

CITY OF LAKEPORT, TEXAS

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2025



LAKEPORT
COME GROW WITH US

**CITY OF LAKEPORT, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	3
A. Management Discussion and Analysis.....	7
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	17
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Fund.....	19
Reconciliation of the Governmental Fund	
Balance Sheet to the Statement of Net Position.....	20
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Fund.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balance of Governmental Fund to the Statement of Activities.....	22
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Fund.....	23
Statement of Revenues, Expenses, and Changes in	
Net Position - Proprietary Fund.....	24
Statement of Cash Flows - Proprietary Fund.....	25
Notes to the Financial Statements	26
C. Required Supplementary Information:	
TMRS Funding Progress and Contributions.....	47
Schedule of Changes in Net Pension Liability.....	48
Schedule of Changes in OPEB Liability and Related Ratios - TMRS.....	49
Schedule of Revenues, Expenditures, and Changes in	
Fund Balances - General Fund - Budget and Actual.....	50
D. Summplementary Information:	
EDC Balance Sheet.....	53
Reconciliation of Governmental to Government-wide presentation.....	54
EDC State of Revenues, Expenditures and Changes in Fund Balance.....	55
Reconciliation of Governmental to Government-wide presentation.....	56



FINANCIAL SECTION

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211

mward@mikewardcpa.com

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Lakeport, Texas
207 Milam Road
Longview, Texas 75603

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lakeport, Texas as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Lakeport, Texas' basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lakeport, Texas as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Lakeport, Texas, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

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.

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 City of Lakeport, Texas' 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinions.

Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement 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 City of Lakeport, Texas' 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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lakeport, Texas' ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 and the Required Supplementary Information, as listed in the table of contents, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakeport, Texas' basic financial statements. The individual component unit financial statements are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate 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 my opinion, the individual component unit financial statements and the combining non-major governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and my auditor's report thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the financial statements of the other information exists, I am required to describe it in my report.

Respectfully Submitted,

Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas

December 5, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF LAKEPORT, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2025

As management of the City of Lakeport ("City"), we offer readers of the City of Lakeport's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets of the City of Lakeport exceeded its liabilities at the close of the fiscal year by \$3,487,564 (net position). Of this amount, \$1,285,554, or 36.86%, is net investment in capital assets which do not directly generate revenue, and are not available to generate liquid capital. Net position restricted for specific purposes total \$815,718, or 23.39%. The remaining \$1,386,292, or 39.75%, is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$155,095 during the fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,921,893, an increase of \$3,199,256, or 443%, in comparison with the prior year. Approximately 21% of this total amount, or \$826,505, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance of the General Fund of \$826,505 was 117% of total General Fund expenditures for the fiscal year.
- The City's total long-term obligations increased by \$2,925,760, or 338%, during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Lakeport.

**CITY OF LAKEPORT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

Basic Financial Statements

The first two statements (pages 17-20) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 21-27) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements is the **notes** (pages 28-46). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 49-52) is provided to show details about the City's pension plan.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net position presents information on all of the City of Lakeport's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are activities that the City charges customers for the service. This includes the utility services offered by the City of Lakeport. The final category is the component unit. The City has one component unit: Lakeport Economic Development Corporation ("EDC").

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lakeport, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Lakeport can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

**CITY OF LAKEPORT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lakeport adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in this part of the statements. The Schedule of Revenues, Expenditures, and changes in Fund Balance-Budget to Actual-General Fund are on page 50 of this report.

Proprietary Funds – The City of Lakeport has one type of proprietary fund which is the Sewer Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported, in the Statement of Net Position and the Statement of Activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26-27 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28-46 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lakeport's progress in funding its obligation to provide pension benefits to its employees. This information is found on pages 49-52.

Supplementary Information – Fund financial statements for the component unit can be found on pages 55-58.

CITY OF LAKEPORT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$4,395,368	\$ 1,168,463	\$ 1,198,650	\$ 1,171,186	\$ 5,594,018	\$ 2,339,649
Capital assets	29,541	32,064	1,951,384	1,994,903	1,980,925	2,026,967
Total assets	4,424,909	1,200,527	3,150,034	3,166,089	7,574,943	4,366,616
Deferred outflow of resources						
Pension	38,479	57,078	-	-	38,479	57,078
Current liabilities	245,627	243,174	19,705	19,705	265,332	262,879
Long-term liabilities	3,144,163	11,601	660,000	764,000	3,804,163	775,601
Total liabilities	3,389,790	254,775	679,705	783,705	4,069,495	1,038,480
Deferred inflow of resources						
Pension	56,363	52,744	-	-	56,363	52,744
Net position:						
Net investment in capital assets	(5,830)	32,064	1,291,384	1,230,903	1,285,554	1,262,967
Restricted	2,231	2,229	813,487	821,782	815,718	824,011
Unrestricted	1,020,834	915,792	365,458	329,699	1,386,292	1,245,491
Total net position	\$1,017,235	\$ 950,085	\$ 2,470,329	\$ 2,382,384	\$ 3,487,564	\$ 3,332,469

As noted earlier, net position may serve over time as one useful indicator of the City's financial condition. The assets of the City of Lakeport exceeded its liabilities by \$3,487,564 as of September 30, 2025. The City's net position increased by \$155,095, or 5%, for the fiscal year ended September 30, 2025.

Net investment in capital assets:

The largest portion of the City's net position, 36.86%, or \$1,285,554, reflects the City's investment in capital assets, (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Lakeport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakeport's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position of \$815,718, representing 23.39% of total net position, is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of \$813,487, or 99.7%, for debt service, and \$2,229, or 0.3% for court use.

Unrestricted net position:

Unrestricted net position in the amount of \$1,386,292, or 39.75%, of total net position, is available to fund the City's programs to citizens and creditors.

