

Annual Financial Report

for the Year Ended
September 30, 2022



Cascos & Associates, PC

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TOWN OF LAGUNA VISTA, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2022**

**TOWN OF LAGUNA VISTA, TEXAS
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INDEPENDENT AUDITORS' REPORT

Town Council
Town of Laguna Vista
Laguna Vista, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Laguna Vista, Texas, (the "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in the notes to the financial statements, in 2022, the Town adopted a new accounting guidance, GASB No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension and other post-employment benefits other than pension information to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2023, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Casco & Associates, PC
Brownsville, Texas
April 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Laguna Vista's ("Town") Financial Report presents a narrative overview and analysis of the Town's financial performance for the year ended September 30, 2022. Please read this management's discussion and analysis in conjunction with the accompanying financial statements and notes which follow in order to obtain a thorough understanding of the Town's financial condition at September 30, 2022.

FINANCIAL HIGHLIGHTS

- The Town's net position is \$4,843,870, an increase of \$634,507.
- Unrestricted net position is \$1,593,027 at September 30, 2022, an increase of \$430,910.
- The Town's real property tax rate is 0.404124 per \$100 valuation.
- The total fund balance of the General Fund at September 30, 2022 was \$1,421,062 all of which is unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The focus of the government-wide financial statements is on the overall financial position and activities of the Town of Laguna Vista, Texas. The Town's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all the assets held and liabilities owed by the Town. The Town reports all its assets when it acquires ownership over the assets and reports all its liabilities when they are incurred. For example, the Town reports buildings and infrastructure as assets, even though they are not available to pay the obligations incurred by the Town. On the other hand, the Town reports liabilities, such as litigation claims, even though these liabilities might not be paid until several years into the future.

The difference between the Town's total assets and total liabilities is labeled as net position and this difference is similar to the total owners' equity presented by a commercial enterprise. Although the purpose of the Town is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the Town is improving over time.

The purpose of the statement of activities is to present revenues and expenses of the Town. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied, and expenses are reported when incurred by the Town. Thus, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is net income, the Town reports an amount described as change in net position, essentially the same thing.

The focus of the statement of activities is on the net cost of various activities provided by the Town. The statement begins with a column that identifies the cost of each of the Town's major functions. Another column identifies the revenues that are specifically related to the classified governmental functions. The difference between the expenses and revenues related to specific program/activities computes the net cost or benefits of the program/activities, which identifies the extent to which each function of the Town draws from general revenues or is self-financing through fees, intergovernmental aid, and other sources of resources.

The Town's government-wide financial statements are divided into governmental activities and business-type activities. Governmental activities are generally financed through taxes intergovernmental revenues and other non-exchange revenues, while business-type activities are financed to some degree by charging external parties for the good or services they acquire from the Town. Governmental activities include programs/activities such as general government, public safety, streets, and health and welfare.

The government-wide financial statements include not only the Town of Laguna Vista itself (known as the *primary government*), but also for which the Community Development Corporation is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Community Development Corporation, although also legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government.

The Town's government-wide financial statements are presented on pages 10 and 11.

FUND FINANCIAL STATEMENTS

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Town rather than the Town as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. All of the funds of the Town are governmental funds.

GOVERNMENTAL FUNDS

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and changes in fund balance and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid in cash, respectively, during the current period or very shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements; however, because different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented in these financial statements. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis next to the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balance for all governmental funds to the change in net position as reported in the governmental activities column in statement of activities. The Town's governmental fund financial statements are presented on pages 12 through 15.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Position:

For the fiscal year 2022, the Town's net position of governmental activities increased by \$634,507. Our analysis below focuses on the net position and changes in net position of the Town's governmental activities.

**Summary of Statements of Net Position
September 30, 2022 and 2021**

	Governmental Activities	
	2022	2021
Assets:		
Current and other assets	\$ 2,884,672	\$ 1,907,840
Capital assets (net)	3,874,132	3,779,878
Total Assets	6,758,804	5,687,718
Deferred Outflows of Resources:		
Deferred outflows related to pensions	31,726	32,050
Deferred outflows related to OPEB	11,112	11,723
Total deferred outflows of resources	42,838	43,773
Liabilities:		
Current and other liabilities	726,862	442,806
Noncurrent liabilities	846,676	922,185
Total Liabilities	1,573,538	1,364,991
Deferred Inflows of Resources:		
Deferred inflows related to lease receivable	215,909	-
Deferred inflows related to pensions	160,709	155,228
Deferred inflows related to OPEB	7,616	1,909
Total deferred inflows of resources	384,234	157,137
Net Position:		
Net investment in capital assets	3,059,132	2,889,878
Restricted for:		
Promotion of tourism	166,541	122,725
Public safety	1,335	1,327
Debt service	13,389	11,802
Street improvements	6,451	6,415
Park and building improvements	3,995	15,099
Unrestricted	1,593,027	1,162,117
Total Net Position	\$ 4,843,870	\$ 4,209,363

Infrastructure Assets:

At September 30, 2022, the Town's total assets were \$6,758,804. Of this amount, \$3,874,132 is accounted for as capital assets (net of depreciation), which includes the entire infrastructure of the Town.

The following presents the Town's change in net position for the fiscal year ended September 30, 2022.

