

LAKE CITIES MUNICIPAL UTILITY AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2020 AND 2019

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
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YEARS ENDED AUGUST 31, 2020 AND 2020**

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Denton

I, Tom Rufer of the

(Name of Duly Authorized District Representative)

Lake Cities Municipal Utility Authority

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 11 day of January, 2021 its annual audit report for the fiscal year or period ended August 31, 2020 and those copies of the annual audit report have been filed in the district office, located at:

501 N Shady Shores Dr, Lake Dallas, Texas 75065

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: 01/12/2021

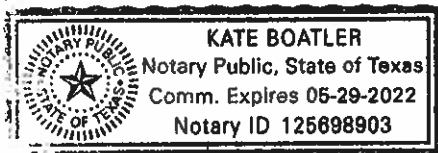
By: *Tom Rufer*
(Signature of District Representative)

Tom Rufer, Board President

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 12 day of January, 2021

(SEAL)



Kate Boatler
(Signature of Notary)

My Commission Expires On: 05.29.2022
Notary Public in the State of Texas.



INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
Lake Cities Municipal Utility Authority
Lake Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Lake Cities Municipal Utility Authority (the Authority), as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Lake Cities Municipal Utility Authority, as of August 31, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-10 and the schedule of changes in total OPEB liability and related ratios, schedule of changes in net pension liability and related ratios, the schedule of employer pension contributions, and notes to required supplementary information on pages 34-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Lake Cities Municipal Utility Authority. The Texas supplemental information on pages 38-49 (the supplementary information) is required by the Texas Commission on Environmental Quality as published in the Water District Financial Management Guide. The Texas supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, other than the Schedules of Service Rates (TSI-1) and board Members, Key Personnel, and Consultants (TSI-8) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Lake Cities Municipal Utility Authority's basic financial statements for the years ended August 31, 2017, 2016 and 2015 (presented herein), were audited by other auditors whose reports dated January 8, 2018, January 9, 2017, and January 11, 2016, respectively, expressed an unmodified opinion on those statements. The reports of the other auditors dated January 8, 2018, January 9, 2017, and

Members of the Board of Directors
Lake Cities Municipal Utility Authority

January 11, 2016, respectively, stated the Comparative Schedule of Revenues and Expenses Enterprise Fund for the years ended August 31, 2017, 2016, and 2015 were subjected to the auditing procedures applied in the audit of the 2017, 2016, and 2015 basic financial statements and certain underlying accounting and other records used to prepare those basic financial statements or those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended August 31, 2017, 2016, and 2015.

The Schedules of Service and Rates (TSI-1) and Board Members, Key Personnel, and Consultants (TSI-8) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, on our consideration of the Authority'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 Authority'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 Lake Cities Municipal Utility Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Worth, Texas
January 12, 2021

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED AUGUST 31, 2020 AND 2019**

As management of Lake Cities Municipal Utility Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2020 and 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$33,409,415 (net position). Of this amount, \$2,617,194 (unrestricted net position) may be used to meet the Authority's ongoing obligations to customers and creditors in accordance with the Authority's fiscal policies. The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended August 31, 2019, by \$31,240,777 (net position). Of this amount, \$304,347 (unrestricted net position) may be used to meet the government's ongoing obligations to customers and creditors in accordance with the Authority's fiscal policies.
- The Authority's total net position increased by \$2,168,638 for the year ending August 31, 2020. This increase is primarily the result of the Authority's operating income of \$2,095,476. For the year ended August 31, 2019, the Authority's total net position increased by \$1,610,928. This increase is primarily the result of the Authority's operating income of \$1,514,316.
- The Authority's total debt decreased by \$265,142 and \$764,942, primarily due to principal payments during the years ended August 31, 2020 and August 31, 2019, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three statements: 1) statement of net position which provide all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities); 2) statement of revenues, expenses, and changes in net position shows the business-type activities of the Authority and provides information regarding revenues and expenses, both operating and nonoperating, that affect the net position; and 3) statement of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the period using the direct method of reporting cash flows from operating, investing, and capital and noncapital financing activities. The basic financial statements can be found on pages 11-13.

Notes to the Financial Statements

Integral to the financial statements are the notes to the basic financial statements. These notes provide additional information that is essential to a full understanding of the financial data provided in the basic financial statements. The Authority has prepared notes sufficient to provide the readers of these financial statements a clear picture of the Authority's financial position and insight into the results of its operations. These notes comply with the Texas Commission on Environmental Quality (TCEQ) standardized reporting requirements and are in conformity with accounting principles generally accepted in the United States of America (GAAP). The Notes to the financial statements can be found on pages 14-33.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED AUGUST 31, 2020 AND 2019**

Other Information

In addition to the basic financial statements and the accompanying notes, this section presents certain required and other supplementary information, much of which is required by TCEQ and GAAP, which may be beneficial to the reader.

The supplementary information can be found on pages 34-49 of the report.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Our analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the fiscal years ended August 31, 2020, 2019, and 2018.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Lake Cities Municipal Utility Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,409,415 and \$31,240,777 as of August 31, 2020 and 2019, respectively.

As of August 31, 2020 and 2019, the largest portion of the Authority's net position (85% and 80%, respectively) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. An additional portion of the Authority's net position (14% and 13%, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,617,194 or 8% and \$304,347 or 1%, respectively) may be used to meet the Authority's ongoing obligations to customers and creditors.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED AUGUST 31, 2020 AND 2019**

Lake Cities Municipal Authority's Net Position – Table 1

	<u>2020</u>	<u>2019</u>	<u>2018, Restated</u>
Current and Other Assets	\$ 10,414,791	\$ 7,992,666	\$ 9,178,766
Capital Assets	29,553,145	29,787,040	27,913,527
Deferred Outflows of Resources	89,614	199,918	485,267
Total Assets and Deferred Outflows of Resources	<u>40,057,550</u>	<u>37,979,624</u>	<u>37,577,560</u>
Current Liabilities	1,110,272	1,195,923	1,985,486
Long-Term Liabilities	5,481,556	5,393,398	5,513,681
Other Noncurrent Liabilities	29,506	-	(38,025)
Deferred Inflows of Resources	85,813	92,550	120,375
Total Liabilities and Deferred Inflows of Resources	<u>6,707,147</u>	<u>6,681,871</u>	<u>7,581,517</u>
Net Position:			
Net Investment in Capital Assets	25,211,507	26,703,813	23,563,433
Restricted	5,580,714	4,232,617	3,740,172
Unrestricted	2,617,194	304,347	2,326,244
Total Net Position	<u>\$ 33,409,415</u>	<u>\$ 31,240,777</u>	<u>\$ 29,629,849</u>

Regarding restricted net position, \$5,029,287 represents Impact Fees restricted for capital improvements and \$551,427 represents the portion restricted for debt service as of August 31, 2020. Unrestricted net position of \$2,617,194 may be used to meet the Authority's ongoing obligations to its customers and creditors. As of August 31, 2019, \$3,687,073 represents Impact Fees restricted for capital improvements and \$545,544 represents the portion restricted for debt service. Unrestricted net position of \$304,347 may be used to meet the Authority's ongoing obligations to its customers and creditors.

As of August 31, 2020, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The current and other assets increased(decreased) by \$2,422,125 and \$(1,186,100) during the years ended August 31, 2020 and 2019, respectively.

During the current year, the Authority's debt (its revenue bonds and notes) decreased by \$256,142. Also included in long-term liabilities is the requirement to report an OPEB (Other Postemployment Benefits) liability of \$1,364,918 which includes a \$363,300 increase. During the prior year, the Authority's debt decreased by \$764,942, while the OPEB liability increased by \$144,859 to a balance of \$1,001,618.

The Authority's net position increased by \$2,168,638 during the current fiscal year. Net position invested in capital assets, net of related debt, decreased by \$1,492,306. Unrestricted net position increased by \$2,312,847 or 760%. During the prior fiscal year, the Authority's net position increased by \$1,244,734, net position invested in capital assets, net of related debt, increased by \$3,140,380 and unrestricted net position decreased by \$2,388,091 or 89%.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED AUGUST 31, 2020 AND 2019**

The following table provides a summary of the Authority's operations for the fiscal year ended August 31, 2020 and 2019, with comparative totals for the fiscal year ended August 31, 2018.

