Non-Core Fixed Income	20.0%	3.47%
Real Return	10.0%	1.52%
Real Estate	10.0%	9.83%
Absolute Return	10.0%	3.77%
Private Equity	10.0%	N/A
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	\$593,984	\$287,193	\$35,536

Town of Lakeside, Texas
Notes to Basic Financial Statements

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At September 30, 2021, the Town reported a liability of \$287,193 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020 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, 2021, the Town's proportion of the collective net pension liability was 86.47%, which was an increase of 1.85% from its proportion measured as of September 30, 2020. For the year ended September 30, 2021, the Town recognized pension expense of \$106,045. 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.

At September 30, 2021, 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	\$12,779
Changes in actuarial assumptions	-0-
Difference between projected and actual investment earnings	(10,728)
Total	\$(2,051)

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 September 30:	Amount
2021	\$ 3,940
2022	3,792
2023	(24,441)
2024	(2,682)
2025	-
Thereafter	-
	\$ (19,391)

Town of Lakeside, Texas
Notes to Basic Financial Statements

6. SUPPLEMENTAL DEATH BENEFITS

Plan Description

The Town contributes to the Supplemental Death Benefits Fund (“SDBF”). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the Town’s yearly contributions for retirees. The applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. 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.

Benefits Provided

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 another post-employment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2020 was as follows:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	2
Number of active employees receiving benefits	<u>19</u>
Total	<u><u>24</u></u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member Town. The contractually required contribution rate is determined annually for each town (currently 0.33% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the town. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

The Town’s contributions to SDBF for the years ended September 30, 2021, 2020, 2019, 2018 were \$2,236, \$3,110, \$2,074, \$1,848, respectively, which equaled 100% of the required employer contributions each year.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher

Town of Lakeside, Texas
Notes to Basic Financial Statements

6. SUPPLEMENTAL DEATH BENEFITS (CONTINUED)

Municipal Bonds. Therefore, a discount rate of 2.00% based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2020.

Basis of Allocation

Pension items are allocated between governmental activities and business-type activities on the basis of employee payroll funding. For the year ended September 30, 2021, those percentages were 68% and 32%, respectively, which approximated the prior year’s allocations.

Changes in the Total OPEB Liability:

Balance at December 31, 2019	\$	34,149
Changes for the year:		
Service cost		7,902
Interest on Total OPEB Liability		1,044
Difference between expected and actual experience		(7,510)
Changes in assumptions or other inputs		4,938
Benefit payments		(289)
Net changes		6,085
Balance at December 31, 2020	\$	40,234

Ending total OPEB liability is as of December 31, 2020. Changes of assumptions reflect a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.00%, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 1.00%	Current 2.00%	1% Increase 3.00%
Town’s Net OPEB Liability	\$ 48,410	\$ 40,234	\$ 33,844

Town of Lakeside, Texas
Notes to Basic Financial Statements

6. SUPPLEMENTAL DEATH BENEFITS (CONTINUED)

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

For the year ended September 30, 2021, the Town recognized OPEB expense of \$8,229.

As of September 30, 2019, the Town reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	-	\$(10,945)
Change in assumptions	\$8,458	-
Total	\$8,458	\$(10,945)

Amounts currently reported as deferred outflows and deferred inflows of resources related to OPEB expense, excluding contributions subsequent to the measurement date, will be recognized in future OPEB expense as follows:

Year ended September 30:	Amount
2021	\$ (717)
2022	(822)
2023	(734)
2024	(97)
2024	(117)
Thereafter	-
Total	\$ (2,487)

7. CONTINGENCIES AND UNCERTAINTIES

From time to time, the Town is involved in routine litigation that arises in the ordinary course of the Town's business. There are no pending significant legal proceedings to which the Town is a party for which management believes the ultimate outcome would have a material adverse effect on the Town's financial position.

The COVID-19 outbreak continues as of the date of this report. There are many uncertainties related to the COVID-19 global pandemic that could negatively affect the Town's financial condition, liquidity, and future results of operations. The duration of any business disruption due to COVID-19 and any related financial impact cannot be reasonably estimated at the date the financial statements were available for issuance.