**Summary of Statements of Activities
For The Years Ended September 30, 2022 and 2021**

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues:		
Charges for services	\$ 542,305	\$ 624,493
Operating grants and contributions	964,970	346,449
General Revenues:		
Property taxes, levied for general purposes	1,296,584	1,244,018
Property taxes, levied for debt service	112,120	104,090
Sales taxes	229,395	205,650
Franchise taxes	191,479	158,562
Hotel occupancy taxes	65,538	54,197
Investment earnings	3,754	2,332
Miscellaneous income	21,555	18,147
Total revenues	<u>3,427,700</u>	<u>2,757,938</u>
Expenses:		
General government	818,508	952,791
Public safety	1,001,436	703,921
Community services	233,346	178,303
Justice system	185,178	191,649
Public works	515,665	222,532
Health and human services	3,727	1,339
Interest and charges on long-term debt	35,333	38,112
Total expenses	<u>2,793,193</u>	<u>2,288,647</u>
Change in net position	<u>634,507</u>	<u>469,291</u>
Net Position:		
Beginning of the year	<u>4,209,363</u>	<u>3,740,072</u>
End of the year	<u>\$ 4,843,870</u>	<u>\$ 4,209,363</u>

GOVERNMENTAL ACTIVITIES

Revenue Sources:

Total government-wide revenues of \$3,427,700 were derived primarily from property taxes, charges for services and operating grants and contributions, representing 41%, 16% and 28%, respectively, of the total. Other revenues such as sales taxes, franchise taxes, hotel occupancy taxes and interest made up the remaining 15%.

Expenses:

Total expenses of governmental activities for the fiscal year 2022 were \$2,793,193. The general government and public safety functions comprised 29% and 36% of total expenses, respectively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the fiscal year, its governmental funds reported total fund balance of \$1,610,881, an increase of \$391,044. Of this amount, \$1,421,062, or 88% of total fund balance, was unrestricted and available to meet the operating needs of the Town. No unrestricted fund balance has been committed for use on specific projects but may be released from those commitments through a resolution of the Town Council.

General Fund Budgetary Highlights

Differences between final budget and actual revenues and expenditures can be briefly summarized as follows:

- The Town's actual General Fund revenues exceeded budgeted revenues by \$173,390.
- The Town's actual General Fund expenditures were \$53,132 less than budgeted expenditures.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's capital assets at September 30, 2022, net of accumulated depreciation, were \$3,874,132. Capital assets consist primarily of land, buildings and improvements, machinery and equipment, and infrastructure. The following is a summary of capital assets at September 30, 2022:

Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	2022	2021
Land	\$ 441,969	\$ 441,969
Buildings	276,520	286,350
Building Improvements	4,549	5,621
Improvements other than buildings	45,683	67,912
Machinery and equipment	655,120	452,325
Infrastructure	<u>2,450,291</u>	<u>2,525,701</u>
Total	<u>\$ 3,874,132</u>	<u>\$ 3,779,878</u>

More detailed information about the Town's capital assets can be found in Note IV. B. of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town expects to collect the same amount of revenues from lease agreements due to lease contracts signed with Verizon wireless.
- The Town's property tax revenues will remain the same due to adopting the same tax rate.

All of these factors were considered in preparing the Town's budget for the 2022 fiscal year. The real property tax rate will remain at \$0.404124 per \$100 of valuation.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Town of Laguna Vista
122 Fernandez Street
Laguna Vista, Texas 78578

TOWN OF LAGUNA VISTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government	Component Unit
	Governmental Activities	Community Development Corporation
ASSETS		
Cash and cash equivalents	\$ 2,303,640	\$ 303,886
Receivables, net:		
Property tax	23,962	-
Sales tax	18,958	9,480
Grant	15,145	-
Due from component unit/primary government	-	1,502
Lease receivable	215,909	
Net pension asset	307,058	-
Capital assets, net of accumulated depreciation	3,874,132	-
Total assets	6,758,804	314,868
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions	31,726	-
Deferred outflow related to OPEB	11,112	-
Total deferred outflows of resources	42,838	-
LIABILITIES		
Accounts payable	50,302	-
Due to component unit/primary government	1,502	-
Due to state	25,454	-
Unearned revenues	649,604	-
Noncurrent liabilities:		
Due within one year	75,000	-
Due in more than one year	740,000	-
Net OPEB liability	31,676	-
Total liabilities	1,573,538	-
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to lease receivable	215,909	
Deferred inflows related to pensions	160,709	-
Deferred inflows related to OPEB	7,616	-
Total deferred outflows of resources	384,234	-
NET POSITION		
Net investment in capital assets	3,059,132	-
Restricted for:		
Promotion of tourism	166,541	-
Public safety	1,335	-
Debt service	13,389	-
Street improvements	6,451	-
Park and building improvements	3,995	-
Unrestricted	1,593,027	314,868
Total net position	\$ 4,843,870	\$ 314,868

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

TOWN OF LAGUNA VISTA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
				Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Community Development Corporation
Primary Government:					
General government	\$ 818,508	\$ 16,855	\$ 948,949	\$ 147,296	\$ -
Public safety	1,001,435	-	16,021	(985,414)	-
Community services	233,346	248,709	-	15,363	-
Justice system	185,178	276,741	-	91,563	-
Public works	515,665	-	-	(515,665)	-
Health and human services	3,727	-	-	(3,727)	-
Interest and charges on long-term debt	35,333	-	-	(35,333)	-
Total primary government	<u>\$ 2,793,193</u>	<u>\$ 542,305</u>	<u>\$ 964,970</u>	<u>(1,285,918)</u>	<u>-</u>
Component Unit:					
Community Development Corporation	\$ 30,131	\$ -	\$ -	-	(30,131)
Total component unit	<u>\$ 30,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(30,131)</u>
General revenues:					
Property taxes, levied for general purposes				1,296,584	-
Property taxes, levied for debt service				112,120	-
Sales taxes				229,395	115,119
Franchise taxes				191,479	-
Hotel occupancy taxes				65,538	-
Investment earnings				3,754	1,248
Miscellaneous income				21,555	-
Total general revenues				<u>1,920,425</u>	<u>116,367</u>
Change in net position				634,507	86,236
Net position - beginning of year				<u>4,209,363</u>	<u>228,632</u>
Net position - ending of year				<u>\$ 4,843,870</u>	<u>\$ 314,868</u>