Lake Cities Municipal Utility Authority's Change in Net Position – Table 2

	<u>2020</u>	<u>2019</u>	<u>2018, Restated</u>
Total Operating Revenues	\$ 11,115,486	\$ 9,481,317	\$ 10,017,393
Operating Expenses	(9,020,010)	(7,967,001)	(6,979,821)
Nonoperating Revenue (Expense), Net	<u>(97,809)</u>	<u>(75,742)</u>	<u>(145,415)</u>
Excess of Revenues Over Expenses	1,997,667	1,438,574	2,892,157
Capital Contributions	<u>170,971</u>	<u>172,354</u>	<u>833,557</u>
Change in Net Position	2,168,638	1,610,928	3,725,714
Net Position - Beginning of Year	31,240,777	29,629,849	25,904,135
Restatement	<u>-</u>	<u>-</u>	<u>653,304</u>
Net Position - Beginning of Year, as Restated	<u>31,240,777</u>	<u>29,629,849</u>	<u>26,557,439</u>
Net Position - End of Year	<u>\$ 33,409,415</u>	<u>\$ 31,240,777</u>	<u>\$ 30,283,153</u>

THE AUTHORITY'S FUNDS

The Authority has one activity, the Enterprise Fund. Unrestricted net position of the proprietary fund, the Water and Sewer Fund, is \$2,617,194 and \$304,347 as of August 31, 2020 and 2019, respectively. This fund's net position increased in the fiscal year ended August 31, 2020 and 2019, by \$2,168,638 and \$1,244,734, respectively.

Proprietary Fund Budgetary Highlights – The Authority made no revision to the original appropriations approved by the Board of Directors. Also, the Authority made no changes to its overall budgeted revenue.

Actual operating revenues were \$1,481,486 higher than the budgeted amounts, due in large part to the increase in tap and connection fees.

Actual operating expenditures were \$1,449,955 above the budgeted amounts, largely due to depreciation expense not being budgeted for.

Overall, the change in net position for the year was \$1,120,007 lower than the budget amount, due to the changes described above as well as contributed capital that was not received.

Additional information on the comparison of the Authority's actual operations to its budget can be found in the Budgetary Comparison Schedule – Enterprise Fund beginning on page 38.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED AUGUST 31, 2020 AND 2019**

CAPITAL ASSETS

The Authority's capital assets for its business-type activities as of August 31, 2020 totaled to \$29,553,145 (net of accumulated depreciation). Capital assets include land, building, equipment, improvements, infrastructure, and construction in progress.

The Authority's capital assets decreased \$233,895 during the current year. Major capital asset events during the current fiscal year included the following:

1. The Lift Station 1 and Folly Beach Waterline projects were completed which resulted in the capitalization of approximately \$3,236,000 in CIP.
2. Several additional infrastructure projects were started, adding approximately \$438,000 in CIP.
3. Depreciation expense of approximately \$1,377,000 was recognized.

The Authority's capital assets increased \$1,873,513 during the year ended August 31, 2019. Major capital asset events during that year included:

1. Approximately \$5,500,000 of new and replacement water and sewer infrastructure.
2. Approximately \$760,000 in new office equipment.
3. Depreciation expense of approximately \$1,057,000 was recognized.

Capital assets at year-end net of accumulated depreciation are as follows:

	2020	2019	2018, Restated
Construction in Progress	\$ 516,143	\$ 3,185,618	\$ 7,096,059
Land	1,541,912	1,541,912	1,541,912
Infrastructure/Equipment	25,540,947	23,100,919	18,220,577
Auto/Trucks	382,287	335,239	161,775
Office Equipment/Software	783,758	801,228	52,281
Building	788,098	822,124	840,923
Total	<u>\$ 29,553,145</u>	<u>\$ 29,787,040</u>	<u>\$ 27,913,527</u>

The following table summarizes the changes in capital assets:

	2020	2019
Balance - Beginning of Year	\$ 29,787,040	\$ 27,913,527
Restatement	-	-
Balance - Beginning of Year, as Restated	29,787,040	27,913,527
Additions and Transfers	4,381,583	8,740,037
Depreciation	(1,376,876)	(1,056,651)
Disposals and Transfers	(3,238,602)	(5,809,873)
Balance - End of Year	<u>\$ 29,553,145</u>	<u>\$ 29,787,040</u>

Additional information on the Authority's capital assets can be found in Note 4 on page 20 of this report,

DEBT ADMINISTRATION

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED AUGUST 31, 2020 AND 2019**

At the end of the current fiscal year, the Authority had total debt obligations of \$4,319,800. The payoff date of the Authority's revenue bond is August 1, 2033.

**Outstanding Debt at Year-End
Bonds, Capital Lease Obligations, and Note Payable**

	2020	2019	2018
Revenue Bonds/Notes Payable	\$ 4,319,800	\$ 4,579,800	\$ 5,339,600

The Authority's revenue-supported debt was rated by Standard & Poor's Rating Services, A Division of the McGraw-Hill Companies, Inc. in 2013 at AA-. Application for contract ratings on the Bonds has not been made to any of the rating companies since that initial rating. Furthermore, the Authority did not apply for municipal bond insurance.

Additional information on the Authority's long-term debt can be found beginning with Note 5 on pages 20-21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2020-2021 Budget, water and sewer revenues are budgeted to decrease by approximately 2% from the 2019-2020 budget year. A rate study conducted during the 2016 fiscal year revealed a structure change in water and wastewater rates (including depreciation) was needed to continue building acceptable working capital and fund capital improvement projects over the next five years. The Board of Directors passed a resolution affecting rates during the regular meeting held December 02, 2019, with an effective date of January 1, 2020.

The Authority has made a concerted effort to limit appropriations to only those items that are truly necessary. Budgeted expenses include a small increase in professional services and in operations. The supplies expense decreased due to a meter change out program starting in FY 2015-2016 that has been completed. Increases in the demand charge for water and for wastewater treatment from the provider resulted in comparable increases in those items of the Authority's expenses budget.

The Water and Sewer Fund is budgeted to operate next year with expenditures equal to revenues.

REQUEST FOR INFORMATION

The financial report is designated to provide our residents, customers, investors, and creditors with a general overview of the Authority's finances. If you have any questions about this report or need any additional information, contact the General Manager or Finance Director, 501 N. Shady Shores Drive, Lake Dallas, Texas 75065 or call 940-497-2999.

BASIC FINANCIAL STATEMENTS

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2020 AND 2019**

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,384,730	\$ 1,826,281
Investments	1,072,725	1,040,768
Trade Accounts Receivable, Net of Allowance	1,440,713	1,267,898
Other Accounts Receivable	196,477	137,583
Supplies Inventory	190,382	153,509
Total Current Assets	6,285,027	4,426,039
RESTRICTED ASSETS		
Cash and Cash Equivalents	4,129,764	3,566,627
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION		
Construction in Progress (Nondepreciable)	516,140	3,185,618
Land (Nondepreciable)	1,541,912	1,541,912
Infrastructure/Equipment	25,539,972	23,100,919
Auto/Trucks	382,287	335,239
Office Equipment	783,757	801,228
Building	789,077	822,124
Total Capital Assets	29,553,145	29,787,040
OTHER ASSETS		
Net Pension Asset - TCDRS	29,506	-
Total Other Assets	29,506	-
DEFERRED OUTFLOWS OF RESOURCES		
Related to TCDRS Pension	89,614	199,918
Total Deferred Outflows of Resources	89,614	199,918
Total Assets and Deferred Outflows of Resources	\$ 40,087,056	\$ 37,979,624
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 471,239	\$ 443,537
Salaries and Benefits Payable	142,651	141,205
Accrued Interest Payable	12,330	12,330
Retainage Payable	-	156,522
Security Deposits	214,052	182,329
Current Portion of Long-Term Debt	270,000	260,000
Total Current Liabilities	1,110,272	1,195,923
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	4,116,638	4,391,780
Net Pension Liability - TCDRS	-	56,976
OPEB Liability	1,364,918	1,001,618
Total Long-Term Liabilities	5,481,556	5,450,374
DEFERRED INFLOWS OF RESOURCES		
Related to TCDRS Pension	85,813	92,550
Total Liabilities and Deferred Inflows of Resources	6,677,641	6,738,847
NET POSITION		
Net Investment in Capital Assets	25,211,507	26,703,813
Restricted for Debt Service	551,427	545,544
Restricted for Capital Improvement	5,029,287	3,687,073
Unrestricted	2,617,194	304,347
Total Net Position	33,409,415	31,240,777
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 40,087,056	\$ 37,979,624