CITY OF LAKEPORT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUE						
Program Revenues:						
Charges for Services	\$ 88,649	\$ 74,119	\$ 154,447	\$ 153,081	\$ 243,096	\$ 227,200
General Revenues:						
Property Taxes including P&I	399,582	395,380	-	-	399,582	395,380
Sales Tax Collected	255,115	205,639	-	-	255,115	205,639
Franchise Fees	37,992	36,931	-	-	37,992	36,931
Investment Income	92,876	979	524	530	93,400	1,509
Miscellaneous	7,425	2,351	-	-	7,425	2,351
Total Revenues	881,639	715,399	154,971	153,611	1,036,610	869,010
EXPENSES						
Program Expenses:						
General Government	274,864	213,336	-	-	274,864	213,336
Public Safety	226,001	233,568	-	-	226,001	233,568
Interest and Fiscal Agent Fees	202,777	-	17,343	19,274	220,120	19,274
Sewer	-	-	160,530	177,764	160,530	177,764
Total Expenses	703,642	446,904	177,873	197,038	881,515	643,942
Increase (Decrease) in Net Position before Transfers	177,997	268,495	(22,902)	(43,427)	155,095	225,068
Transfers	(110,847)	(123,496)	110,847	123,496	-	-
Increase (Decrease) in Net Position	67,150	144,999	87,945	80,069	155,095	225,068
Net Position October 1	950,085	805,086	2,382,384	2,302,315	3,332,469	3,107,401
Net Position September 30	\$ 1,017,235	\$ 950,085	\$ 2,470,329	\$ 2,382,384	\$ 3,487,564	\$ 3,332,469

The Governmental Activities have increased the net position in the current fiscal year by \$67,150, a 7% increase over the prior year.

The Business-type Activities increased the net position in the current fiscal year by \$87,945, a 3.69% increase from the prior year.

**CITY OF LAKEPORT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

Financial Analysis of the City's Funds

As noted earlier, the City of Lakeport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Lakeport's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lakeport's financing requirements. Specifically, unrestricted fund balance can be a useful measure of the City's net resources available for spending in subsequent fiscal years.

The General Fund is the chief operating fund of the City of Lakeport. At the end of the current fiscal year, the total fund balance of the General Fund was \$3,921,893, an increase of \$3,199,256. A total of \$826,505, or 21%, is unassigned and can be used for any lawful purpose. The amount of restricted fund balance of \$2,231, or .1%, is restricted for state imposed restrictions.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total expenditures. Unassigned fund balance represents 117% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City made no revisions to the original budget. Generally, budget amendments, if made, fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts except in the areas of property taxes and fine revenues. Overall, expenditures were in line with budgeted amounts, except for debt related expenditures.

Proprietary Funds - The City of Lakeport's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$365,458, and \$1,291,384 was invested in capital assets, less related debt.

CITY OF LAKEPORT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025

Capital assets - The City of Lakeport's net investment in capital assets for its governmental and business-type activities, as of September 30, 2025, totaled \$1,980,925 (net of accumulated depreciation). This investment in capital assets includes roads, land, machinery, and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was (\$104,786) or, (5%).

Capital Assets
As of September 30, 2025
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ -	\$ -	\$ 49,481	\$ 49,481	\$ 49,481	\$ 49,481
Machinery & Equipment	-	-	12,705	-	12,705	-
Buildings	29,541	34,586	-	-	29,541	34,586
Infrastructure	-	-	1,889,198	2,001,644	1,889,198	2,001,644
Total	\$ 29,541	\$ 34,586	\$ 1,951,384	\$ 2,051,125	\$ 1,980,925	\$ 2,085,711

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

Long-term obligations - As of September 30, 2025, the City of Lakeport had total long-term outstanding obligations of \$3,790,760. This is an increase of \$2,925,760, or 338%.

Long-Term Debt
As of September 30, 2025

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Series 2020 Refunding Bonds	3,130,760	-	660,000	865,000	3,790,760	865,000
Total	\$ 3,130,760	\$ -	\$ 660,000	\$ 865,000	\$ 3,790,760	\$ 865,000

More detailed information about the City's long-term liabilities is presented in Note F to the financial statements.

**CITY OF LAKEPORT, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2025**

Requests for Information

This report is designed to provide a general overview of the City's finances for those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Lakeport, Mayor, 207 Milam Rd., Longview, TX 75603.

BASIC FINANCIAL STATEMENTS

CITY OF LAKEPORT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 1,016,366	\$ 211,336	\$ 1,227,702	\$ 694,500
Receivables (net of allowance for uncollectibles)	91,147	173,827	264,974	19,010
Prepaid expense	582	-	582	-
Net pension asset	191,884	-	191,884	-
Restricted assets:				
Cash and cash equivalents	3,095,389	813,487	3,908,876	-
Capital assets, not being depreciated:				
Land	-	49,481	49,481	-
Construction in progress	-	-	-	387,430
Capital assets, net of accumulated depreciation:				
Machinery & equipment	-	12,705	12,705	-
Buildings & improvements	29,541	-	29,541	-
Infrastructure	-	1,889,198	1,889,198	-
Total Assets	4,424,909	3,150,034	7,574,943	1,100,940
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources-pension	33,925	-	33,925	-
Deferred outflow of resources-OPEB	4,554	-	4,554	-
Total Deferred Outflow of Resources	38,479	-	38,479	-
LIABILITIES				
Accounts payable	-	-	-	-
Deferred covid funding	229,303	-	229,303	-
Other liabilities	16,324	19,705	36,029	-
Noncurrent liabilities:				
Due within one year:				
Notes payable	-	-	-	19,807
Bonds payable	15,025	107,000	122,025	-
Due in more than one year:				
Net OPEB liability	13,403	-	13,403	-
Notes payable	-	-	-	225,723
Bonds payable	3,115,735	553,000	3,668,735	-
Total Liabilities	3,389,790	679,705	4,069,495	245,530
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources-pension	52,108	-	52,108	-
Deferred inflow of resources-OPEB	4,255	-	4,255	-
Total Deferred Inflow of Resources	56,363	-	56,363	-
NET POSITION				
Net investment in capital assets	(5,830)	1,291,384	1,285,554	141,900
Restricted for:				
Court use	2,231	-	2,231	-
Debt service	-	813,487	813,487	-
Unrestricted	1,020,834	365,458	1,386,292	713,510
Total Net Position	\$ 1,017,235	\$ 2,470,329	\$ 3,487,564	\$ 855,410