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

TOWN OF LAGUNA VISTA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General	Texas Dept. Emergency Management	EDA Grant	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,720,710	\$ 394,925	\$ -	\$ 6,451	\$ 181,554	\$ 2,303,640
Receivables, net:						
Property tax	22,070	-	-	-	1,892	23,962
Sales tax	18,958	-	-	-	-	18,958
Grant	4,813	-	-	-	10,332	15,145
Due from other funds	10,332	267,214	-	-	1,814	279,360
Total assets	<u>\$ 1,776,883</u>	<u>\$ 662,139</u>	<u>\$ -</u>	<u>\$ 6,451</u>	<u>\$ 195,592</u>	<u>\$ 2,641,065</u>
LIABILITIES						
Liabilities:						
Accounts payable	\$ 37,767	\$ 12,535	\$ -	\$ -	\$ -	\$ 50,302
Due to state	25,454	-	-	-	-	25,454
Due to other funds	270,530	-	-	-	10,332	280,862
Unearned revenues	-	649,604	-	-	-	649,604
Total liabilities	<u>333,751</u>	<u>662,139</u>	<u>-</u>	<u>-</u>	<u>10,332</u>	<u>1,006,222</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	22,070	-	-	-	1,892	23,962
Total deferred inflows of resources	<u>22,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,892</u>	<u>23,962</u>
FUND BALANCE						
Restricted for:						
Promotion of tourism	-	-	-	-	166,541	166,541
Public safety	-	-	-	-	1,335	1,335
Debt service	-	-	-	-	11,497	11,497
Street improvements	-	-	-	6,451	-	6,451
Park and building improvements	-	-	-	-	3,995	3,995
Unassigned	1,421,062	-	-	-	-	1,421,062
Total fund balances	<u>1,421,062</u>	<u>-</u>	<u>-</u>	<u>6,451</u>	<u>183,368</u>	<u>1,610,881</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,776,883</u>	<u>\$ 662,139</u>	<u>\$ -</u>	<u>\$ 6,451</u>	<u>\$ 195,592</u>	<u>\$ 2,641,065</u>

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

TOWN OF LAGUNA VISTA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUND
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2022

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

Total fund balances- governmental funds	\$ 1,610,881
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,874,132
Some of the Town's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as a deferred inflow of resources.	23,962
Included in the items related to debt is the recognition of the Town's net pension asset required by GASB 68 in the amount of \$307,058, a deferred resource outflow related to pensions in the amount of \$31,726, and a deferred resource inflow related to pensions in the amount of \$160,709.	178,075
Included in the items related to debt is the recognition of the Town's net OPEB liability required by GASB 75 in the amount of \$31,676, a deferred resource inflow related to OPEB in the amount of \$7,616, and a deferred resource outflow related to OPEB in the amount of \$11,112.	(28,180)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(815,000)</u>
Net position of governmental activities	<u>\$ 4,843,870</u>

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

TOWN OF LAGUNA VISTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	Texas Dept. Emergency Management	EDA Grant	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	\$ 1,293,599	\$ -	\$ -	\$ -	\$ 111,917	\$ 1,405,516
Sales and use	229,395	-	-	-	-	229,395
Franchise	191,479	-	-	-	-	191,479
Hotel/motel	-	-	-	-	65,538	65,538
Licenses and permits	248,709	-	-	-	-	248,709
Fines and forfeitures	276,741	-	-	-	-	276,741
Charges for services	16,855	-	-	-	-	16,855
Intergovernmental	60,027	139,912	404,935	243,000	117,096	964,970
Investment earnings	1,681	944	-	36	1,093	3,754
Miscellaneous	21,015	-	-	-	540	21,555
Total revenues	<u>2,339,501</u>	<u>140,856</u>	<u>404,935</u>	<u>243,036</u>	<u>296,184</u>	<u>3,424,512</u>
Expenditures:						
General government	550,686	73,812	207,133	-	23,523	855,154
Public safety	978,015	-	-	-	117,096	1,095,111
Community services	214,316	-	-	-	11,127	225,443
Justice system	181,344	-	-	-	-	181,344
Infrastructure	252,411	-	-	310,044	-	562,455
Health and human services	3,628	-	-	-	-	3,628
Debt service:						
Principal	-	-	-	-	75,000	75,000
Interest and fiscal charges	-	-	-	-	35,333	35,333
Total expenditures	<u>2,180,400</u>	<u>73,812</u>	<u>207,133</u>	<u>310,044</u>	<u>262,079</u>	<u>3,033,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>159,101</u>	<u>67,044</u>	<u>197,802</u>	<u>(67,008)</u>	<u>34,105</u>	<u>391,044</u>
Other Financing Sources (Uses)						
Transfer in (out)	<u>197,802</u>	<u>(67,044)</u>	<u>(197,802)</u>	<u>67,044</u>	<u>-</u>	<u>-</u>
Net change in fund balances	356,903	-	-	36	34,105	391,044
Fund balances, beginning	<u>1,064,159</u>	<u>-</u>	<u>-</u>	<u>6,415</u>	<u>149,263</u>	<u>1,219,837</u>
Fund balances, ending	<u>\$ 1,421,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,451</u>	<u>\$ 183,368</u>	<u>\$ 1,610,881</u>