8. SUBSEQUENT EVENTS

The Town has evaluated subsequent events from September 30, 2021 through the report date. Management has determined that there are no other events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Lakeside, Texas
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		favorable (unfavorable)
REVENUES				
Property taxes	\$ 633,138	\$ 633,138	\$ 660,559	\$ 27,421
Franchise taxes	70,000	70,000	122,099	52,099
Sales taxes	327,297	327,297	378,779	51,482
Fines and service fees	200,000	200,000	289,000	89,000
Permits, plats and inspections	12,700	12,700	23,514	10,814
Interest	-	-	1,598	1,598
Other	136,475	333,837	234,424	(99,413)
TOTAL REVENUES	1,379,610	1,576,972	1,709,973	133,001
EXPENDITURES				
General and administrative	936,791	1,134,153	598,160	535,993
Corporation court	185,488	185,488	158,124	27,364
Public works	67,000	67,000	71,313	(4,313)
Police department	943,509	943,509	761,183	182,326
TOTAL EXPENDITURES	2,132,788	2,330,150	1,588,780	741,370
Excess (deficiency) of revenues over (under) expenditure:	\$ (753,178)	\$ (753,178)	121,193	\$ 874,371
OTHER FINANCING SOURCES (USES)				
Transfers in			155,000	
NET CHANGE IN FUND BALANCES			276,193	
FUND BALANCE, BEGINNING OF YEAR			1,422,480	
FUND BALANCE, END OF YEAR			\$ 1,698,673	

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

Town of Lakeside, Texas
Notes to the Required Supplementary Budget Information
For the Year Ended September 30, 2021

General Budget Policies

The original budget is adopted by the Town Council prior to the beginning of the fiscal year for the General Fund. Transfers of appropriations between departments require the approval of Town Council.

Town of Lakeside, Texas
Texas Municipal Retirement System (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Measurement Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL PENSION LIABILITY				
Service cost	\$ 147,917	\$ 140,424	\$ 105,416	\$ 90,583
Interest (on the total pension liability)	128,560	109,879	84,131	74,215
Changes of benefit terms	-	150,817	-	-
Difference between expected and actual experience	20,385	50,458	37,292	(9,086)
Change of assumptions	-	(14,453)	-	-
Benefit payments, including refunds of employee contributions	(10,653)	(15,962)	(11,458)	(20,986)
Net change in total pension liability	<u>\$ 286,209</u>	<u>\$ 421,163</u>	<u>\$ 215,381</u>	<u>\$ 134,726</u>
Total pension liability - beginning	<u>1,835,954</u>	<u>1,414,791</u>	<u>1,199,410</u>	<u>1,064,684</u>
Total Pension liability- ending (a)	<u><u>\$ 2,122,163</u></u>	<u><u>\$ 1,835,954</u></u>	<u><u>\$ 1,414,791</u></u>	<u><u>\$ 1,199,410</u></u>
PLAN FIDUCIARY NET POSITION				
Contributions – employer	\$ 107,159	\$ 78,697	\$ 61,433	\$ 52,117
Contributions – employee	67,454	55,881	46,956	41,362
Net investment income	118,273	192,726	(35,489)	135,359
Benefit payments, including refunds of employee contributions	(10,653)	(15,962)	(11,458)	(20,986)
Administrative expense	(762)	(1,086)	(685)	(701)
Other	(30)	(33)	(36)	(35)
Net change in plan fiduciary net position	<u>\$ 281,441</u>	<u>\$ 310,223</u>	<u>\$ 60,721</u>	<u>\$ 207,116</u>
Plan fiduciary net position – beginning	<u>1,553,529</u>	<u>1,243,306</u>	<u>1,182,585</u>	<u>975,469</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 1,834,970</u></u>	<u><u>\$ 1,553,529</u></u>	<u><u>\$ 1,243,306</u></u>	<u><u>\$ 1,182,585</u></u>
Net pension liability (asset) – ending (a) – (b)	<u><u>\$ 287,193</u></u>	<u><u>\$ 282,425</u></u>	<u><u>\$ 171,485</u></u>	<u><u>\$ 16,825</u></u>
Plan fiduciary net position as a percentage of total pension liability	86.47%	84.62%	87.88%	98.60%
Covered employee payroll	\$ 963,631	\$ 888,762	\$ 782,597	\$ 689,365
Net pension liability (asset) as a percentage of covered employee payroll	29.80%	31.78%	21.91%	2.44%