See accompanying Notes to Basic Financial Statements.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
OPERATING REVENUES		
Charges for Water Service	\$ 5,834,076	\$ 5,024,552
Charges for Sewer Service	3,485,948	3,428,337
Tap Connection and Inspection Fees	1,616,448	811,994
Penalties and Interest	179,014	216,434
Total Operating Revenues	11,115,486	9,481,317
OPERATING EXPENSES		
Purchased Water Service	2,344,984	2,199,755
Purchased Sewer Service	1,443,745	1,487,367
Salaries and Payroll Taxes	1,464,260	1,350,519
Benefits	943,583	611,549
Contracted Services	332,738	319,332
Professional Fees	172,104	113,954
Utilities	89,737	86,653
Depreciation	1,376,876	1,056,651
Water and Sewer System Maintenance	223,657	233,093
Other	628,326	508,128
Total Operating Expenses	9,020,010	7,967,001
OPERATING INCOME	2,095,476	1,514,316
NONOPERATING REVENUES (EXPENSES)		
Investment Earnings	66,555	103,299
Interest Expense	(165,864)	(181,541)
Gain on Sale of Fixed Assets	1,500	2,500
Contributed Capital	170,971	172,354
Total Nonoperating Revenues	73,162	96,612
INCREASE IN NET POSITION	2,168,638	1,610,928
Total Net Position - Beginning	31,240,777	29,629,849
TOTAL NET POSITION - ENDING	\$ 33,409,415	\$ 31,240,777

See accompanying Notes to Basic Financial Statements.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 10,915,500	\$ 9,392,518
Cash Paid to Employees for Services	(1,910,024)	(1,807,086)
Cash Paid to Suppliers	(4,616,136)	(4,586,795)
Cash Paid for Other Expenses	(628,326)	(508,128)
Net Cash Provided by Operating Activities	3,761,014	2,490,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	66,555	103,300
Proceeds from Sale of Fixed Assets	1,500	2,500
Purchases of Investments	(31,957)	(40,768)
Net Cash Provided (Used) by Financing Activities	36,098	65,032
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(1,128,532)	(2,851,131)
Principal Payments on Long-Term Debt	(265,142)	(764,942)
Interest on Long-Term Debt	(165,864)	(181,541)
Net Cash Used by Capital and Related Financing Activities	(1,559,538)	(3,797,614)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,237,574	(1,242,073)
Cash and Cash Equivalents - Beginning of Year	5,392,908	6,634,981
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,630,482	\$ 5,392,908
CASH AND CASH EQUIVALENTS	\$ 3,384,730	\$ 3,262,574
RESTRICTED CASH AND CASH EQUIVALENTS	4,129,764	2,130,334
TOTAL CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,514,494	\$ 5,392,908
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 2,095,476	\$ 1,514,316
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,376,876	1,056,651
Change in Accounts Receivable	(231,709)	(99,609)
Change in Supplies Inventory	(36,873)	84,404
Change in Net Pension Asset (Liability)	29,506	95,001
Change in Deferred Inflows and Outflows related to Pension	103,567	(108,671)
Change in OPEB Liability	363,300	144,859
Change in Accounts Payable	27,702	(231,045)
Change in Salaries Payable	1,446	23,793
Change in Customer Deposits	31,723	10,810
Net Cash Provided by Operating Activities	\$ 3,761,014	\$ 2,490,509
NONCASH ITEMS		
Capital Contributions	\$ 170,971	\$ 172,354

See accompanying Notes to Basic Financial Statements.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lake Cities Municipal Utility Authority (the Authority) was created under Article XVI, Section 59 of the Constitution of the State of Texas, by Acts 1963, 58th Legislature, Chapter 599, which provide that the Board of Directors shall be elected by the qualified voters of the Authority. It was organized to own and operate the Water and Sewer System and was empowered to levy taxes and charge for water and sewer services provided to citizens. The Authority was also validated and confirmed effective June 18, 1999 by House Bill No. 3804, Chapter 1137, 76th Legislature. This bill revised and restated the enabling statutes creating and establishing the Authority's power of eminent domain and its authority to levy an ad valorem tax and to issue bonds. Its enabling legislation was further amended by House Bill No. 2309, Section 1.26, 79th Legislature, which was signed into law on June 18, 2005, effective September 1, 2005. This law repealed Chapter 312, Acts of the 58th Legislature, Regular Session, 1963, and provided that each director is to be elected at large to one of five numbered places by the qualified voters residing within the boundaries of the Authority. Further amended by House Bill No. 4176 of the 84th Legislative Session, signed into law June 18, 2015, taking effect September 1, 2015. This law amended Section 1.3 regarding the territorial boundaries of Authority to include all municipal boundaries and extraterritorial jurisdictions of the City of Lake Dallas, the Town of Shady Shores, and the Town of Hickory Creek. Section 2.6 was amended to provide for a director seat for each of the representative municipalities and two at large directors.

Measurement Focus

The accompanying basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Authority's operating revenues are derived from charges to users, primarily for the transportation and sale of water and wastewater. The Authority constructs facilities to provide services to others, which are financed in part by the issuance of its revenue bonds and notes.

Basis of Presentation

The Authority presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended*, guidance for governments engaged in business-type activities. Accordingly, the basic financial statements and Required Supplementary Information (RSI) of the Authority consist of Management's Discussion & Analysis, statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, notes to financial statements, schedule of funding progress for the retiree health plan, schedule of changes in net pension liability and related ratios, and the schedule of employer pension contributions. Additionally, the Authority complies with the reporting requirements promulgated by the "Water District Financial Management Guide" published by the Texas Commission on Environmental Quality.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

Revenues are recognized as earned and generally result from providing water and sewer services to customers. Revenues resulting from other transactions are reported as nonoperating revenues.

Expenses

Direct charges attributable to the operations of the Authority's water and sewer systems, including depreciation and amortization, are reported as operating expenses. Interest expense and other similar charges not directly related to the systems' operations are reported as nonoperating expenses. Restricted resources, if any, are used first to fund related appropriations, before unrestricted resources are used.

Cash Equivalents

All highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents.

Deposits

At August 31, 2020 and 2019, respectively, the bank balance of the Authority's cash deposits totaled \$322,603 and \$374,442, and the carrying value was \$346,085 and \$102,805. These amounts exclude the restricted cash amount held in escrow which totaled \$45,000 at August 31, 2020 and 2019, respectively. The Authority has obtained a pledge of securities in the amount of \$300,000 from a financial institution in order to mitigate credit and custodial risks associated with deposits. However, this amount plus the bank depository insurance limits were insufficient to fully collateralize the Authority's deposits. The Authority has not experienced any loss as a result of this custodial risk.

Accounts Receivable

Accounts receivable consists primarily of receivables related to water and sewer services. Accounts receivable includes an accrual for unbilled revenue earned during the months of August 2020 and August 2019. The unbilled revenue balance as of August 31, 2020 and 2019 was \$559,006 and \$513,073, respectively.

Allowances for Doubtful Accounts

Trade accounts receivable are evaluated periodically for collectability based on customer history and current economic conditions. When considered necessary, an allowance is made for doubtful accounts.

Inventories

All inventories are valued at cost using the first-in, first-out (FIFO) methodology.

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 amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

All purchased capital assets are stated at historical cost unless they are determined to be impaired based on GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Donated assets are stated at their estimated acquisition values on the date donated.

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

According to the Authority's capitalization policy, assets capitalized have an original cost of \$5,000 or more and two or more years of estimated useful life. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives range from 5 to 40 years for buildings and water and sewer equipment, 5 to 20 years for machinery and equipment, and 10 to 40 years for engineering fees and purchased computer software.

Compensated Absences

Employees are allowed to accumulate vacation within certain limitations. Payment for accrued vacation (within limits) upon termination is subject to the employee leaving in good standing. Payment for accrued sick leave (within limits) is paid upon retirement. At August 31, 2020 and 2019, a liability of \$68,937 in both years for unused vacation leave has been accrued and is included in current liabilities within salaries and benefits payable.

Minimum Unrestricted Net Position

The Authority's goal is to achieve and maintain unrestricted net position balance in the enterprise fund equal to 25% of annual expenses. In the event that the unrestricted net position balance is calculated to be less than the policy stipulates, the Authority shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 CASH AND INVESTMENTS

Legal provisions generally permit the Authority to invest in direct and indirect obligations of the United States of America or its agencies, certain certificates of deposit, repurchase agreements, public funds investment pools, and mutual funds. During the year ended August 31, 2020 and 2019, the Authority did not own any types of securities other than those permitted by statute.