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

**TOWN OF LAGUNA VISTA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

Net change in fund balances - total governmental funds	\$ 391,044
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	94,254
Governmental funds reported long-term debt principal payments as expenditures. However, this transaction has no effect on net position.	75,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	71,021
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>3,188</u>
Change in net position of governmental activities	<u>\$ 634,507</u>

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

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Laguna Vista, Texas (the "Town") was incorporated under Texas law as a Type B general-law municipality in 1958. In June of 1993 it was changed to a Type A general-law municipality, and in January of 2011 the Town adopted a Home Rule Charter. The Town utilizes the "Council-Manager" form of government whereby all powers of the Town are vested in and exercised by the Town Council. The Council appoints a Town Manager to implement the policies and procedures of the Council and conduct the daily administration of municipal government. The following is a summary of the Town's significant accounting policies consistently applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The financial statements include all organizations, activities, functions, and component units for which the Town (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the Town's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the Town.

The following discretely presented component unit is reported in a separate column in the financial statements to emphasize it is legally separate from the Town. The discretely presented component unit has a September 30 year end.

On May 13, 1998, the Town passed an ordinance approving and authorizing the creation of Laguna Vista Community Development Corporation (CDC) to promote economic development within the Town and the State of Texas in order to eliminate unemployment and underemployment and to promote and encourage employment and the public welfare of, for and on behalf of the Town, and for the parks, auditoriums, learning centers, open space improvements, water sewage, street drainage, athletic and exhibition facilities, and other related improvements and for maintenance and operating costs of the publicly owned and operated projects by developing, implementing, providing and financing projects. The CDC is operated and maintained as a separate and distinct entity from the Town. It is a non-profit corporation, exempt from federal income taxes under Code Section 115 of the Internal Revenue Code. The affairs of the CDC are managed by a Board of Directors composed of seven (7) persons appointed by the Town Council and a chief administrative officer, a finance manager and a secretary, all of whom shall be employees of the Town.

B. 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 the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Major individual governmental funds are reported as separate columns on the fund financial statements.

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes. The capital project funds are used to account for financial resources which are used for the acquisition or construction of capital assets.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Capital asset acquisitions are reported as expenditures in government funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town has the following major governmental funds:

- The *General Fund* is used to account for all financial transactions not properly includable in other funds.
- The *Texas Department of Emergency Management Fund* account was set up per the guidelines of the American Rescue Plan Act, also known as ARPA. The funds are required to have a separate account to hold and manage federal funds received from this grant.
- The *EDA Grant Fund* was created to separate/identify the funds spent and received in connection with the EDA Grant Investment No. 08-01-05289
- The *Street Improvements Fund* was created to keep track of/designate etc. funds that will be used or earmarked for street improvements for the Town of Laguna Vista.

D. Budgetary Basis of Accounting

An annual budget is adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the end of each fiscal year.

The appropriated General Fund budget is prepared by function and department. The Town Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the department level.

On or before sixty days prior to the beginning of each fiscal year, the Town Manager shall submit to the Town Council a budget for the ensuing fiscal year. The Town Council shall adopt the budget on or before the last day of the last month of the fiscal year currently ending. If it fails to adopt a budget by this date, the budget of the prior fiscal year shall remain in effect until such time as a current year's budget is adopted.

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Property Taxes

The Town's ad valorem property tax is levied each October 1st on the assessed value listed as of the prior January 1st for all real and certain personal property located within the Town. Property taxes attach as an enforceable lien on property as of January 1st after they are levied. The assessed value, upon which the 2021 levy was based on, was \$447,451,465. Taxes are due on October 1st and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2022 were 99.01% of the tax levy.

The Town is permitted by Article XI, Section 4 of the State of Texas Constitution to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services, including the payment of principle and interest on general obligation long-term debt, if any. The combined tax rate to finance general obligation services for the year ended September 30, 2022 was \$0.404124 per \$100 of assessed valuation.

G. Transactions Between Funds and Between Funds and Component Units

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other Interfund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column in the governmental-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and an estimated useful life in excess of one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful life of assets are as follows:

Buildings	50 years
Buildings Improvements	20 years
Improvements other than Buildings	20 years
Infrastructure	75 years
Furniture and Fixtures	20 years
Machinery and Equipment (Includes Vehicles)	5-10 years

I. Compensated Absences

Vacation leave is accumulated at the rate of two weeks after the first full year of employment. Vacation leave will be forfeited if not used before the succeeding vacation year and cannot be accumulated from year to year.

Sick leave accumulates at the rate of 5 days per year. Sick leave may be accumulated for a total of not more than five days. Sick leave cannot be accrued from year to year and must be used before the anniversary date of employment or be forfeited.

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-term Obligations

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

K. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the Town Council, the Town's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

L. Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists 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 when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

O. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, Town specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund. The Town participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City’s covered payroll. The death benefit for retirees is considered another postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Q. Deferred Outflows/Inflows of Resources

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

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Pension contributions after the measurement date – These contributions are deferred and recognized in pension expense in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Change in actuarial assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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) until that time. The Town has one type of inflow which arises only under the modified accrual basis of accounting. Governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the government fund balance sheet and the governmental-wide statement of net position.

The government fund balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that when capital assets (land, building, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. The statement of net position includes those capital assets among the assets of the Town as a whole.

