

CITY OF LA VERNIA, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2016**



CITY OF LA VERNIA
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

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CITY OF LA VERNIA
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

ROBERT GREGORY

MAYOR PRO TEM

HAROLD SCHOTT

CITY COUNCIL

ELOI CORMIER

MARK DOEGE

JENNIFER MOCZYGEMBA

RHONDA WATSON

CITY ADMINISTRATOR

YVONNE GRIFFIN

ATTORNEY

DENTON, NAVARRO, ROCHA, BERNAL, HYDE & ZECH, P.C.

SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of La Vernia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Vernia, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of La Vernia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Vernia, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

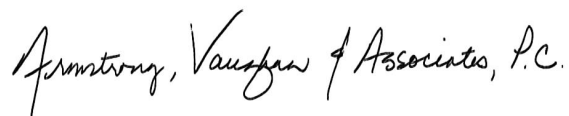
Other Matters

Required Supplementary Information

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

Other Information

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



Armstrong, Vaughan & Associates, P.C.
January 25, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of La Vernia’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

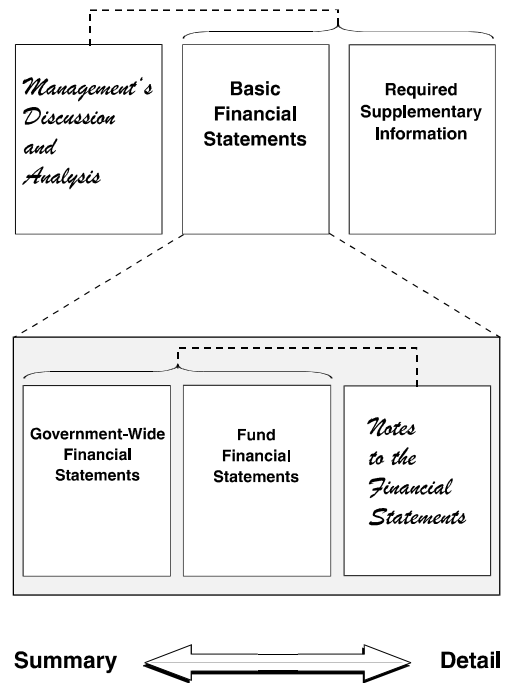
- The City’s total combined net position was \$5.5 million at September 30, 2016.
- During the year, the City’s governmental expenses were \$371 thousand less than the \$1.85 million generated in general and program revenues for governmental activities. The total cost of the City’s programs decreased 5% from the prior year.
- The general fund reported an unassigned fund balance this year of \$1.1 million, an increase of \$283 thousand.
- The City’s utility fund issued \$3.03 million in new bonds to fund water system improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1F, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: utilities
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how it has changed. Net position—the difference between the City’s assets and liabilities—is one way to measure the City’s financial health.

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City’s tax base.

- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, sanitation, municipal development, parks, and interest on long-term debt. Property taxes, sales taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$5.5 million at September 30, 2016. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2016-2015
	2016	2015	2016	2015	2016	2015	
<i>Assets:</i>							
Current Assets	\$ 1,753,107	\$ 1,300,854	\$ 672,546	\$ 876,947	\$ 2,425,653	\$ 2,177,801	11.4
Other Assets	685,685	601,809	2,739,646	135,624	3,425,331	737,433	364.5
Capital Assets (net)	930,187	997,965	3,522,968	2,670,418	4,453,155	3,668,383	21.4
Total Assets	3,368,979	2,900,628	6,935,160	3,682,989	10,304,139	6,583,617	56.5
<i>Deferred Outflows</i>	39,095	13,897	-	-	39,095	13,897	181.3
<i>Liabilities:</i>							
Current Liabilities	171,958	104,769	337,317	175,577	509,275	280,346	81.7
Long-Term Liabilities	203,074	150,364	4,152,023	1,032,353	4,355,097	1,182,717	268.2
Total Liabilities	375,032	255,133	4,489,340	1,207,930	4,864,372	1,463,063	232.5
<i>Deferred Inflows</i>	2,777	-	-	-	2,777	-	100.0
<i>Net Position:</i>							
Net Investment in Capital Assets	805,543	926,169	1,768,992	1,582,018	2,574,535	2,508,187	2.6
Restricted	1,221,241	991,081	143,038	135,624	1,364,279	1,126,705	21.1
Unrestricted	1,003,481	742,142	533,790	757,417	1,537,271	1,499,559	2.5
Total Net Position	\$ 3,030,265	\$ 2,659,392	\$ 2,445,820	\$ 2,475,059	\$ 5,476,085	\$ 5,134,451	6.7