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

CITY OF LAKEPORT, TEXAS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2025

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 274,864	\$ 1,830	\$ -	\$ -
Public safety	226,001	86,819	-	-
Interest on long-term debt	72,017	-	-	-
Debt issue costs	130,760	-	-	-
Total Governmental Activities	703,642	88,649	-	-
Business-type activities:				
Utility services	177,873	154,447	-	-
Total Business-type Activities	177,873	154,447	-	-
Total Primary Government	881,515	243,096	-	-
Component unit:				
Economic Development Corporation	6,588	-	-	-
Interest on long-term debt	7,574	-	-	-
Debt issue costs	5,000	-	-	-
Total Component Unit	\$ 19,162	\$ -	\$ -	\$ -

General revenues:
Property taxes
Sales taxes
Franchise taxes
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

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

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business Activities	Total	
\$ (273,034)	\$ -	\$ (273,034)	\$ -
(139,182)	-	(139,182)	-
(72,017)	-	(72,017)	-
(130,760)	-	(130,760)	-
(614,993)	-	(614,993)	-
-	(23,426)	(23,426)	-
-	(23,426)	(23,426)	-
(614,993)	(23,426)	(638,419)	-
-	-	-	(6,588)
-	-	-	(7,574)
-	-	-	(5,000)
\$ -	\$ -	\$ -	\$ (19,162)
\$ 399,582	\$ -	\$ 399,582	\$ -
255,115	-	255,115	120,386
37,992	-	37,992	-
92,876	524	93,400	22,675
7,425	-	7,425	-
(110,847)	110,847	-	-
682,143	111,371	793,514	143,061
67,150	87,945	155,095	123,899
950,085	2,382,384	3,332,469	731,511
\$ 1,017,235	\$ 2,470,329	\$ 3,487,564	\$ 855,410

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

CITY OF LAKEPORT, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2025

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,016,366
Receivables (net of allowance for uncollectibles)	91,147
Prepaid expense	582
Restricted - cash and cash equivalents	3,095,389
Total Assets	<u>4,203,484</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	-
Deferred covid funding	229,303
Other liabilities	16,324
Total Liabilities	<u>245,627</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	35,964
Total Deferred Inflows of Resources	<u>35,964</u>
FUND BALANCES	
Fund balances	
Restricted For:	
Court use	2,231
Construction	3,093,157
Unassigned	826,505
Total Fund Balances	<u>3,921,893</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,203,484</u>

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

**CITY OF LAKEPORT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Total fund balances - governmental funds balance sheet **\$ 3,921,893**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 295,283

Accumulated depreciation is not included in the governmental fund financial statements. (265,742)

Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements. 35,964

Deferred inflow/outflow of resources for pension are not reported in the fund financial statements. 38,479

Deferred inflow/outflow of resources for other pension benefits are not reported in the fund financial statements. (56,363)

Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements. 191,884

Long-term liabilities, including certificates of obligation, are not due and payable in the current period, and, therefore, are not reported in the governmental financial statements. (3,130,760)

Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements. (13,403)

Net position of governmental activities - statement of net position \$ 1,017,235

**CITY OF LAKEPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	General Fund
REVENUE	
Taxes:	
Property taxes, including P&I	\$ 404,351
Sales tax collected	255,115
Franchise taxes	37,992
Fines and forfeitures	86,819
Charges for services	1,830
Investment income	92,876
Miscellaneous	7,425
Total Revenues	886,408
EXPENDITURES	
Current:	
General government	276,482
Public safety	227,806
Debt service::	
Interest expense	72,017
Debt issue costs	130,760
Total Expenditures	707,065
Excess (deficiency) of revenues over (under) expenditures	179,343
OTHER FINANCING SOURCES (USES)	
Debt proceeds	3,130,760
Transfers	(110,847)
Total Other Financing Sources (uses)	3,019,913
Net Change in Fund Balances	3,199,256
Fund Balance, October 1	722,637
Fund Balance, September 30	\$ 3,921,893

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

**CITY OF LAKEPORT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds \$ 3,199,256

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

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position. (2,522)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements. (4,770)

Debt issuances are recognized as a financial resource on the governmental financial statements and recorded as a long-term liability on the government-wide financial statements. (3,130,760)

Current year changes in pension expense do not require the use of current resources; therefore, are not reported as expenditures in governmental funds. 5,946

Change in net position of governmental activities - statement of activities \$ 67,150

**CITY OF LAKEPORT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2025**

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 211,336
Receivables (net of allowance for uncollectible)	173,827
Total current assets	385,163
Noncurrent assets:	
Restricted cash and cash equivalents	813,487
Capital assets:	
Land	49,481
Infrastructure	2,801,793
Machinery & equipment	12,705
Less: accumulated depreciation	(912,595)
Total capital assets (net of accumulated depreciation)	1,951,384
Total Assets	3,150,034
LIABILITIES	
Current liabilities:	
Other liabilities	19,705
Bonds payable - current	107,000
Total current liabilities	126,705
Non-current liabilities:	
Bonds payable	553,000
Total non-current liabilities	553,000
Total Liabilities	679,705
NET POSITION	
Net investment in capital assets	1,291,384
Restricted for:	
Debt service	813,487
Capital projects	
Unrestricted	365,458
Total net position	\$ 2,470,329