Capital assets - cost	\$ 6,908,341
Accumulated depreciation	<u>(3,034,209)</u>
	<u>\$ 3,874,132</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the governmental-wide statement of activities. One element of the reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

The details of this \$94,254 difference are as follows:

Capital outlays	\$ 268,510
Depreciation expense	<u>(174,256)</u>
	<u>\$ 94,254</u>

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

For the year ended September 30, 2022, expenditures exceeded budget in the following line items:

<u>General Fund Budget Line</u>	<u>Amount</u>
Public safety	
Emergency medical services	\$ 7,000
Justice system	
Municipal court	<u>27,776</u>
	<u>\$ 34,776</u>

IV. DETAILED NOTES ON ALL ACTIVITIES

A. Deposits and Investments

The following is a detail of cash and cash equivalents for the Town as of September 30, 2022:

Cash on hand	\$ 50
Deposits	<u>2,303,590</u>
	<u>\$ 2,303,640</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. All deposits are entirely insured or collateralized. State law requires banks to secure the Town and CDC’s deposits by pledging government securities valued at 110% of the amount of the deposit as collateral. The Town may waive the collateral requirement for deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2022, the Town and CDC’s bank balances were \$2,669,019 and were fully insured by FDIC coverage and pledged collateral.

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

B. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2022 was as follows:

Primary Government	Balance October 1, 2021	Additions	Balance September 30, 2022
<u>Governmental Activities</u>			
Capital assets, not being depreciated:			
Land	\$ 441,969	\$ -	\$ 441,969
Total capital assets, not depreciated	<u>441,969</u>	<u>-</u>	<u>441,969</u>
Capital assets, being depreciated:			
Buildings	517,897	-	517,897
Buildings improvements	46,855	-	46,855
Improvements other than buildings	356,721	-	356,721
Machinery and equipment	1,774,622	268,510	2,043,132
Infrastructure	<u>3,501,767</u>	<u>-</u>	<u>3,501,767</u>
Total capital assets, depreciated	<u>6,197,862</u>	<u>268,510</u>	<u>6,466,372</u>
Less accumulated depreciated:			
Buildings	(231,547)	(9,830)	(241,377)
Buildings improvements	(41,234)	(1,072)	(42,306)
Improvements other than buildings	(288,809)	(22,229)	(311,038)
Machinery and equipment	(1,322,297)	(65,715)	(1,388,012)
Infrastructure	<u>(976,066)</u>	<u>(75,410)</u>	<u>(1,051,476)</u>
Total accumulated depreciated	<u>(2,859,953)</u>	<u>(174,256)</u>	<u>(3,034,209)</u>
Total capital assets, being depreciated, net	<u>3,337,909</u>	<u>94,254</u>	<u>3,432,163</u>
Governmental activities capital assets, net	<u>\$ 3,779,878</u>	<u>\$ 94,254</u>	<u>\$ 3,874,132</u>

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

<u>Governmental activities</u>	
General government	\$ 59,649
Public safety	59,752
Community services	14,619
Justice system	10,072
Public works	29,850
Health and human services	<u>314</u>
Total depreciation expense, governmental activities	<u>\$ 174,256</u>

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

C. Bonds Payable

Bonds payable at September 30, 2022 are comprised of the following:

Certificate of Obligation – Series 2011 was issued for the purpose of park and building improvements and is due in annual installments from \$107,356 to \$112,367 including interest at 3.97%.

Principal and interest amounts are due as follows:

Year Ending September 30,	Bonds Payable		Total Requirements
	Principal	Interest	
2023	\$ 75,000	\$ 32,356	\$ 107,356
2024	80,000	29,378	109,378
2025	85,000	26,202	111,202
2026	85,000	26,202	111,202
2027	90,000	19,453	109,453
2028-2032	400,000	40,295	440,295
Totals	\$ 815,000	\$ 173,886	\$ 988,886

D. Changes in Long-term Liabilities

Changes in long-term obligations are as follows:

	Balance Outstanding October 1, 2021	Additions	Reductions	Balance Outstanding September 30, 2022	Due Within One Year
Bonds payable	\$ 890,000	\$ -	\$ 75,000	\$ 815,000	\$ 75,000
Net pension liability/(asset)	(224,423)	(82,635)	-	(307,058)	-
Net OPEB liability	32,185	-	509	31,676	-
Total long-term debt	\$ 697,762	\$ (82,635)	\$ 75,509	\$ 539,618	\$ 75,000

E. Unavailable Revenues

Unearned revenue at year-end consisted of the following:

Description	Texas Dept. Emergency Management	Total
Special Revenue Grants	\$ 649,604	\$ 649,604
Total Unearned Revenue	\$ 649,604	\$ 649,604

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

F. Defined Benefit Pension Plan

Plan Description

The Town participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.org.

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

Benefits Provided

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

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

Employee deposit rate	5%
Matching ratio (Town to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	Vested and aged 60 or 20 years and any age
Updated Service Credit	Not Elected
Annuity Increase (to retirees)	Not Elected
COLA for retirees	Not Elected

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	13
Active employees	18
	<hr style="width: 100%; border: 0.5px solid black;"/>
	<u>32</u>

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

Contributions

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

Employees for the Town were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 4.32% and 4.32% in calendar years 2021 and 2022, respectively. The Town's contributions to TMRS for the year ended September 30, 2022, were \$39,009 and were equal to the required contributions.

Net Pension Liability/(Asset)

The Town's Net Pension Liability (NPL)/(Asset) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality rates. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 802,415	\$ 1,026,838	\$ (224,423)
Changes for the year:			
Service cost	83,733	-	83,733
Interest	56,048	-	56,048
Difference between expected and actual experience	(11,077)	-	(11,077)
Changes of assumptions	-	-	-
Contributions - employer	-	36,723	(36,723)
Contributions - employee	-	41,992	(41,992)
Net investment income	-	133,238	(133,238)
Benefit payments, including refunds of employee contributions	(27,879)	(27,879)	-
Administrative expense	-	(619)	619
Other changes	-	5	(5)
Net changes	<u>100,825</u>	<u>183,460</u>	<u>(82,635)</u>
Balance at 12/31/2021	<u>\$ 903,240</u>	<u>\$ 1,210,298</u>	<u>\$ (307,058)</u>

Sensitivity of the net pension liability/(asset) to changes in the discount rate:

The following presents the net pension asset of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability/(asset)	\$ (197,446)	\$ (307,058)	\$ (398,653)

TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmr.org.