Governmental Activities

- Property tax valuations increased for the fiscal year ending September 30, 2016, leading to an increase in property tax revenues of \$17 thousand.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2016	2015	2016	2015	2016	2015	2016-2015
<i>Program Revenues:</i>							
Charges for Services	\$ 316,932	\$ 288,488	\$ 977,755	\$ 979,883	\$ 1,294,687	\$ 1,268,371	2.1
<i>Grants and Contributions:</i>							
Operating	971	1,199	-	-	971	1,199	(19.0)
Capital	-	-	-	67,446	-	67,446	(100.0)
<i>General Revenues:</i>							
Taxes	1,463,298	1,324,447	-	-	1,463,298	1,324,447	10.5
Interest Earnings	2,200	2,528	1,191	332	3,391	2,860	18.6
Miscellaneous	63,218	43,434	-	-	63,218	43,434	45.5
TOTAL REVENUES	1,846,619	1,660,096	978,946	1,047,661	2,825,565	2,707,757	4.4
<i>Program Expenses:</i>							
Code Enforcement	96,000	130,115	-	-	96,000	130,115	(26.2)
General	372,787	342,714	-	-	372,787	342,714	8.8
Municipal Development	185,811	178,291	-	-	185,811	178,291	4.2
Municipal Court	56,247	76,184	-	-	56,247	76,184	(26.2)
Police	574,481	530,066	-	-	574,481	530,066	8.4
Public Works	185,316	292,066	-	-	185,316	292,066	(36.5)
Utility	-	-	1,008,185	807,253	1,008,185	807,253	24.9
Interest on Debt	5,104	4,650	-	-	5,104	4,650	9.8
TOTAL EXPENSES	1,475,746	1,554,086	1,008,185	807,253	2,483,931	2,361,339	5.2
Increase (Decrease) in Net Position	\$ 370,873	\$ 106,010	\$ (29,239)	\$ 240,408	\$ 341,634	\$ 346,418	1.4

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services as well as local tax dollars. The cost of all *governmental* activities this year was \$1.5 million. Taxpayers paid for 13% of these activities through property taxes of \$198 thousand.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2015	2016-2015	2016	2015	2016-2015
Code Enforcement	\$ 96,000	\$ 130,115	(26.2)	\$ 8,005	\$ 80,891	(90.1)
General	372,787	342,714	8.8	365,139	335,394	8.9
Municipal Development	185,811	178,291	4.2	185,811	178,291	4.2
Municipal Court	56,247	76,184	(26.2)	(24,409)	25,340	(196.3)
Police	574,481	530,066	8.4	432,877	347,767	24.5
Public Works	185,316	292,066	(36.5)	185,316	292,066	(36.5)
Utility	1,008,185	807,253	24.9	30,430	(240,076)	(112.7)

Business-Type Activities

Revenues of the City's utility business-type activities (not counting capital grants) remained at \$980 thousand, while operating expenses increased 25% to \$1.0 million. Expenses were higher because of increased personnel and issue costs of new debt.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$1.8 million, an increase of 11% from the preceding year. The increase was primarily related to an increase in sales tax collections. Expenditures decreased 7% to \$1.4 million.

Budgetary Highlights

The City's actual expenditures in the general fund were \$96 thousand less than budgeted amounts, and fund balance increased \$230 thousand more than anticipated. The Municipal Development District's revenues were \$40 thousand more than budgeted amounts, while expenditures were \$67 thousand less than budgeted amounts, leading to a net change in fund balance that was \$108 thousand better than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2016, the City had invested \$8.5 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a significant increase over the prior year, primarily from well projects.