The following is a summary of cash and investments at August 31:

	2020		
	Credit Quality Ratings	Fair Value	Weighted Average Maturity
Unrestricted Cash and Investments			
Deposits with a Financial Institution	Not Rated	\$ 1,833,568	N/A
Cash on Hand	Not Rated	1,227	N/A
TexPool	AAAm	194,132	36 Days
LOGIC	AAAm	2,428,528	47 Days
Total		<u>\$ 4,457,455</u>	
Restricted Cash and Investments			
Cash Held in Escrow	Not Rated	\$ 45,000	N/A
Deposits with a Financial Institution	Not Rated	(236,117)	N/A
TexPool	AAAm	3,265,599	36 Days
LOGIC	AAAm	104,833	47 Days
TexasTerm	AAAm	950,449	57 Days
Total		<u>\$ 4,129,764</u>	
	2019		
	Credit Quality Ratings	Fair Value	Weighted Average Maturity
Unrestricted Cash and Investments			
Deposits with a Financial Institution	Not Rated	\$ (61,851)	N/A
Cash on Hand	Not Rated	1,227	N/A
TexPool	AAAm	436,211	36 Days
LOGIC	AAAm	2,491,462	47 Days
Total		<u>\$ 2,867,049</u>	
Restricted Cash and Investments			
Cash Held in Escrow	Not Rated	\$ 1,071,770	N/A
Deposits with a Financial Institution	Not Rated	182,329	N/A
TexPool	AAAm	1,880,091	36 Days
LOGIC	AAAm	432,437	47 Days
Total		<u>\$ 3,566,627</u>	

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The following is a summary of cash restrictions as of August 31:

	2020	2019
Restricted Cash and Investments		
Restricted for Customer Deposits	\$ 214,052	\$ 182,329
Restricted for Impact Fees	2,714,172	1,334,547
Restricted for Capital Projects	650,113	67,914
Restricted for Debt Service	551,427	545,544
Total Restricted Cash and Equivalents	\$ 4,129,764	\$ 2,130,334

In compliance with the Authority's investment policy, the Authority limits exposure to credit risk and interest rate risk by limiting the effective duration of securities to less than 12 months and limiting investments to high quality rated securities. The Authority limits exposure to custodial credit risk through a pledge of securities obtained from a financial institution.

The Authority invests in TexPool. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller for public review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The Authority also invests in LOGIC Investments. LOGIC is administered by FirstSouthwest and JPMorgan Chase. Together, these organizations bring to the LOGIC program the powerful partnership of two leaders in financial services with a proven track record in local government investment pool management and extensive industry resources. LOGIC is a local government investment cooperative created under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Finally, LOGIC is an AAA rated local government investment pool created by Texas local government officials who understand the specific needs and challenges of investing public funds.

Investment pools are measured at amortized cost and are exempt for fair value reporting under GASB Statement No. 72, *Fair Value Measurement and Application*.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable arising from business activities at August 31 are as follows:

	<u>2020</u>	<u>2019</u>
Accounts Receivable - Water/Sewer	918,615	\$ 752,967
Accounts Receivable - Construction	174,729	122,153
Accrued Unbilled Revenue	559,006	513,073
Developer Engineering Fees	21,021	24,946
Other Receivables	9,151	7,581
Less: Allowance for Uncollectibles	<u>(45,332)</u>	<u>(15,239)</u>
Total Accounts Receivable, Net	<u>\$ 1,637,190</u>	<u>\$ 1,405,481</u>

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets follows. See note 8 for additional information regarding the restatement.

	<u>Balance at September 1, 2019</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance at August 31, 2020</u>
Capital Assets, Undepreciable:				
Construction in Progress	\$ 3,185,619	\$ 566,944	\$ 3,236,420	\$ 516,143
Land	1,541,912	-	-	1,541,912
Total Nondepreciable Assets	<u>4,727,531</u>	<u>566,944</u>	<u>3,236,420</u>	<u>2,058,055</u>
Capital Assets, Depreciable:				
Infrastructure/Equipment	36,501,033	3,613,250	239,739	39,874,544
Auto/Trucks	1,106,619	155,642	106,048	1,156,213
Office Equipment/Software	1,001,019	-	16,959	984,060
Building	1,650,835	45,747	13,258	1,683,324
Total Depreciable Assets	<u>40,259,506</u>	<u>3,814,639</u>	<u>376,004</u>	<u>43,698,141</u>
Less Accumulated Depreciation:				
Infrastructure/Equipment	13,400,115	1,171,041	237,559	14,333,597
Auto/Trucks	771,380	108,594	106,048	773,926
Office Equipment/Software	199,791	17,470	16,959	200,302
Building	828,711	79,771	13,256	895,226
Total Accumulated Depreciation	<u>15,199,997</u>	<u>1,376,876</u>	<u>373,822</u>	<u>16,203,051</u>
Total Depreciable Assets, Net	<u>25,059,509</u>	<u>2,437,763</u>	<u>2,182</u>	<u>27,495,090</u>
Capital Assets, Net	<u>\$ 29,787,040</u>	<u>\$ 3,004,707</u>	<u>\$ 3,238,602</u>	<u>\$ 29,553,145</u>

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at September 1, 2018	Restatement	Balance at September 1, 2017, as Restated	Additions and Transfers	Disposals and Transfers	Balance at August 31, 2019
Capital Assets, Undepreciable:						
Construction in Progress	\$ 7,096,059	\$ -	\$ 7,096,059	\$ 1,892,168	\$ 5,802,608	\$ 3,185,619
Land	1,541,912	-	1,541,912	-	-	1,541,912
Total Nondepreciable Assets	8,637,971	-	8,637,971	1,892,168	5,802,608	4,727,531
Capital Assets, Depreciable:						
Infrastructure/Equipment	30,976,459	-	30,976,459	5,754,598	230,024	36,501,033
Auto/Trucks	945,616	-	945,616	267,053	106,050	1,106,619
Office Equipment/Software	234,724	-	234,724	771,869	5,574	1,001,019
Building	1,605,077	-	1,605,077	54,349	8,591	1,650,835
Total Depreciable Assets	33,761,876	-	33,761,876	6,847,869	350,239	40,259,506
Less Accumulated Depreciation:						
Infrastructure/Equipment	12,755,882	-	12,755,882	866,992	222,759	13,400,115
Auto/Trucks	783,841	-	783,841	93,589	106,050	771,380
Office Equipment/Software	182,443	-	182,443	22,922	5,574	199,791
Building	764,154	-	764,154	73,148	8,591	828,711
Total Accumulated Depreciation	14,486,320	-	14,486,320	1,056,651	342,974	15,199,997
Total Depreciable Assets, Net	19,275,556	-	19,275,556	5,791,218	7,265	25,059,509
Capital Assets, Net	<u>\$ 27,913,527</u>	<u>\$ -</u>	<u>\$ 27,913,527</u>	<u>\$ 7,683,386</u>	<u>\$ 5,809,873</u>	<u>\$ 29,787,040</u>

NOTE 5 LONG-TERM LIABILITIES

Summary of long-term liabilities are summarized as follows:

	Balance at September 1, 2019	Additions/ Issued	Retired or Refunded	Balance at August 31, 2020	Amount Due Within One Year
Revenue Bonds	\$ 4,579,800	\$ -	\$ (260,000)	\$ 4,319,800	\$ 270,000
Premium	71,980	-	(5,142)	66,838	-
Total Bonds Payable	4,651,780	-	(265,142)	4,386,638	270,000
Net Pension Liability (Asset)	56,976	-	(27,470)	29,506	-
OPEB Liability	1,001,618	-	363,300	1,364,918	-
Total Long-Term Liabilities	<u>\$ 5,710,374</u>	<u>\$ -</u>	<u>\$ 70,688</u>	<u>\$ 5,781,062</u>	<u>\$ 270,000</u>

	Balance at September 1, 2018	Additions/ Issued	Retired or Refunded	Balance at August 31, 2019	Amount Due Within One Year
Revenue Bonds	\$ 4,834,800	\$ -	\$ (255,000)	\$ 4,579,800	\$ 260,000
Revenue Notes	504,800	-	(504,800)	-	-
Premium	77,122	-	(5,142)	71,980	-
Total Bonds Payable	5,416,722	-	(764,942)	4,651,780	260,000
Net Pension Liability (Asset)	(38,025)	-	95,001	56,976	-
OPEB Liability	856,759	-	144,859	1,001,618	-
Total Long-Term Liabilities	<u>\$ 6,235,456</u>	<u>\$ -</u>	<u>\$ (525,082)</u>	<u>\$ 5,710,374</u>	<u>\$ 260,000</u>

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

The bonds and notes are secured by the water and sewer system and any revenues generated by the provision of water and sewer service through the use of this system.