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

For the year ended September 30, 2022, the Town recognized pension expense of \$37,391.

At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 91,649
Changes in actuarial assumptions	3,039	-
Difference between projected and actual investment earnings	-	69,060
Contributions subsequent to the measurement date	28,687	-
Total	\$ 31,726	\$ 160,709

\$28,687 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability/(asset) for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2022	\$ (49,823)
2023	(60,430)
2024	(33,470)
2025	(13,945)
2026	-
Thereafter	-

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

G. Defined Other Postemployment Benefit Plans

TMRS Supplemental Death Benefits Fund

Plan Description:

The Town voluntarily participates in the Texas Municipal Retirement System (TMRS) Supplemental Death Benefits Fund (SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the Town's pension plan.

Benefits Provided:

The SDBF provides group-term life insurance to Town employees who are active members in TMRS, including or not including retirees. The Town Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other postemployment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	18
	20

Contributions:

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.14% for 2022 and 0.12% for 2021, of which 0.01% and 0.00%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The Town's contributions to the SDBF for the years ended September 30, 2022 and 2021 were \$1,528 and \$1,319, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

Actuarial Assumptions:

The Total OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended December 31,	2021
Inflation rate	2.50%
Discount rate	1.84%
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Projected salary increase	3.5% to 11.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate and the changes in the actuarial assumptions adopted in 2019. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate:

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

Discount Rate Sensitivity Analysis:

The following presents the total OPEB liability of the Town, calculated using the discount rate of 1.84%, as well as what the Town's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (.84%) or 1 percentage point higher (2.84%) than the current rate.

	<u>1% Decrease in Discount Rate (.84%)</u>	<u>Current Discount Rate (1.84%)</u>	<u>1% Increase in Discount Rate (2.84%)</u>
Total OPEB Liability	\$ 39,261	\$ 31,676	\$ 25,682

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs:

At September 30, 2022, the Town reported a liability of \$31,676 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2021. For the year ended September 30, 2022, the Town recognized OPEB expense of \$5,908. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 12/31/2020	\$ 32,185
Changes for the year:	
Service cost	4,787
Interest	692
Difference between expected and actual experience	(7,063)
Changes of assumptions	<u>1,075</u>
Net Changes	<u>(509)</u>
Balance at 12/31/2021	<u>\$ 31,676</u>

At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,654	\$ 7,013
Changes in actuarial assumptions and other inputs	8,336	603
Contributions subsequent to the measurement date	<u>1,122</u>	<u>-</u>
Totals	<u>\$ 11,112</u>	<u>\$ 7,616</u>

**TOWN OF LAGUNA VISTA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

\$1,122 reported as deferred outflows of resources related to OPEB's resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2023	\$ 429
2024	429
2025	429
2026	429
2027	367
Thereafter	292

H. Subsequent Events

Management has evaluated subsequent events through April 12, 2023, the date the financial statements were available to be issued.

I. Interfund Receivables and Payables

Interfund balances at September 30, 2022 consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
Tx Dept. Emergency Mgmt.	\$ -	\$ (267,214)
Nonmajor Governmental Funds	10,332	(1,814)
Community Development Corp.	-	(1,502)
	<u>10,332</u>	<u>(270,530)</u>
 Texas Dept. Emergency Management		
General Fund	267,214	-
	<u>267,214</u>	<u>-</u>
 Nonmajor Governmental Funds		
General Fund	1,814	(10,332)
	<u>1,814</u>	<u>(10,332)</u>
 Community Development Corp.		
General Fund	1,502	-
	<u>1,502</u>	<u>-</u>
Total	<u>\$ 280,862</u>	<u>\$ (280,862)</u>

TOWN OF LAGUNA VISTA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL ACTIVITIES (CONTINUED)

J. Leases - Lessor

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Town's lease receivable consists of land lease agreements, which expire between 2023 and 2037. The following is a schedule of minimum future revenues as of September 30:

<u>For the years ending September 30,</u>	<u>Payments</u>
2023	\$ 18,998
2024	19,352
2025	19,717
2026	20,092
2027	20,479
2028-2032	101,415
2033-2037	15,856
	<u>\$ 215,909</u>

(End of Notes)

TOWN OF LAGUNA VISTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,350,306	\$ 1,359,306	\$ 1,293,599	\$ (65,707)
Sales and use	145,000	145,000	229,395	84,395
Franchise	126,600	126,600	191,479	64,879
Licenses and permits	260,000	260,000	248,709	(11,291)
Fines and forfeitures	240,500	240,500	276,741	36,241
Charges for services	18,000	18,000	16,855	(1,145)
Intergovernmental	-	-	60,027	60,027
Investment earnings	1,000	1,000	1,126	126
Miscellaneous	24,150	31,100	21,015	(10,085)
Total revenues	<u>2,165,556</u>	<u>2,181,506</u>	<u>2,338,946</u>	<u>157,440</u>
The budget does not include certain revenues reported in the General Fund for GAAP reporting			555	
Total General Fund revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds			\$ 2,339,501	
EXPENDITURES				
General government:				
City administration	<u>546,016</u>	<u>830,675</u>	<u>550,686</u>	<u>279,989</u>
Total general government	<u>546,016</u>	<u>830,675</u>	<u>550,686</u>	<u>279,989</u>
Public safety:				
Police department	726,608	802,164	777,346	24,818
Fire department	140,063	140,063	133,669	6,394
Emergency medical services	<u>60,000</u>	<u>60,000</u>	<u>67,000</u>	<u>(7,000)</u>
Total public safety	<u>926,671</u>	<u>1,002,227</u>	<u>978,015</u>	<u>24,212</u>
Community services:				
Library	138,523	143,886	131,340	12,546
Parks and recreation	30,500	30,500	24,595	5,905
Building	<u>58,429</u>	<u>58,429</u>	<u>58,381</u>	<u>48</u>
Total community services	<u>227,452</u>	<u>232,815</u>	<u>214,316</u>	<u>18,499</u>