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

**CITY OF LAKEPORT, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION-PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 153,510
Total Operating Revenues	<u>153,510</u>
OPERATING EXPENSES	
Supplies and materials	6,331
Maintenance and repair	46,446
Utilities	23,018
Contractual services	27,575
Depreciation	56,223
Total Operating Expenses	<u>159,593</u>
Operating income (loss)	<u>(6,083)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	524
Interest expense	(17,343)
Total Non-Operating Revenues (Expenses)	<u>(16,819)</u>
Net Income(loss) before transfers	(22,902)
Transfers	<u>110,847</u>
Change in net position	87,945
Total net position-beginning	2,382,384
Total net position-ending	<u><u>\$ 2,470,329</u></u>

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

**CITY OF LAKEPORT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Utility Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 109,750
Cash paid for goods and services	(103,370)
Net cash provided by (used in) operating activities	<u>6,380</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid	(104,000)
Interest and fiscal charges on debt	(17,343)
Cash provided in capital and related financing activities	<u>(134,048)</u>
Cash Flows from Noncapital Financing Activities	
Transfers	110,847
Cash used in noncapital financing activities	<u>110,847</u>
Cash Flows from Investing Activities	
Investment income	524
Cash provided by (used in) investing activities	<u>524</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,297)
Cash and cash equivalents, October 1	1,041,120
Cash and cash equivalents, September 30	<u><u>\$ 1,024,823</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating income (loss)	\$ (6,083)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	56,223
Change in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	(43,760)
Total adjustments	12,463
Net cash provided (used) by operating activities	<u><u>\$ 6,380</u></u>

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

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lakeport, Texas operates under a General Law Charter. The City operates under an Alderman-Mayor form of government. The City's financial report includes the accounts of all City operations.

The accounting and reporting policies of the City, relating to the funds included in the accompanying basic financial statements, conform to accounting principles generally accepted in the United States of America ("GAAP"), applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), and the American Institute of Certified Public Accountants, in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant policies of the City are described below:

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- there is a fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. The GASB Codification requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the following is a brief review of the component unit addressed in defining the government's reporting entity. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB codification.

The Lakeport Economic Development Corporation Type B is a nonprofit corporation organized in accordance with the Texas Development Corporation Act of 1979. It is a Type B Economic Development Corporation governed by the Texas Local Government Code Sections 501-505 and is operated exclusively for the purpose of benefitting and accomplishing public purposes of the City of Lakeport, Texas. The economic benefits provided by the Corporation will benefit the City by stimulating the need for housing, retail sales, entertainment, etc. within the City. The services provided by the Corporation are almost entirely for the benefit of the City. The 1/2 percent sales tax that funds the Lakeport Economic Development Corporation Type B is received by the City from the State and is passed to the Corporation. The Corporation's financial statements are "blended" within the City of Lakeport's Basic Financial Statements.

2. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the Statement of Net Position and Statement of Activities. Significantly, the City's statement of Net Position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide Statement of Activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting, and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

The City also presents a Management's Discussion and Analysis section, which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted, and final amended General Fund budget, with actual results for the current fiscal year.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the City for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City entities for which the City is considered to be financially accountable.

The basic financial statements include both government-wide, (based on the City as a whole), 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 parts of the primary government. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (General Government, Police, etc.), or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost, (by function), is normally covered by general revenue, (property and sales taxes, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental fund is the General Fund. GASB Statement No. 34 sets forth the minimum criteria, (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined), for the determination of major funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts, and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Governmental fund level financial statements are reported using the current financial resources measurements focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are 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 and payable shortly after year-end, as required by GASB Interpretation No. 6.

Ad valorem, franchise, and sales tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues, are recorded as revenues when received in cash, as the resulting receivable is not measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources, and the related liabilities, (except those accounted for in proprietary funds), are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental fund of the City.

The **General Fund** is the general operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues, and other receipts, that are not restricted by law or contractual agreement to some other fund, are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs, that are not paid through other funds, are paid from the General Fund.

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its Statement of Net Position.

The proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The **Utility Fund** is used to account for sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs, (expenses, including depreciation), of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade receivables in excess of 60 days comprise the trade accounts receivable for uncollectible accounts.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary funds represent cash and cash equivalents and investments set aside for repayments of deposits to utility customers and various bond covenants.

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Utility Fund.

d. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in years)</u>
Building and Improvements	15 - 50
Furniture and Fixtures	5
Infrastructure	50
Equipment	7 - 10

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

e. Pension

In government-wide financial statements, retirement plans (pension) are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognizes a net pension liability, which represents the City's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension, reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability is measured as of December 31, 2022. Changes in the net pension liability are recorded as pension expense, or as deferred inflows of resources, or deferred outflows of resources, depending on the nature of the changes. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources, (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience), will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflow/outflows of resources relating to pension expense, information about the fiduciary net position of the City's pension plan with TMRS, and additions to/deductions from the plan's fiduciary net position, have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments, (including refunds of employee contributions), are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Difference between projected and actual investment earnings are reported as deferred inflows of resources, or deferred outflows of resources, and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

f. Deferred outflows/inflows of resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. The 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, (expenses/expenditures), until then. The City has one item that qualifies in this category. The City's pension plan reports contributions made from the measurement date of the pension plan to the current fiscal year end as deferred and are recognized in the subsequent fiscal year end, as well as differences in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. As a component of implementing GASB Statement No. 68, a deferred outflow is recorded in the government-wide Statement of Net Position, and fund level financial statements, for the proprietary Statement of Net Position.