Long-term debt includes the following issuances:

As of August 31, 2020:

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Revenue Bonds:				
2013 Revenue Bonds	3.00-4.25%	8/31/2033	4,319,800	270,000
Plus Deferred Amounts:				
For Issuance Premiums and Discounts			66,838	-
Net Long-Term Debt			<u>\$ 4,386,638</u>	<u>\$ 270,000</u>

As of August 31, 2019:

	Interest Rate (%)	Maturity Date	Outstanding	Due Within One Year
Revenue Bonds:				
2013 Revenue Bonds	3.00-4.25%	8/31/2033	\$ 4,579,800	\$ 260,000
Plus Deferred Amounts:				
For Issuance Premiums and Discounts			77,122	-
Net Long-Term Debt			<u>\$ 4,656,922</u>	<u>\$ 260,000</u>

The annual requirements to retire revenue bonds and notes outstanding, including interest, are:

<u>Year Ending August 31,</u>	Interest Amount	Principal Amount	Total Bond Service Requirements
2021	\$ 162,806	\$ 270,000	\$ 432,806
2022	154,706	275,000	429,706
2023	146,456	285,000	431,456
2024	137,194	295,000	432,194
2025	126,869	305,000	431,869
2026 - 2030	457,303	1,695,000	2,152,303
2031 - 2035	102,054	1,194,800	1,296,854
Total	<u>\$ 1,287,388</u>	<u>\$ 4,319,800</u>	<u>\$ 5,607,188</u>

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS

The Authority provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 701 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar-year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions

The employer has elected the annually determined contribution rate (ADCR) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.10% for the 2019 plan year. Total employer contributions for the years ended August 31, 2020 and 2019 were \$127,573 and \$109,560, respectively.

The contribution rate payable by the employee members for calendar years 2018 and 2019 is the rate of 7.00% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

At the December 31, 2019 and 2018 valuation and measurement dates, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	14	12
Active employees	28	26

Actuarial Assumptions

The total pension liability in the December 31, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019	December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method:		
Smoothing Period	5 Years	5 Years
Recognition Method	Nonasymptotic	Nonasymptotic
Corridor	None	None
Inflation	2.75%	2.75%
Salary Increase	4.90%	3.25%
Investment Rate of Return	8.00%	8.10%

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2019 and 2018 are summarized below:

December 31, 2019			
Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected Minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (Net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (Net)	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (Net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NA REIT Equity REITs Index + 33% S&P Global REIT (Net) Index	3.00%	4.50%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnership	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedges Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

December 31, 2018

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected Minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (Net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (Net)	10.00%	5.40%
International Equities - Emerging	MSCI World Ex USA (Net)	7.00%	5.90%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	7.20%
REIT Equities	67% FTSE NA REIT Equity REITs Index + 33% FTSE	2.00%	4.15%
Master Limited Partnership (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnership	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.30%
Hedges Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

(1) Target asset allocation adopted at the April 2019 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2018 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8.10%) in measuring the 2018 Net Pension Liability:

	1% Decrease	Current Discount Rate	1% Increase
	<u>7.10%</u>	<u>8.10%</u>	<u>9.10%</u>
Net Pension Liability	\$ 255,871	\$ (29,506)	\$ (260,996)

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS (CONTINUED)

Discount Rate Sensitivity Analysis (Continued)

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8.10%) in measuring the 2017 Net Pension Liability:

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Net Pension Liability	\$ 291,939	\$ 56,976	\$ (131,975)

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

At August 31, 2020, the Authority reported \$29,506 for the net pension liability and pension expense of \$97,368 related to the December 31, 2019 valuation. The breakdown of the components of pension expense as follows:

	January 1, 2019 to December 31, 2019
Net Pension Liability (Asset) - Beginning of Period	\$ 56,976
Changes in Pension Liability	
Service Cost	193,971
Interest on Total Pension Liability ⁽¹⁾	114,742
Changes in Benefit Terms	-
Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability	18,003
Changes in Assumptions or Other Inputs	-
Contributions from the Employer	(118,939)
Contributions from the Employee	(96,391)
Pension Plan Net Investment Income	(191,676)
Benefit Payments	-
Administrative Expenses	1,201
Other Changes	(7,393)
Net Pension Liability (Asset) - End of Period	\$ (29,506)

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS (CONTINUED)

Pension Assets/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 62,894	\$ -
Changes in Assumptions	-	4,565
Net Difference Between Projected and Actual Earnings	22,919	-
Contributions Made Subsequent to Measurement Date	-	85,049
Total	<u>\$ 85,813</u>	<u>\$ 89,614</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, other than contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ (14,219)
2021	(16,080)
2022	(7,607)
2023	(28,585)
2024	(10,895)
Thereafter	<u>(3,862)</u>
Total	<u>\$ (81,248)</u>

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS (CONTINUED)

Pension Asset/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At August 31, 2019, the Authority reported \$56,976 for the net pension liability and pension expense of \$106,610 related to the December 31, 2018 valuation. The breakdown of the components of pension expense follows:

	January 1, 2018 to December 31, 2018
Net Pension Liability (Asset) - Beginning of Period	\$ (38,025)
Changes in Pension Liability	
Service Cost	180,424
Interest on Total Pension Liability ⁽¹⁾	91,957
Changes in Benefit Terms	-
Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability	-
Changes in Assumptions or Other Inputs	4,583
Contributions from the Employer	(109,560)
Contributions from the Employee	(84,417)
Pension Plan Net Investment Income	16,583
Benefit Payments	-
Administrative Expenses	939
Other Changes	(5,508)
Net Pension Liability (Asset) - End of Period	\$ 56,976

The Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Experience	\$ 92,550	\$ -
Changes in Assumptions	-	5,325
Net Difference Between Projected and Actual Earnings	-	70,887
Contributions Made Subsequent to Measurement Date	N/A	123,706
Total	\$ 92,550	\$ 199,918

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 6 RETIREMENT PLANS (CONTINUED)

Pension Asset/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Total and net pension liability are as follows:

	December 31 2018	December 31 2019
Total Pension Liability	\$ 1,225,461	\$ 1,546,329
Fiduciary Net Position	1,168,485	1,575,834
Net Pension Liability (Asset)	\$ 56,976	\$ (29,505)
Fiduciary Net Position as a % of Total Pension Liability	95.35%	101.91%
Pensionable Covered Payroll	1,205,961	1,377,018
Net Pension Liability as a % of Covered Payroll	4.72%	-2.14%

The Authority also sponsors a 457(b) plan, the Authority Employees' Pension Plan (the Plan), whereby retirement benefits are provided to eligible full-time employees in lieu of Social Security. Under the Plan, Authority will match one-to-one the amount equal to .65% of the employee's salary. Employees are permitted to contribute between 1% of the employees' compensation up to the maximum of 12%.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Authority participates in the TML Multistate Intergovernmental Employee Benefits Pool (TML-MEBP) Retiree Reimbursement Arrangement. The plan is an agent multiple-employer plan. Employees hired before April 1, 2016, with at least 10 years of service and meeting the retirement eligibility requirements set forth in E.5.1 may opt to participate in the Retiree Reimbursement Arrangement, under which Authority will fund an account for reimbursement of eligible health care expenses for the retiree in the amounts provided for annually in Authority's fiscal year budget for retirees within the following classifications:

- a. Retirees with 10 years of service, but less than 15 years of service;
- b. Retirees with 15 years of service, but less than 20 years of service; and
- c. Retirees with 20 years of service or more.

The Summary Plan Description set forth by TML-MEBP controls the terms of the plan, The Authority retiree to receive benefits under the Retiree Reimbursement Arrangement must opt into the plan within 30 days of the employee's retirement date, Authority reserves the right to modify, revoke, suspend, terminate, or change the program, in whole or in part, at any time. The Plan does not have a separately issued GAAP-basis postemployment benefit plan report available for the current reporting period.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

At August 31, 2020 and 2019, the Plan had 16 total participants (14 active and 2 retired) and met the requirements to use the alternative measurement method and elected to do so.

Effective September 1, 2017, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The statement established standards for purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflow of resources related to OPEB, and related expenses.

Total OPEB Liability

The Authority's total OPEB liability was measured as of August 31, 2020 and 2019, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The unfunded actuarial accrued liability is being amortized assuming 30 level annual payments on an open basis.

Estimates include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Below is a schedule of significant assumptions used to estimate the Authority's ARC:

Valuation Date	August 31, 2020	August 31, 2019
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll
Discount Rate	2.21%	3.31%
Mortality Rates	RP2000 Mortality Table for Males and Females Projected 18 years	RP2000 Mortality Table for Males and Females Projected 18 years
Turnover Rates	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System
Average Salary Increase	2.00%	2.00%

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Health Care Trend, August 31, 2020 and 2019

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
Year 1	4.60%	7.60%	3.50%	3.00%
Year 2	4.70%	6.20%	3.50%	3.00%
Year 3	4.80%	4.90%	3.00%	3.00%
Year 4	4.80%	4.80%	3.00%	3.00%
Year 5	4.80%	4.80%	3.00%	3.00%
Year 6	4.80%	4.80%	3.00%	3.00%
Year 7	4.70%	4.70%	3.00%	3.00%
Year 8	4.70%	4.70%	3.00%	3.00%
Year 9	4.70%	4.70%	3.00%	3.00%
Year 10+	4.70%	4.70%	3.00%	3.00%

Discount Rate

The discount rate is based on a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

The S&P Municipal Bond 20-Year High Grade Rate Index was in determining the discount rate used to measure the Total OPEB Liability as of August 31, 2020 (measurement date under GASB 75).