Table A-4
City's Capital Assets
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Land	\$ 209	\$ 209	\$ 31	\$ 31	\$ 240	\$ 240	0.0
Buildings and Improvements	356	356	14	14	370	370	0.0
Equipment	607	610	337	151	944	761	24.0
Infrastructure	539	539	5,793	4,307	6,332	4,846	30.7
Construction in Progress	-	-	578	1,275	578	1,275	(54.7)
Totals at Historical Cost	1,711	1,714	6,753	5,778	8,464	7,492	13.0
Total Accumulated Depreciation	(781)	(716)	(3,230)	(3,108)	(4,011)	(3,824)	4.9
Net Capital Assets	\$ 930	\$ 998	\$ 3,523	\$ 2,670	\$ 4,453	\$ 3,668	21.4

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

Long Term Debt

At year-end, the City had \$4.41 million in bonds and capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2016	2015	2016	2015	2016	2015	2016-2015
Bonds and Loans Payable	\$ 33	\$ 49	\$ 4,289	\$ 1,088	\$ 4,322	\$ 1,137	280.1
Capital Lease	92	22	-	-	92	22	318.2
Total Bonds & Notes Payable	<u>\$ 125</u>	<u>\$ 71</u>	<u>\$ 4,289</u>	<u>\$ 1,088</u>	<u>\$ 4,414</u>	<u>\$ 1,159</u>	<u>280.8</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged. The economic outlook for Wilson County remains stable. No changes in services are expected and budget levels remain similar to the previous year for the City.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830) 779-4541.



CITY OF LA VERNIA
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



CITY OF LA VERNIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,729,993	\$ 300,668	\$ 2,030,661
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	3,437	-	3,437
Other	238,717	84,044	322,761
Prepaid Expenses	63,954	4,840	68,794
Internal Balances	(282,994)	282,994	-
Restricted Cash and Investments	685,685	2,739,646	3,425,331
Capital Assets (net)	930,187	3,522,968	4,453,155
TOTAL ASSETS	3,368,979	6,935,160	10,304,139
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	39,095	-	39,095
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	44,549	100,758	145,307
Accrued Expenses	28,557	2,877	31,434
Accrued Compensated Absences	42,665	3,119	45,784
Customer Deposits	-	63,769	63,769
Unearned Revenue	-	8,601	8,601
Accrued Interest Payable	2,640	20,796	23,436
<i>Noncurrent Liabilities:</i>			
Due within One Year	53,547	137,397	190,944
Due in more than One Year	71,097	4,152,023	4,223,120
Net Pension Liability	131,977	-	131,977
TOTAL LIABILITIES	375,032	4,489,340	4,864,372
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	2,777	-	2,777
NET POSITION:			
Net Investment in Capital Assets	805,543	1,768,992	2,574,535
Restricted for:			
Street Repair	498,496	-	498,496
Municipal Development District	657,560	-	657,560
Municipal Court	7,654	-	7,654
Impact Fees	-	143,038	143,038
Debt Service	57,531	-	57,531
Unrestricted	1,003,481	533,790	1,537,271
TOTAL NET POSITION	\$ 3,030,265	\$ 2,445,820	\$ 5,476,085

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
<i>Governmental Activities:</i>				
Code Enforcement	\$ 96,000	\$ 87,995	\$ -	\$ -
General Government	372,787	7,648	-	-
Municipal Development	185,811	-	-	-
Municipal Court	56,247	80,656	-	-
Police	574,481	140,633	971	-
Public Works	185,316	-	-	-
Interest on Long-term Debt	5,104	-	-	-
<i>Total Governmental Activities</i>	<u>1,475,746</u>	<u>316,932</u>	<u>971</u>	<u>-</u>
<i>Business-Type Activities:</i>				
Water and Sewer Utility	1,008,185	977,755	-	-
<i>Total Business-Type Activities</i>	<u>1,008,185</u>	<u>977,755</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u><u>2,483,931</u></u>	<u><u>1,294,687</u></u>	<u><u>971</u></u>	<u><u>-</u></u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Position

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (8,005)		\$ (8,005)
(365,139)		(365,139)
(185,811)		(185,811)
24,409		24,409
(432,877)		(432,877)
(185,316)		(185,316)
(5,104)		(5,104)
<u>(1,157,843)</u>		<u>(1,157,843)</u>
	<u>(30,430)</u>	<u>(30,430)</u>
	<u>(30,430)</u>	<u>(30,430)</u>
<u>(1,157,843)</u>	<u>(30,430)</u>	<u>(1,188,273)</u>
197,798	-	197,798
61,032	-	61,032
1,204,468	-	1,204,468
2,200	1,191	3,391
63,218	-	63,218
<u>1,528,716</u>	<u>1,191</u>	<u>1,529,907</u>
370,873	(29,239)	341,634
<u>2,659,392</u>	<u>2,475,059</u>	<u>5,134,451</u>
<u>\$ 3,030,265</u>	<u>\$ 2,445,820</u>	<u>\$ 5,476,085</u>