In addition to liabilities, the Statement of Financial Position 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 City has one item that qualifies for reporting in this category. Accordingly, the item, *deferred revenue*, is reported in the governmental funds Balance Sheet. Deferred revenue from property taxes is shown as deferred inflows of resources. The amount is deferred and recognized as inflows of resources in the period that the amounts become available.

Deferred outflows of resources are used to report consumption of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net position by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

g. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line interest method. Management compared this method to the effective interest method, and found the difference to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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.

h. Net Position Flow Assumption

Sometimes the City 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 City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

i. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** - include the portion of net resources that cannot be spent because of their form, (i.e., inventory, long-term loans, or prepaids), or because they must remain intact such as the principal of an endowment.
- **Restricted fund balance** - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers, or as allowed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by the Council using the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- **Assigned fund balance** - includes the portion of net resources for which an *intended* use has been established by the City Council. Assignment of fund balance are much less formal than commitments, and do not require formal action for their imposition or removal. In governmental funds, other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned fund balance** - includes the amounts in the General Fund in excess of what can properly be classified in one of the other categories of fund balance. It is the residual classification of the General Fund, and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

j. Fund Balance Flow Assumption

Sometimes the City 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 City'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.

k. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the basic financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

l. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1, (immediately following the levy date), and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised value. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. A city can increase their property tax rate to a rate that increases property tax revenue generation up to 3.5% in total dollars than it collected the previous year without triggering a mandatory election.

m. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

n. Federal and State Grants

Grants revenues are generally accounted for within the fund financed.

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

p. Program Revenues

Certain revenues such as charges for services are included in program revenues.

q. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on a modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means for financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the Mayor, shall be deemed to have been adopted by the City Council.
- According to the City Charter, total estimated expenditures of the General Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The Mayor is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

C. CASH AND INVESTMENTS

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,136,578 and the bank balance was \$5,154,241. The City's cash deposits at September 30, 2025, and during the year ended September 30, 2025, were entirely covered by FDIC and by pledged collateral held by the City's agent bank in the City's name. Cash and investments as of September 30, 2025 consist of and are classified in the accompanying financial statements as follows:

Statement of Net Position:

Primary Government

Cash and cash equivalents	\$ 1,227,702
Restricted assets-cash and cash equivalents	3,908,876
Total cash and cash equivalents	<u>5,136,578</u>

Governmental - Restricted Cash

Forfeiture Account	33
Seizure Fund	2,198
Construction	3,093,158
Total Governmental	<u>3,095,389</u>

Business-type - Restricted Cash

Debt Service	813,487
Total Business-type	<u>813,487</u>

Total Restricted Cash	<u>\$ 3,908,876</u>
------------------------------	----------------------------

Investments:

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general purpose financial statements, disclosed that in the areas of investment practices, management reports and has establishment appropriate policies, and the City has adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, and the City's investment policy, do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law, (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance, less the FDIC insurance, at all times.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

D. RECEIVABLES

Receivables as of year-end for the City's individual funds, including the applicable allowances for uncollectible accounts, are as follows.

	Governmental	Proprietary	Total
Taxes	\$ 91,045	\$ -	\$ 91,045
Fees and charges	49,490	317,061	366,551
Gross Receivables	140,535	317,061	457,596
Less: allowance for uncollectibles	(49,388)	(143,234)	(192,622)
Net Total Receivables	\$ 91,147	\$ 173,827	\$ 264,974

E. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2025 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Buildings & Improvements	\$ 116,666	\$ -	\$ -	\$ 116,666
Equipment & Vehicles	178,617	-	-	178,617
Total capital assets, being depreciated	295,283	-	-	295,283
Less accumulated depreciation for:				
Buildings	(84,601)	(2,524)	-	(87,125)
Equipment & Vehicles	(178,617)	-	-	(178,617)
Total accumulated depreciation	(263,218)	(2,524)	-	(265,742)
Total capital assets, being depreciated, net	32,065	(2,524)	-	29,541
Total Governmental activities capital assets, net	\$ 32,065	\$ (2,524)	\$ -	\$ 29,541

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

E. CAPITAL ASSETS (Continued)

	Beginning Balances	Additions	Decreases	Ending Balances
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 49,481	\$ -	\$ -	\$ 49,481
Total capital assets, not being depreciated	49,481	-	-	49,481
Capital assets, being depreciated:				
Equipment	-	12,705	-	12,705
Infrastructure	2,801,793	-	-	2,801,793
Total capital assets, being depreciated	2,801,793	12,705	-	2,814,498
Less accumulated depreciation for:				
Equipment	-	-	-	-
Infrastructure	(856,371)	(56,224)	-	(912,595)
Total accumulated depreciation	(856,371)	(56,224)	-	(912,595)
Total capital assets, being depreciated, net	1,945,422	(43,519)	-	1,901,903
Total Business-type activities capital assets, net	\$ 1,994,903	\$ (43,519)	\$ -	\$ 1,951,384

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

Governmental activities:	
General Government	\$ 504
Public Safety	2,020
Total depreciation expense - governmental activities	\$ 2,524
Business-type activities:	
Sewer	\$ 56,224

There was no capitalized interest during the current year.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

F. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2025 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental-type Activities					
Bonds Payable	-	2,980,000	-	2,980,000	10,000
Premium		150,760	-	150,760	5,025
Governmental Activity Long-term Debt	\$ -	\$ 3,130,760	\$ -	\$ 3,130,760	\$ 15,025

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2026	15,025	143,975	159,000
2027	15,025	143,475	158,500
2028	15,025	142,975	158,000
2029	30,025	142,475	172,500
2030	30,025	141,225	171,250
2031 to 2035	165,127	686,623	851,750
2036 to 2040	485,127	620,623	1,105,750
2041 to 2045	615,127	494,123	1,109,250
2046 to 2050	780,127	330,623	1,110,750
2051 to 2055	980,127	122,623	1,102,750
Totals	\$ 3,130,760	\$ 2,968,740	\$ 6,099,500