	<u>2020</u>	<u>2019</u>
Discount Rate	2.21%	3.31%
S&P Municipal Bond 20 Year High Grade Rate Index	2.21%	3.31%

Change in the OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

	<u>2020</u>	<u>2019</u>
Total OPEB Liability:		
Service Cost	\$ 54,192	\$ 183,805
Interest on Total OPEB Liability	24,248	40,754
Effect of Plan Changes	-	238,893
Effect of Economic/Demographic Gains or Losses	270,362	(285,427)
Effect of Assumptions Changes or Inputs	26,808	(21,261)
Employer Contributions	(12,310)	(11,905)
Total Change in Net OPEB Liability	363,300	144,859
Total OPEB Liability - Beginning	1,001,618	856,759
Total OPEB Liability - Ending	<u>\$ 1,364,918</u>	<u>\$ 1,001,618</u>

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Authority's Total OPEB Liability if it were calculated using a discount rate that is 1% point lower (1.21%) or 1% point higher (3.21%) than the current rate, for measurement period ended August 31, 2020:

	1% Decrease	Current Discount Rate	1% Increase
	1.21%	2.21%	3.21%
Total OPEB Liability	\$ 1,674,319	\$ 1,364,918	\$ 1,124,425

The following presents the Authority's Total OPEB Liability if it were calculated using a discount rate that is 1% point lower (2.31%) or 1% point higher (4.31%) than the current rate, for measurement period ended August 31, 2019:

	1% Decrease	Current Discount Rate	1% Increase
	2.31%	3.31%	4.31%
Total OPEB Liability	\$ 1,217,751	\$ 1,001,618	\$ 831,862

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gain and losses related to the changes in total OPEB liability is recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are recognized in future OPEB expense.

The recognition period differs depending on the source of gain or loss:

Item	Amortization Period
Net difference between projected and actual earnings on OPEB plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the average future working lifetime, averages over all active and retirees (retirees assumed no working hours)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended August 31, 2020, the Authority recognized OPEB expense of \$363,300. As of fiscal year ended August 31, 2020, the Authority reported no deferred inflows of resources related to OPEB.

For the fiscal year ended August 31, 2019, the Authority recognized a gain related to OPEB of \$284,013. As of fiscal year ended August 31, 2019, the Authority reported no deferred inflows of resources related to OPEB.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE CITIES MUNICIPAL UTILITY AUTHORITY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019	2018
Total OPEB Liability:			
Service Cost	\$ 54,192	\$ 183,805	\$ 183,805
Interest on Total OPEB Liability	24,248	40,754	40,850
Effect of Plan Changes	-	238,893	-
Effect of Assumption Changes or Inputs	26,808	(285,427)	(63,321)
Effect of Economic/Demographic (Gains) or Losses	270,362	(21,261)	(394,422)
Benefit Payments/Refunds of Contributions	(12,310)	(11,905)	(5,806)
Net Change in Total OPEB Liability	363,300	144,859	(238,894)
Total OPEB Liability - Beginning	1,001,618	856,759	1,095,653
Total OPEB Liability - Ending (a)	<u>\$ 1,364,918</u>	<u>\$ 1,001,618</u>	<u>\$ 856,759</u>
Fiduciary Net Position:			
Employer Contributions	\$ 12,310	\$ 11,905	\$ 5,806
Benefit Payments/Refunds of Contributions	(12,310)	(11,905)	(5,806)
Net Change in Fiduciary Net Position	-	-	-
Fiduciary Net Position - Beginning	-	-	-
Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability (Asset) - Ending <=(a)-(b)	<u>\$ 1,364,918</u>	<u>\$ 1,001,618</u>	<u>\$ 856,759</u>
Fiduciary Net Position as a % of Total OPEB Liability	0.00%	0.00%	0.00%
Covered- Employee Payroll (1)	N/A	N/A	N/A
Total OPEB Liability as a % of Covered Employee Payroll	N/A	N/A	N/A

(1) Covered-employee payroll not available

See accompanying Note to Required Supplementary Information.

LAKE CITIES MUNICIPAL UTILITY AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service Cost	\$ 193,971	\$ 180,424	\$ 169,767	\$ 183,804	\$ 144,987	\$ 155,483
Interest on Total Pension Liability	114,742	91,957	72,809	50,629	43,843	31,848
Effect of Plan Changes	-	-	-	-	(26,350)	-
Effect of Assumption Changes or Inputs	-	-	1,927	-	6,011	-
Effect of Economic/Demographic (Gains) or Losses	18,003	4,583	(6,432)	(24,596)	(103,836)	(16,767)
Benefit Payments/Refunds of Contributions	(5,847)	(12,456)	(12,223)	(18,969)	(1,146)	(13,324)
Net Change in Total Pension Liability	320,869	264,508	225,848	190,868	63,509	157,240
Total Pension Liability - Beginning	1,225,461	960,953	735,105	544,237	480,729	323,489
Total Pension Liability - Ending (a)	<u>\$ 1,546,330</u>	<u>\$ 1,225,461</u>	<u>\$ 960,953</u>	<u>\$ 735,105</u>	<u>\$ 544,238</u>	<u>\$ 480,729</u>
Fiduciary Net Position:						
Employer Contributions	\$ 118,939	\$ 109,560	\$ 105,354	\$ 98,963	\$ 96,213	\$ 94,153
Member Contributions	96,391	84,417	80,562	76,937	74,419	69,158
Investment Income Net of Investment Expenses	191,676	(16,583)	107,346	38,410	(8,513)	12,643
Benefit Payments/Refunds of Contributions	(5,847)	(12,456)	(12,223)	(18,968)	(1,146)	(13,325)
Administrative Expenses	(1,201)	(939)	(664)	(418)	(315)	(208)
Other	7,393	5,508	2,322	17,574	(54)	88
Net Change in Fiduciary Net Position	407,351	169,507	282,697	212,498	160,604	162,509
Fiduciary Net Position - Beginning	1,168,485	998,978	716,281	503,783	343,179	180,670
Fiduciary Net Position - Ending (b)	<u>\$ 1,575,836</u>	<u>\$ 1,168,485</u>	<u>\$ 998,978</u>	<u>\$ 716,281</u>	<u>\$ 503,783</u>	<u>\$ 343,179</u>
Net Pension Liability (Asset) - Ending <=(a)-(b)	<u>\$ (29,506)</u>	<u>\$ 56,976</u>	<u>\$ (38,025)</u>	<u>\$ 18,824</u>	<u>\$ 40,455</u>	<u>\$ 137,550</u>
Fiduciary Net Position as a % of Total Pension Liability	101.91%	95.35%	103.96%	97.44%	92.57%	71.39%
Pensionable Covered Payroll	\$ 1,377,018	\$ 1,205,961	\$ 1,150,893	\$ 1,099,105	\$ 1,063,129	\$ 987,970
Net Pension Liability as a % of Covered Payroll	-2.14%	4.72%	-3.30%	1.71%	3.81%	13.92%

Note: Only six years of data are presented as prior years are not available.

See accompanying Note to Required Supplementary Information.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
YEARS ENDED AUGUST 31, 2020 AND 2019**

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution⁽¹⁾</u>	<u>Actual Employer Contribution⁽¹⁾</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll⁽²⁾</u>	<u>Actual Contributions as a % of Covered Payroll</u>
2009	Not Available	Not Available	Not Available	Not Available	Not Available
2010	Not Available	Not Available	Not Available	Not Available	Not Available
2011	Not Available	Not Available	Not Available	Not Available	Not Available
2012	Not Available	Not Available	Not Available	Not Available	Not Available
2013	\$ 93,808	\$ 109,807	\$ (16,000)	\$ 984,341	11.2%
2014	94,153	94,153	-	987,970	9.5%
2015	96,213	96,213	-	1,063,129	9.1%
2016	98,919	98,963	(44)	1,099,105	9.0%
2017	105,354	105,354	-	1,150,893	9.2%
2018	109,560	109,560	-	1,205,961	9.1%
2019	118,939	118,939	-	1,377,018	9.1%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

(2) Payroll is calculated based on contributions as reported to TCDRS.