**TOWN OF LAGUNA VISTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**EXHIBIT D-1
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Justice system:				
Municipal court	153,488	153,568	181,344	(27,776)
Total justice system	153,488	153,568	181,344	(27,776)
Infrastructure:				
Public works	306,090	315,478	252,411	63,067
Total infrastructure	306,090	315,478	252,411	63,067
Health and human services:				
Animal control	7,691	7,691	3,628	4,063
Total health and human services	7,691	7,691	3,628	4,063
Total expenditures	2,167,408	2,542,454	2,180,400	362,054
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,852)	(360,948)	158,546	519,494
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	197,802	
NET CHANGE IN FUND BALANCE	(1,852)	(360,948)	356,348	717,296
FUND BALANCES, BEGINNING	1,064,159	1,064,159	1,064,159	-
FUND BALANCES, ENDING	\$ 1,062,307	\$ 703,211	\$ 1,420,507	\$ 717,296
Net perspective differences between budgetary and GAAP reporting			555	
Fund Balances, Ending, as reported on the Statement of				
Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds			\$ 1,421,062	

TOWN OF LAGUNA VISTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,							
	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability								
Services cost	\$ 39,748	\$ 45,590	\$ 56,431	\$ 67,058	\$ 74,159	\$ 75,705	\$ 73,182	\$ 83,733
Interest (on the total pension liability)	32,705	36,898	43,599	49,813	50,611	55,028	56,426	56,048
Changes of benefit terms	-	-	13,391	-	-	-	-	-
Difference between expected and actual experience	368	(3,590)	6,857	(72,150)	(30,480)	(51,130)	(76,165)	(11,077)
Changes of assumptions	-	23,335	-	-	-	5,940	-	-
Benefit payments, including refunds of employee contributions	(27,334)	(4,332)	(178)	(40,091)	(32,824)	(26,410)	(100,750)	(27,879)
Net change in total pension liability	45,487	97,901	120,100	4,630	61,466	59,133	(47,307)	100,825
Total pension liability - beginning	461,005	506,492	604,393	724,493	729,123	790,589	849,722	802,415
Total pension liability - ending	\$ 506,492	\$ 604,393	\$ 724,493	\$ 729,123	\$ 790,589	\$ 849,722	\$ 802,415	\$ 903,240
Plan Fiduciary net position								
Contributions - employer	\$ 13,086	\$ 14,799	\$ 17,184	\$ 34,353	\$ 39,273	\$ 35,149	\$ 32,929	\$ 36,723
Contributions - employee	26,935	29,837	34,367	34,353	37,836	38,625	38,116	41,992
Net investment income	28,486	795	39,135	92,777	(23,684)	125,435	74,688	133,238
Benefit payments, including refunds of employee contributions	(27,334)	(4,332)	(178)	(40,091)	(32,824)	(26,410)	(100,750)	(27,879)
Administrative expense	(297)	(484)	(442)	(481)	(457)	(708)	(483)	(619)
Other	(24)	(25)	(24)	(24)	(24)	(21)	(19)	5
Net change in plan fiduciary net position	40,852	40,590	90,042	120,887	20,120	172,070	44,481	183,460
Plan fiduciary net position - beginning	497,796	538,648	579,238	669,280	790,167	810,287	982,357	1,026,838
Plan fiduciary net position - ending	\$ 538,648	\$ 579,238	\$ 669,280	\$ 790,167	\$ 810,287	\$ 982,357	\$ 1,026,838	\$ 1,210,298
Net pension liability/(asset)	\$ (32,156)	\$ 25,155	\$ 55,213	\$ (61,044)	\$ (19,698)	\$ (132,635)	\$ (224,423)	\$ (307,058)
Plan fiduciary net position as a percentage of the total pension liability	106.35%	95.84%	92.38%	108.37%	102.49%	115.61%	127.97%	134.00%
Covered-employee payroll	538,708	596,730	687,347	687,070	756,722	772,500	762,316	839,849
Net pension liability/(asset) as a percentage of covered employee payroll	-5.97%	4.22%	8.03%	-8.88%	-2.60%	-17.17%	-29.44%	-36.56%

**TOWN OF LAGUNA VISTA, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Fiscal Year Ended September 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
Actuarial determined contribution	\$ 12,985	\$ 17,742	\$ 31,548	\$ 38,058	\$ 37,293	\$ 34,183	\$ 33,510	\$ 39,009
Contributions in relation to the actuarially determined contribution	<u>(12,985)</u>	<u>(17,742)</u>	<u>(31,548)</u>	<u>(38,058)</u>	<u>(37,293)</u>	<u>(34,183)</u>	<u>(33,510)</u>	<u>(39,009)</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employee payroll	568,105	679,759	695,317	732,347	767,819	774,431	775,701	898,726
Contributions as a percentage of covered employee payroll	2.29%	2.61%	4.54%	5.20%	4.86%	4.41%	4.32%	4.34%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on 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. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information	
Notes	There were no benefit changes during the year.