A description of the purpose for each bond issuance is as follows:

\$2,980,000, Series 2024 Certificates of Obligation were issued to build a new administration building. The certificates mature in 2055 and charges interest at a rate of 5.0%.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable	764,000	-	(104,000)	660,000	107,000
Business Activity Long-term Debt	\$ 764,000	\$ -	\$ (104,000)	\$ 660,000	\$ 107,000

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2026	107,000	13,343	120,343
2027	110,000	10,956	120,956
2028	112,000	8,514	120,514
2029	44,000	6,798	50,798
2030	47,000	5,797	52,797
2031 to 2035	240,000	13,530	253,530
Totals	\$ 660,000	\$ 58,938	\$ 718,938

A description of the purpose for each bond issuance is as follows:

\$1,167,000, Series 2020 Refunding GO Bonds were issued to refund Series 2013 Refunding GO Bonds and Series 2005 Certificates of Obligation. The bonds mature in 2035 and charge interest at a rate of 2.20%.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

G. PENSION PLAN

1. Plan Description

The City participates in a non-traditional, joint contributory, hybrid defined benefit 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 ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoint the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report ("ACFR") that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

Employees covered by benefit terms:

At the December 31, 2023, and 2024 valuation and measurement dates, the following employees were covered by the benefit terms:

	Plan Year	
	2023	2024
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitles to but not yet receiving benefits	5	4
Active employees	6	5
	12	10

3. Contributions

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

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2024 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.6% to 11.85%, including inflation
Investment Rate of Return	6.75%

Salary increases are based on a service related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and a 3.0% minimum 15 rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

G. PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2023	\$ 427,991	\$ 589,909	\$ (161,918)
Changes for the year:			
Service cost	18,817	-	18,817
Interest	29,395	-	29,395
Change of benefit terms	-	-	-
Difference between expected and actual experience	(6,021)	-	(6,021)
Changes of assumptions	-	-	-
Contributions - employer	-	110	(110)
Contributions - employee	-	11,030	(11,030)
Net investment income	-	61,419	(61,419)
Benefit payments, including refunds of employee contributions	(3,822)	(3,822)	-
Administrative expense	-	(393)	393
Other changes	-	(9)	9
Net changes	38,369	68,335	(29,966)
Balance at 12/31/2024	\$ 466,360	\$ 658,244	\$ (191,884)

Sensitivity of the net position liability to changes in the discount rate

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

Current Single Rate		
1% Decrease	Assumption	1% Increase
5.75%	6.75%	7.75%
<u>\$ (135,446)</u>	<u>\$ (191,884)</u>	<u>\$ (239,296)</u>

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resource Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$(3,991).

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ 1,152	\$ 12,134
Changes in actuarial assumptions	-	919
Difference between projected and actual investment earnings	31,910	39,055
Contributions subsequent to the measurement date of December 31, 2024	863	-
	<u>\$ 33,925</u>	<u>\$ 52,108</u>

\$863 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

G. PENSION PLAN (Continued)

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Net deferred outflows (inflows) of resources:	
December 31	
2025	(4,461)
2026	1,519
2027	(11,784)
2028	(4,320)
2029	-
Thereafter	-
	<u>\$ (19,046)</u>

6. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing a one-year term life insurance policy. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Total OPEB Liability

The City of Lakeport's total OPEB liability of \$13,403 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2024.

Mortality Rates - Service Retirees:

2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality Rates - Disabled Retirees:

Mortality rates for disabled retirees were calculated using mortality tables for healthy retirees 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 of 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.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

G. PENSION PLAN (Continued)

6. Group-term Life Insurance (Continued)

Membership

Number of:	
-Inactive employees currently receiving benefits	1
-Inactive employees entitled to but not yet receiving benefits	1
-Active employees	5
Total	<u>7</u>

Changes in the Total OPEB Liability:

Total OPEB Liability - beginning of year	\$ 11,601
Changes for the year:	
Service costs	1,677
Interest on Total OPEB Liability	465
Changes in benefit terms	-
Differences between expected and actual experience	525
Changes in assumptions or other inputs	(644)
Benefit payments	(221)
Total OPEB Liability - end of year	<u>\$ 13,403</u>

The following presents the Total OPEB Liability of the City of Lakeport as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.05% or 1-percentage-point higher 5.05% than the current discount rate.

	1% Decrease	Current	1% Increase
	3.08%	4.08	5.08%
Total OPEB Liability	\$ 15,604	\$ 13,403	\$ 11,652

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Deferred (Inflows)/Outflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,616	\$ 1,829
Changes in assumptions and other inputs	2,042	2,426
Contributions made subsequent to measurement date	896	-
Total	<u>\$ 4,554</u>	<u>\$ 4,255</u>

Amounts reported as deferred outflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

	Net Deferred Outflows (Inflows) of Resources
2025	\$ (625)
2026	(625)
2027	(217)
2028	526
2029	315
Thereafter	29
Total	<u>\$ (597)</u>

H. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage listed above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. LITIGATION

The City is subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

J. COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies.

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

K. TRANSFERS

	Transfers Out	Transfers In	Total
General Fund	\$ (110,847)		\$ (110,847)
Water and Sewer Fund		110,847	110,847
Net Governmental	<u>\$ (110,847)</u>	<u>\$ 110,847</u>	<u>\$ -</u>

Transfers are used to transfer funds to and from the sinking fund accounts for payment of debt and to transfer assets from one fund to the other when needed.

L. RELATED PARTY TRANSACTIONS

All City Council members receive a discount for water services as they are not charged for water usage.

M. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2025 up through December 5, 2025, the date the financial statements were available to be issued.