See accompanying Note to Required Supplementary Information.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2020 AND 2019**

NOTE 1 OPEB AND PENSION LIABILITY

Change in Benefit Terms

There were no changes of benefit terms that affected the measurement of the total OPEB or pension liability during the measurement period.

Change in Assumptions

There were no changes in assumptions or other inputs that affected the measurement of the total OPEB or pension liability during the measurement period.

TCEQ SUPPLEMENTAL INFORMATION

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
BUDGETARY COMPARISON SCHEDULE – ENTERPRISE FUND
YEAR ENDED AUGUST 31, 2020**

	Original Budget	Actual	Variance Positive (Negative)
OPERATING REVENUE			
Charges for Water Service	\$ 5,223,000	\$ 5,834,076	\$ 611,076
Charges for Sewer Service	3,555,000	3,485,948	(69,052)
Tap Connection and Inspection Fees	576,500	1,616,448	1,039,948
Penalties and Interest	279,500	179,014	(100,486)
Total Operating Revenue	9,634,000	11,115,486	1,481,486
OPERATING EXPENSES			
Purchased Water Service	2,335,250	2,344,984	9,734
Purchased Sewer Service	1,400,105	1,443,745	43,640
Salaries, Benefits, and Payroll Taxes	2,118,600	2,407,843	289,243
Contracted Services	333,300	332,738	(562)
Professional Fees	227,620	172,104	(55,516)
Utilities	98,850	89,737	(9,113)
Depreciation	-	1,376,876	1,376,876
Water and Sewer System Maintenance	322,600	223,657	(98,943)
Other	733,730	628,326	(105,404)
Total Operating Expenses	7,570,055	9,020,010	1,449,955
NONOPERATING REVENUES (EXPENSES)			
Investment Earnings	25,000	66,555	41,555
Transfers	444,850	-	(444,850)
Interest Expense	204,850	(165,864)	(370,714)
Gain on Sale of Fixed Assets	-	1,500	-
Debt Proceeds	-	-	-
Contributed Capital	550,000	170,971	(379,029)
Total Nonoperating Revenues (Expenses)	1,224,700	73,162	(1,151,538)
CHANGE IN NET POSITION - GAAP Basis	\$ 3,288,645	\$ 2,168,638	\$ (1,120,007)
NONOPERATING COSTS - NON-GAAP			
Capital Expenditures	\$ 1,628,595	\$ 3,004,707	\$ 1,376,112
Principal Payments on Long-Term Debt	240,000	260,000	20,000
Total Nonoperating Costs - Non-GAAP	\$ 1,868,595	\$ 3,264,707	\$ 1,396,112

See accompanying Note to Budgetary Comparison Schedules – Enterprise Fund.

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
NOTE TO BUDGETARY COMPARISON SCHEDULE – ENTERPRISE FUND
AUGUST 31, 2020**

The Authority adopts an accrual basis budget for the enterprise fund annually. Included in the Authority's budget are certain expenditures such as capital expenditures and principal payments on long-term debt. The budget is prepared by management and approved by the Board of Directors at the August meeting. The adopted budget is not a spending limitation under the law but rather a tool used in controlling and administering the management and operation of the Authority.

TEXAS SUPPLEMENTAL INFORMATION

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-1. SERVICES AND RATES
AUGUST 31, 2020
(UNAUDITED)**

1. Services Provided by the Authority during the Fiscal Year:

<u> X </u>	Retail Water
<u> X </u>	Retail Wastewater

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate Per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	\$ 32.00	-	N	\$ 5.20	0 to 8,000
				\$ 6.70	8,001 to 20,000
				\$ 8.70	20,001 to 45,000
				\$ 11.30	45,001 and Above

Individuals over the age of 65 receive 3,000 gallons in the monthly minimum.

Wastewater: Residential	\$ 33.00	-	N	\$ 6.10	0 and Above
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Individuals over the age of 65 receive 2,000 gallons in the monthly minimum.

Commercial	\$ 36.00	-	N	\$ 6.10	0 and Above
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Authority employs winter averaging for wastewater usage? Yes

Total Charges per 10,000 Gallons Usage:	Wastewater	\$ 201.30
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**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-1. SERVICES AND RATES (CONTINUED)
AUGUST 31, 2020
(UNAUDITED)**

2. Retail Service Providers

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	-	x 1.0	-
≤ 3/4"	5,371	4,985	x 1.0	4,985
1"	127	127	x 2.5	318
1-1/2"	28	28	x 5.0	140
2"	114	65	x 8.0	520
3"	19	10	x 15.0	150
4"	6	2	x 25.0	50
6"	5	4	x 50.0	200
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water Connections	5,670	5,221		6,363
Total Wastewater Connections	4,825	4,807	x 1.0	4,807

3. Total Water Consumption During the Fiscal Year (Rounded to the Nearest Thousand):

Gallons Pumped into System:	571,337,000
Gallons Billed to Customers:	519,194,633
Water Accountability Ratio? (Gallons Billed/Gallons Pumped)	90.87%

4. Standby Fees: Not Applicable

5. Location of District

County in Which the Authority is Located:	Denton
Is the Authority Located Entirely in One County?	Yes
Is the Authority Located Within a City:	Partly
Cities in Which the Authority is Located:	Hickory Creek, Lake Dallas, Shady Shores
Is the Authority Located Within a City's Extra Territorial Jurisdiction (EJT)?	Partly
EJTs in Which the Authority is Located:	Hickory Creek, Lake Dallas, Shady Shores
Are Board Members Appointed by an Office Outside the Authority?	No

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-2. SCHEDULES OF ENTERPRISE FUND EXPENSES
YEARS ENDED AUGUST 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
PURCHASED WATER SERVICE	\$ 2,344,984	\$ 2,199,755
PURCHASED SEWER SERVICE	1,443,745	1,487,367
SALARIES, BENEFITS, AND PAYROLL TAXES*	2,407,843	1,962,068
CONTRACTED SERVICES	332,738	319,332
PROFESSIONAL FEES		
Auditing	20,105	19,620
Engineering	119,461	45,166
Consulting Fees	21,740	33,777
Legal	10,798	15,391
UTILITIES	89,737	86,653
WATER AND SEWER SYSTEM MAINTENANCE	223,657	233,093
OTHER		
Other	261,959	254,175
Insurance/Surety Bonds	64,055	58,241
Fuel and Lube	28,234	33,015
Telephone/2-Way Radios	24,228	23,012
Postage	29,769	30,849
Software Maintenance/Training	39,976	41,332
Printing	19,047	20,750
Uniforms	10,456	7,989
Other Expense - Subscriptions, Dues, Misc.	11,410	(34,709)
Safety Supplies/Training	16,126	6,504
Office Equipment Maintenance/Rental	24,561	11,367
Office Supplies	35,694	7,436
Travel Expenses	5,806	6,865
Training/Enrollment/License	26,038	17,860
Chemicals	10,787	8,442
Rent - Equipment/Space	20,180	15,000
DEPRECIATION EXPENSE	<u>1,376,876</u>	<u>1,056,651</u>
TOTAL EXPENSES	<u>\$ 9,020,010</u>	<u>\$ 7,967,001</u>

*Number of persons employed by the Authority: 28 Full-Time, 0 Part-Time
(Not including independent contractors or consultants.)

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-3. SCHEDULE OF TEMPORARY INVESTMENTS
AUGUST 31, 2020**

Fund Type	Certificate Number	Interest Rate	Maturity Date	Year-End Balance	Accrued Interest
<u>Enterprise Fund</u>					
FNC Accounts:					
Money Market	QRT-003451	0.0500%	8/31/2020	4,281	91
Certificate of Deposit	17286TAD7	2.8500%	1/22/2021	218,367	152
Certificate of Deposit	14042RML2	2.1000%	8/2/2021	216,966	380
Certificate of Deposit	949495AR6	1.8000%	1/31/2022	215,996	-
Certificate of Deposit	48128UCZ0	0.5000%	5/19/2022	213,204	35
Certificate of Deposit	39573LAM0	0.3000%	7/29/2022	203,587	50
TexPool Accounts:					
Water Impact Fee Fund	610200002	0.1800%	8/31/2020	1,518,215	683
Capital Reserve Fund	610200003	0.1800%	8/31/2020	6,512	2
Sewer Impact Fee Fund	610200005	0.1800%	8/31/2020	1,189,444	541
Systems Fund	610200006	0.1800%	8/31/2020	408,102	232
New Building	610200009	0.1800%	8/31/2020	81	74
2013 Bond Reserve Fund	610200011	0.1800%	8/31/2020	551,427	278
LOGIC Accounts:					
Systems Fund	1299179-001	0.3154%	8/31/2020	2,428,528	2,706
Debt Series 2013	1299179-002	0.3154%	8/31/2020	89,488	224
Debt Series 2016	1299179-003	0.3154%	8/31/2020	15,346	17
TexasTERM Accounts:					
Rate Stabilization	1302-01	0.1500%	8/31/2020	500,280	255
Capital Projects	1302-02	0.1500%	8/31/2020	<u>450,169</u>	169
Total				<u>\$ 8,230,317</u>	