Town of Lakeside, Texas
Texas Municipal Retirement System (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios (continued)
Last Seven Measurement Years

	<u>2016</u>	<u>2015</u>	<u>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	<u>\$ 160,209</u>	<u>\$ 135,762</u>	<u>\$ 95,121</u>
Total pension liability - beginning	<u>904,475</u>	<u>768,713</u>	<u>673,592</u>
Total Pension liability- ending (a)	<u><u>\$ 1,064,684</u></u>	<u><u>\$ 904,475</u></u>	<u><u>\$ 768,713</u></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	<u>\$ 129,665</u>	<u>\$ 63,591</u>	<u>\$ 79,601</u>
Plan fiduciary net position – beginning	<u>845,804</u>	<u>782,213</u>	<u>702,612</u>
Plan fiduciary net position – ending (b)	<u>\$ 975,469</u>	<u>\$ 845,804</u>	<u>\$ 782,213</u>
Net pension liability – ending (a) – (b)	<u><u>\$ 89,215</u></u>	<u><u>\$ 58,671</u></u>	<u><u>\$ (13,500)</u></u>
Plan fiduciary net position as a percentage of total pension liability	91.62%	93.51%	101.76%
Covered employee payroll	\$ 628,378	\$ 562,931	\$ 473,147
Net pension liability as a percentage of covered employee payroll	14.20%	10.42%	(2.85%)

The amounts presented are for each measurement year, which end the preceding December 31 of the Town's fiscal year end. Net pension liability is calculated using new methodology and will be presented prospectively in accordance with GASB 68.

Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

Town of Lakeside, Texas
Texas Municipal Retirement System (Unaudited)
Schedule of the Town's Pension Contributions
Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 107,159	\$ 78,697	\$ 61,433	\$ 52,117
Contributions in relation to the actuarially determined contribution	<u>107,159</u>	<u>78,697</u>	<u>61,433</u>	<u>52,117</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 963,631	\$ 888,762	\$ 782,597	\$ 689,365
Contributions as a percentage of covered employee payroll	11.12%	8.85%	7.85%	7.56%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Actuarially determined contribution	\$ 44,803	\$ 39,236	\$ 26,733	
Contributions in relation to the actuarially determined contribution	<u>44,803</u>	<u>39,217</u>	<u>21,481</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 5,252</u>	
Town's covered employee payroll	\$ 628,378	\$ 562,931	\$ 473,147	
Contributions as a percentage of covered employee payroll	7.13%	6.97%	4.54%	

Valuation Date December 31, 2020

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Closed
Remaining amortization period	23.0 years
Asset valuation method	10-year smoothed market; 12% soft corridor
Inflation rate of return	2.50%
Retirement Age	Varies by age and service; 3.5% to 11.5% including inflation
Mortality rate	2.50%

The actuarial methods and assumptions are primarily based on an actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety Table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Town of Lakeside, Texas
Texas Municipal Retirement System Supplemental Death Benefit (Unaudited)
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Three Measurement Years

	2020	2019	2018
TOTAL OPEB LIABILITY:			
Service cost	\$ 7,902	\$ 5,777	\$ 5,791
Interest	1,044	1,024	896
Difference between expected and actual experience	(7,510)	(4,369)	(4,223)
Change in assumptions	4,938	7,133	(1,684)
Benefit payments	(289)	(267)	(235)
Total change in total OPEB liability	6,085	9,298	545
Total OPEB liability - beginning	34,149	24,851	24,306
Total OPEB liability - ending	<u>\$ 40,234</u>	<u>\$ 34,149</u>	<u>\$ 24,851</u>
COVERED PAYROLL	\$ 963,631	\$ 888,762	\$ 782,597

Total OPEB liability as a percentage of covered payroll	4.18%	3.84%	3.18%
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The amounts presented are for each measurement year, which end the preceding December 31 of the Town's fiscal year end. Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. Changes of assumptions reflect the effects of changes in the discount rate each period. The discount rate for fiscal years 2020, 2019, 2018, and 2017 were 2.00%, 2.75%, 3.71%, and 3.31%, respectively.

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increase	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forth for males and a 3 year set-forth for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.