N. LAKEPORT ECONOMIC DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the Lakeport Economic Development Corporation ("LAKECO") is a discretely presented component unit on the combined financial statements. The corporation is governed by a seven member board appointed by and serving at the pleasure of the City Council. The LAKECO purpose is to promote and develop commercial, industrial and manufacturing enterprises, and expansion of business enterprises, and to promote and encourage employment and public welfare.

1. Deposits and Investments

The LAKECO's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the LAKECO's agent bank approved pledged securities in an amount sufficient to protect LAKECO funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2025, the carrying amount of the LAKECO's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$694,500 and the bank balance was \$694,500. The LAKECO's cash deposits at September 30, 2025 and during the year ended September 30, 2025, were covered by FDIC insurance.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

1. LONG-TERM OBLIGATIONS

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable	-	255,000	(9,470)	245,530	19,807
Refunding Bonds	-	-	-	-	-
Business Activity					
Long-term Debt	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ (9,470)</u>	<u>\$ 245,530</u>	<u>\$ 19,807</u>

Debt service requirements are as follows:

		Principal	Interest	Total Requirements
Year Ending September 30:				
	2026	19,807	14,282	34,089
	2027	21,022	13,068	34,090
	2028	22,311	11,778	34,089
	2029	23,679	10,410	34,089
	2030	25,131	8,958	34,089
	2031 to 2035	133,580	19,824	153,404
Totals		<u>\$ 245,530</u>	<u>\$ 78,320</u>	<u>\$ 323,850</u>

CITY OF LAKEPORT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

\$255,000, Series 2025 Notes Payable were issued to fund park improvements. The note matures Obligation. The bonds mature in 2035 and charges interest at the rate of 5.966%.

2. LITIGATION

Currently, management is unaware of significant pending litigation against the LAKECO.

3. SUBSEQUENT EVENTS

LAKECO has evaluated all events or transactions that occurred after September 30, 2025 up through December 5, 2025, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAKEPORT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**SCHEDULE OF CONTRIBUTIONS
LAST SEVEN FISCAL YEARS (UNAUDITED)**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 11,005	\$ 13,766	\$ 6,004	\$ 315	\$ 232	\$ 215	\$ 719	\$ 645	\$ 1,396	\$ 1,396
Contributions in relation to the actuarially determined contribution										
Contributions deficiency (excess)	\$ 11,005	\$ 13,766	\$ 6,004	\$ 315	\$ 232	\$ 215	\$ 719	\$ 645	\$ 1,396	\$ 1,396
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	\$ 220,093	\$ 166,080	\$ 185,865	\$ 200,031	\$ 215,028	\$ 206,760	\$ 215,526	\$ 195,912	\$ 227,566	\$ 227,566
	5.00%	8.29%	3.23%	0.16%	0.11%	0.10%	0.33%	0.33%	0.61%	0.61%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates may vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Table. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and 100% of the General Employee Table used for females. The rates are projected on a bfully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes There were no benefit changes during the year.

Note: Years will continue to be added until there are 10 years for comparison

CITY OF LAKEPORT, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS-TMRS**

	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Total Pension Liability								
Service cost	\$ 16,173	\$ 16,054	\$ 16,210	\$ 16,617	\$ 15,124	\$ 14,864	\$ 17,111	\$ 18,817
Interest (on the Total Pension Liability)	15,678	16,503	18,935	21,091	23,499	24,585	27,025	29,395
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(14,995)	7,978	344	604	(20,526)	4,267	1,359	(6,021)
Change of assumptions	-	-	(1,882)	-	-	-	(1,561)	-
Benefit payments, including refunds of employee contributions	(1,879)	(7,280)	(1,879)	(1,879)	(1,879)	(1,879)	(15,515)	(3,822)
Net Change in Total Pension Liability	14,977	33,255	31,728	36,433	16,218	41,837	28,419	38,369
Total Pension Liability - Beginning	225,124	240,101	273,356	305,084	341,517	357,735	399,572	427,991
Total Pension Liability - Ending	<u>\$ 240,101</u>	<u>\$ 273,356</u>	<u>\$ 305,084</u>	<u>\$ 341,517</u>	<u>\$ 357,735</u>	<u>\$ 399,572</u>	<u>\$ 427,991</u>	<u>\$ 466,360</u>
Plan Fiduciary Net Position								
Contribution - employer	\$ 3,435	\$ -	\$ -	\$ -	645	580	183	110
Contribution - employee	9,766	9,861	10,338	10,776	9,796	9,064	10,161	11,030
Net investment income	46,580	(11,800)	59,444	34,322	64,568	(41,488)	61,913	61,419
Benefit payments, including refunds of employee contributions	(1,879)	(7,280)	(1,879)	(1,879)	(1,879)	(1,879)	(15,515)	(3,822)
Administrative expense	(241)	(228)	(335)	(222)	(298)	(358)	(393)	(393)
Other	(12)	(12)	(9)	(9)	2	427	(3)	(9)
Net Change in Plan Fiduciary Net Position *	57,649	(9,459)	67,559	42,988	72,834	(33,654)	56,346	68,335
Plan Fiduciary Net Position - Beginning	335,646	393,295	383,836	451,395	494,383	567,217	533,563	589,909
Plan Fiduciary Net Position - Ending	<u>\$ 393,295</u>	<u>\$ 383,836</u>	<u>\$ 451,395</u>	<u>\$ 494,383</u>	<u>\$ 567,217</u>	<u>\$ 533,563</u>	<u>\$ 589,909</u>	<u>\$ 658,244</u>
Net Pension Liability - Ending	<u>\$ (153,194)</u>	<u>\$ (110,480)</u>	<u>\$ (146,311)</u>	<u>\$ (152,866)</u>	<u>\$ (209,482)</u>	<u>\$ (133,991)</u>	<u>\$ (161,918)</u>	<u>\$ (191,884)</u>
 Plan Fiduciary Net Position as a percentage of Total Pension Liability	 163.80%	 140.42%	 147.96%	 144.76%	 158.56%	 133.53%	 137.83%	 141.15%
 Covered employee payroll	 \$ 195,321	 \$ 197,218	 \$ 206,760	 \$ 215,526	 \$ 195,912	 \$ 181,271	 \$ 203,215	 \$ 220,598
 Net Pension Liability as a percentage of covered employee payroll	 -78.43%	 -56.02%	 -70.76%	 -70.93%	 -106.93%	 -73.92%	 -79.68%	 -86.98%