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-4. TAXES LEVIED AND RECEIVABLE
AUGUST 31, 2020
(UNAUDITED)**

[Does not apply to the Authority]

LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
AUGUST 31, 2020

<u>Due During Fiscal Years Ending</u>	<u>Principal Due August 1</u>	<u>Interest Due February 1 and August 1</u>	<u>Total Annual Requirements</u>
	<u>Series 2013 Bonds</u>		
2021	\$ 270,000	\$ 162,806	\$ 432,806
2022	275,000	154,706	429,706
2023	285,000	146,456	431,456
2024	295,000	137,194	432,194
2025	305,000	126,869	431,869
2026-2030	1,695,000	457,303	2,152,303
2031-2034	1,194,800	102,054	1,296,854
Total	<u>\$ 4,319,800</u>	<u>\$ 1,287,388</u>	<u>\$ 5,607,188</u>

LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-6. CHANGES IN LONG-TERM DEBT
YEAR ENDED AUGUST 31, 2020

	<u>Bond Issue Series 2013</u>		
Interest Rate	3.00%-4.25%		
Dates Interest Payable	February 1:August 1		
Maturity Date	August 1, 2033		
Beginning Amount Outstanding	\$ 4,579,800		
Amounts Sold During the Fiscal Year	-		
Amounts Retired During the Fiscal Year	<u>260,000</u>		
Ending Bonds/Notes Outstanding	<u>\$ 4,319,800</u>		
Interest Paid During the Fiscal Year	<u>\$ 165,864</u>		
Paying Agent's Name and City:	<u>BOKF, NA dba: Bank of Texas, N.A.</u>		
Bond Authority:	<u>Tax Bonds</u>	<u>Other Bonds/ Notes</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters	\$ -	\$ 7,500,000	\$ -
Amount Issued	-	7,500,000	-
Remaining to be Issued	-	-	-
Enterprise Fund Cash and Temporary Investment Balances as of August 31, 2020:			\$ 7,514,494
Average Annual Debt Service Payment (Principal and Interest) for Remaining Term of All Debt:			\$ 431,340

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-7. COMPARATIVE SCHEDULE OF REVENUES
AND EXPENSES ENTERPRISE FUND
FIVE YEARS ENDED AUGUST 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
OPERATING REVENUE					
Charges for Water Service	\$ 5,834,076	\$ 5,024,552	\$ 5,740,601	\$ 5,421,454	\$ 4,642,515
Charges for Sewer Service	3,485,948	3,428,337	3,394,352	3,204,121	2,299,144
Tap Connection and Inspection Fees	1,616,448	811,994	650,804	388,903	732,048
Penalties and Interest	<u>179,014</u>	<u>216,434</u>	<u>231,636</u>	<u>180,255</u>	<u>127,726</u>
Total Operating Revenue	11,115,486	9,481,317	10,017,393	9,194,733	7,801,433
OPERATING EXPENSES					
Purchased Water Service	2,344,984	2,199,755	2,314,171	2,169,971	2,094,572
Purchased Sewer Service	1,443,745	1,487,367	1,365,683	1,374,409	1,425,377
Salaries, Benefits, and Payroll Taxes	2,407,843	1,962,068	1,962,068	1,735,298	1,688,957
Contracted Services	332,738	319,332	223,251	200,604	230,073
Professional Fees	172,104	113,954	251,555	153,612	143,331
Utilities	89,737	86,653	89,634	77,862	82,256
Depreciation	1,376,876	1,056,651	932,052	918,079	935,751
Water and Sewer System Maintenance					
Maintenance	223,657	233,093	201,551	166,981	200,646
Other	<u>628,326</u>	<u>508,128</u>	<u>270,237</u>	<u>369,097</u>	<u>597,762</u>
Total Operating Expenses	9,020,010	7,967,001	7,610,202	7,165,913	7,398,725
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	66,555	103,299	50,277	32,571	9,020
Bond Issuance Costs	-	-	-	-	(40,000)
Interest Expense	(165,864)	(181,541)	(195,692)	(203,393)	(190,375)
Gain (Loss) on Disposition	<u>1,500</u>	<u>2,500</u>	<u>-</u>	<u>(7,265)</u>	<u>6,318</u>
Total Nonoperating Revenues (Expenses)	<u>(97,809)</u>	<u>(75,742)</u>	<u>(145,415)</u>	<u>(178,087)</u>	<u>(215,037)</u>
EXCESS (DEFICIENCY)	1,997,667	1,438,574	2,261,776	1,850,733	187,671
CAPITAL CONTRIBUTIONS	<u>170,971</u>	<u>172,354</u>	<u>833,557</u>	<u>63,736</u>	<u>2,500,140</u>
CHANGES IN NET POSITION	<u>\$ 2,168,638</u>	<u>\$ 1,610,928</u>	<u>\$ 3,095,333</u>	<u>\$ 1,914,469</u>	<u>\$ 2,687,811</u>

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-7. COMPARATIVE SCHEDULE OF REVENUES
AND EXPENSES ENTERPRISE FUND (CONTINUED)
FIVE YEARS ENDED AUGUST 31, 2020**

	2020	2019	2018	2017	2016
OPERATING REVENUE					
Charges for Water Service	52.5 %	53.0 %	57.3 %	59.0 %	59.5 %
Charges for Sewer Service	31.4	36.2	33.9	34.8	29.5
Tap Connection and Inspection Fees	14.5	8.6	6.5	4.2	9.4
Penalties and Interest	1.5	2.2	2.3	2.0	1.6
Total Operating Revenue	<u>99.9</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
OPERATING EXPENSES					
Purchased Water Service	21.1	23.2	23.1	23.6	26.8
Purchased Sewer Service	13.0	15.7	13.6	14.9	18.3
Salaries, Benefits, and Payroll Taxes	21.7	20.7	9.6	18.9	21.6
Contracted Services	3.0	3.4	2.2	2.2	2.9
Professional Fees	1.5	1.2	2.5	1.7	1.8
Utilities	0.8	0.9	0.9	0.8	1.1
Depreciation	12.4	11.1	9.3	10.0	12.0
Water and Sewer System	-	-	-	-	-
Maintenance	2.0	2.5	2.0	1.8	2.6
Other	5.7	5.4	2.7	4.0	7.7
Total Operating Expenses	<u>81.2</u>	<u>84.1</u>	<u>65.9</u>	<u>77.9</u>	<u>94.8</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	0.6	1.1	0.5	0.4	0.1
Bond Issuance Costs	-	-	-	-	(0.5)
Interest Expense	(1.5)	(1.9)	(2.0)	(2.2)	(2.4)
Gain (Loss) on Disposition	-	-	-	(0.1)	0.1
Total Nonoperating Revenues (Expenses)	<u>(0.9)</u>	<u>(0.8)</u>	<u>(1.5)</u>	<u>(1.9)</u>	<u>(2.7)</u>
EXCESS (DEFICIENCY)	17.8	15.1	32.6	20.2	2.5
CAPITAL CONTRIBUTIONS	<u>1.5</u>	<u>1.8</u>	<u>8.3</u>	<u>0.7</u>	<u>32.0</u>
CHANGES IN NET POSITION	<u>19.3 %</u>	<u>16.9 %</u>	<u>40.9 %</u>	<u>20.9 %</u>	<u>34.5 %</u>

**LAKE CITIES MUNICIPAL UTILITY AUTHORITY
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
AUGUST 31, 2020
(UNAUDITED)**

Complete Authority Mailing Address: 501 N. Shady Shores Drive
Lake Dallas, TX 75065

Authority Business Telephone Number: (940) 497-2999

Submission Date of the Most Recent
District Registration Form
(TW C Sections 36.054 and 49.054): March 1, 2010

<u>Board Members</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid 2019</u>	<u>Expense Reimbursements 2019</u>	<u>Title at Year-End</u>
Cecil Carter	(Elected) 5/20 - 5/24	N/A	N/A	President
Joe Flowers	(Elected) 5/20 - 5/24	N/A	N/A	Vice President
Jennifer Gordon	(Elected) 5/20 - 5/24	N/A	N/A	Secretary
Tom Rufer	(Elected) 5/18-5/22	N/A	N/A	Director
Evan Huff	(Elected) 5/18-5/22	N/A	N/A	Vice President