TOWN OF LAGUNA VISTA, TEXAS
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,				
	2017	2018	2019	2020	2021
A. Total OPEB liability					
Service Cost	\$ 2,061	\$ 2,573	\$ 2,317	\$ 3,507	\$ 4,787
Interest (on the Total OPEB Liability)	387	463	553	622	692
Difference between expected and actual experience	-	(953)	(693)	2,278	(7,063)
Changes of assumptions	<u>1,048</u>	<u>(1,047)</u>	<u>4,961</u>	<u>4,898</u>	<u>1,075</u>
Net change in Total OPEB liability	3,496	1,036	7,138	11,305	(509)
Total OPEB liability - beginning	<u>9,210</u>	<u>12,706</u>	<u>13,742</u>	<u>20,880</u>	<u>32,185</u>
Total OPEB liability - ending (a)	<u>\$ 12,706</u>	<u>\$ 13,742</u>	<u>\$ 20,880</u>	<u>\$ 32,185</u>	<u>\$ 31,676</u>
B. Covered payroll	\$ 687,070	\$ 756,722	\$ 772,500	\$ 762,316	\$ 839,849
C. Total OPEB liability as a percentage of covered payroll	1.85%	1.82%	2.70%	4.22%	3.77%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**TOWN OF LAGUNA VISTA
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	N/A
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	2.00%
Retirement Age	N/A
Mortality	Service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Disabled retirees: 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

**TOWN OF LAGUNA VISTA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	Special Revenue		
	LBSP Grant	Hotel Occupancy Tax	Police Forfeiture
ASSETS			
Cash and cash equivalents	\$ -	\$ 166,541	\$ 1,335
Receivables, net:			
Property tax	-	-	-
Grant	10,332	-	-
Other	-	-	-
Due from other funds	-	-	-
Total assets	<u>\$ 10,332</u>	<u>\$ 166,541</u>	<u>\$ 1,335</u>
LIABILITIES			
Due to other funds	<u>\$ 10,332</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>10,332</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Promotion of tourism	-	166,541	-
Public safety	-	-	1,335
Debt service	-	-	-
Park and building improvements	-	-	-
Total fund balances	<u>-</u>	<u>166,541</u>	<u>1,335</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,332</u>	<u>\$ 166,541</u>	<u>\$ 1,335</u>

EXHIBIT H-1

Debt Service	Capital Projects		Total Nonmajor Governmental Funds
Debt Service	Certificate of Obligation	Harbin Marina Park	
\$ 9,683	\$ 3,995	\$ -	\$ 181,554
1,892	-	-	1,892
-	-	-	10,332
-	-	-	-
<u>1,814</u>	<u>-</u>	<u>-</u>	<u>1,814</u>
<u>\$ 13,389</u>	<u>\$ 3,995</u>	<u>\$ -</u>	<u>\$ 195,592</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,332</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,332</u>
<u>1,892</u>	<u>-</u>	<u>-</u>	<u>1,892</u>
<u>1,892</u>	<u>-</u>	<u>-</u>	<u>1,892</u>
-	-	-	166,541
-	-	-	1,335
11,497	-	-	11,497
-	3,995	-	3,995
<u>11,497</u>	<u>3,995</u>	<u>-</u>	<u>183,368</u>
<u>\$ 13,389</u>	<u>\$ 3,995</u>	<u>\$ -</u>	<u>\$ 195,592</u>

**TOWN OF LAGUNA VISTA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Special Revenue		
	LBSP Grant	Hotel Occupancy Tax	Police Forfeiture
REVENUES			
Taxes:			
Property	\$ -	\$ -	\$ -
Hotel/motel	-	65,538	-
Intergovernmental	117,096	-	-
Investment earnings	-	701	8
Miscellaneous revenue	-	540	-
Total revenues	<u>117,096</u>	<u>66,779</u>	<u>8</u>
EXPENDITURES			
General government	-	22,963	-
Public safety	117,096	-	-
Community services	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>117,096</u>	<u>22,963</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>43,816</u>	<u>8</u>
NET CHANGE IN FUND BALANCES	-	43,816	8
FUND BALANCES, BEGINNING	<u>-</u>	<u>122,725</u>	<u>1,327</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 166,541</u>	<u>\$ 1,335</u>

EXHIBIT H-2

Debt Service	Capital Projects		Total Nonmajor Governmental Funds
Debt Service	Certificate of Obligation	Harbin Marina Park	
\$ 111,917	\$ -	\$ -	\$ 111,917
-	-	-	65,538
-	-	-	117,096
361	2	21	1,093
-	-	-	540
<u>112,278</u>	<u>2</u>	<u>21</u>	<u>296,184</u>
560	-	-	23,523
-	-	-	117,096
-	-	11,127	11,127
75,000.00	-	-	75,000
35,333	-	-	35,333
<u>110,893</u>	<u>-</u>	<u>11,127</u>	<u>455,027</u>
<u>1,385</u>	<u>2</u>	<u>(11,106)</u>	<u>(158,843)</u>
1,385	2	(11,106)	34,105
<u>10,112</u>	<u>3,993</u>	<u>11,106</u>	<u>149,263</u>
<u>\$ 11,497</u>	<u>\$ 3,995</u>	<u>\$ -</u>	<u>\$ 183,368</u>



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

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

Town Council
Town of Laguna Vista
Laguna Vista, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Laguna Vista, Texas, (the "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Casco & Associates, PC". The signature is written in a cursive, flowing style.

Casco & Associates, PC
Brownsville, Texas
April 12, 2023