* May be off due to rounding

Note: Years will be added until there are 10 years of comparison

CITY OF LAKEPORT, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS-TMRS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Total OPEB Liability								
Service cost	\$ 469	\$ 552	\$ 496	\$ 733	\$ 862	\$ 1,668	\$ 1,097	\$ 1,677
Interest (on the Total OPEB Liability)	241	253	279	272	241	274	384	465
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	-	(327)	(248)	(297)	1,060	(3,209)	817	525
Change of assumptions	558	(522)	1,760	1,492	427	(3,679)	507	(644)
Benefit payments, including refunds of employee contributions	(39)	(39)	(41)	(43)	(137)	(145)	(264)	(221)
Net Change in Total Pension Liability	1,229	(83)	2,246	2,157	2,453	(5,091)	2,541	1,802
Total OPEB Liability - Beginning	6,149	7,378	7,295	9,541	11,698	14,151	9,060	11,601
Total OPEB Liability - Ending	<u>\$ 7,378</u>	<u>\$ 7,295</u>	<u>\$ 9,541</u>	<u>\$ 11,698</u>	<u>\$ 14,151</u>	<u>\$ 9,060</u>	<u>\$ 11,601</u>	<u>\$ 13,403</u>
 Covered employee payroll	 \$ 394,245	 \$ 386,147	 \$ 206,760	 \$ 215,526	 \$ 195,912	 \$ 181,271	 \$ 203,215	 \$ 220,598
 Total OPEB Liability as a percentage of covered employee payroll	 1.87%	 1.89%	 4.61%	 5.43%	 7.22%	 5.00%	 5.71%	 6.08%

See accompanying notes to these financial statements for more detail.

Note: Years will continue to be added until there are 10 years for comparison

CITY OF LAKEPORT, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property taxes, including P&I	\$ 428,535	\$ 428,535	\$ 404,351	\$ (24,184)
Franchise taxes	40,000	40,000	37,992	(2,008)
Sales tax collected	215,500	215,500	255,115	39,615
Fines and forfeitures	72,900	72,900	86,819	13,919
Charge for services	3,150	3,150	1,830	(1,320)
Investment income	400	400	92,876	92,476
Miscellaneous	2,150	2,150	7,425	5,275
Total Revenues	762,635	762,635	886,408	123,773
EXPENDITURES				
Current:				
General government	228,663	228,663	276,482	(47,819)
Public safety	343,186	343,186	227,806	115,380
Debt service:				
Interest expense	60,026	60,026	72,017	(11,991)
Debt issue costs	130,760	130,760	130,760	-
Total Expenditures	762,635	762,635	707,065	55,570
Excess (deficiency) of revenues (under) expenditures	-	-	179,343	179,343
Other Revenues and Financing Sources (Uses)				
Debt proceeds	-	-	3,130,760	3,130,760
Transfers	-	-	(110,847)	(110,847)
Total Other Financing Sources (Uses)	-	-	3,019,913	3,019,913
Net Change in Fund Balance	-	-	3,199,256	3,199,256
Fund Balances/Equity, October 1	722,637	722,637	722,637	
Fund Balances/Equity, September 30	\$ 722,637	\$ 722,637	\$ 3,921,893	

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



SUPPLEMENTARY INFORMATION

**CITY OF LAKEPORT, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2025**

	EDC Fund
ASSETS	
Cash and cash equivalents	\$ 694,500
Receivables (net of allowance for uncollectibles)	19,010
Total Assets	<u>713,510</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	-
Total Liabilities	<u>-</u>
 FUND BALANCE	
Fund balance	
Unassigned	713,510
Total Fund Balance	<u>713,510</u>
 Total Liabilities and Fund Balance	<u>\$ 713,510</u>

**CITY OF LAKEPORT, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION - ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2025**

Total fund balances - governmental funds balance sheet \$ 713,510

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 387,430

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. (245,530)

Net position of governmental activities - statement of net position \$ 855,410

**CITY OF LAKEPORT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	EDC Fund
REVENUE	
Sales tax collected	\$ 120,386
Miscellaneous	-
Total Revenues	<u>120,386</u>
EXPENDITURES	
Current:	
Administration	1,000
Audit	2,000
Marketing	650
Training	593
Supplies	77
Dues and memberships	365
Other	1,903
Debt service::	
Principal expense	9,470
Interest expense	7,574
Debt issue costs	5,000
Capital outlay:	
Park	387,430
Total Expenditures	<u>416,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(295,676)</u>
Other Revenues and Financing Sources (uses)	
Investment earnings	22,675
Debt proceeds	255,000
Total Other Financing Sources (uses)	<u>277,675</u>
Net Change in Fund Balance	(18,001)
Fund Balance/Equity, October 1	731,511
Fund Balance/Equity, September 30	<u>\$ 713,510</u>

**CITY OF LAKEPORT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds \$ (18,001)

Debt issuances are recognized as a financial resource on the governmental financial statements and recorded as a long-term liability on the government-wide financial statements. (255,000.00)

Capital asset purchases are recorded as expenditures on the governmental financial statements and treated as capital assets on the government-wide financial statements. 396,900.00

Change in net position of governmental activities - statement of activities \$ 123,899