CITY OF LA VERNIA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Major Funds		
	General Fund	Street Maintenance	Municipal Development District
ASSETS			
Cash and Cash Equivalents	\$ 1,256,095	\$ 473,898	\$ 222,053
Certificates of Deposit	-	-	396,078
Receivables (net of allowances for uncollectibles):			
Property Taxes	3,112	-	-
Other Receivables	162,161	26,043	50,513
Prepaid Items	63,954	-	-
Due from Other Funds	8,942	-	-
TOTAL ASSETS	\$ 1,494,264	\$ 499,941	\$ 668,644
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
<i>Liabilities</i>			
Accounts Payable	\$ 41,965	\$ 1,445	\$ 1,085
Accrued Expenditures	27,500	-	1,057
Due to Other Funds	282,994	-	8,942
<i>Total Liabilities</i>	<u>352,459</u>	<u>1,445</u>	<u>11,084</u>
<i>Deferred Inflows of Resources</i>			
Unavailable Property Tax Revenues	1,033	-	-
<i>Total Deferred Inflows of Resources</i>	<u>1,033</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable Prepaid Items	63,954	-	-
Restricted for:			
Street Repair	-	498,496	-
Municipal Court	-	-	-
Municipal Development	-	-	657,560
Debt Service	-	-	-
Unassigned	1,076,818	-	-
<i>Total Fund Balances</i>	<u>1,140,772</u>	<u>498,496</u>	<u>657,560</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 1,494,264	\$ 499,941	\$ 668,644

See accompanying notes to basic financial statements.

<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 67,554	\$ 2,019,600
-	396,078
325	3,437
-	238,717
-	63,954
-	8,942
<u>\$ 67,879</u>	<u>\$ 2,730,728</u>
\$ 54	\$ 44,549
-	28,557
-	291,936
<u>54</u>	<u>365,042</u>
282	1,315
<u>282</u>	<u>1,315</u>
-	63,954
-	498,496
7,654	7,654
-	657,560
59,889	59,889
-	1,076,818
<u>67,543</u>	<u>2,364,371</u>
<u>\$ 67,879</u>	<u>\$ 2,730,728</u>



CITY OF LA VERNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 2,364,371
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.		930,187
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,315
Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds.		(42,665)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.		(124,644)
Net pension liabilities (and related deferred outflows of resources) do not provide or consume current financial resources and are not reported in the funds.		
Net Pension Liability	(131,977)	
Pension Related Deferred Outflows	39,095	
Pension Related Deferred Inflows	<u>(2,777)</u>	(95,659)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		<u>(2,640)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,030,265</u></u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Major Funds		
	General Fund	Street Maintenance	Municipal Development District
REVENUES			
Ad Valorem Taxes	\$ 181,579	\$ -	\$ -
Franchise Fees	61,032	-	-
Sales Taxes	763,383	150,206	290,879
Fines and Penalties	76,975	-	-
Licenses and Permits	87,995	-	-
Interest Income	792	135	1,259
Intergovernmental	971	-	-
Miscellaneous	58,209	-	-
Police Services for School District	139,697	-	-
TOTAL REVENUES	<u>1,370,633</u>	<u>150,341</u>	<u>292,138</u>
EXPENDITURES			
<i>Current:</i>			
Code Enforcement	95,897	-	-
General Government	347,750	-	-
Municipal Court	54,961	-	-
Police	532,456	-	-
Public Works	127,315	17,563	-
Municipal Development	-	-	184,587
Capital Outlay	22,775	-	-
<i>Debt Service:</i>			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
TOTAL EXPENDITURES	<u>1,181,154</u>	<u>17,563</u>	<u>184,587</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>189,479</u>	<u>132,778</u>	<u>107,551</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Capital Assets	13,593	-	-
Proceeds from Capital Lease Financing	80,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>93,593</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	283,072	132,778	107,551
Fund Balances at Beginning of Year	<u>857,700</u>	<u>365,718</u>	<u>550,009</u>
Fund Balances at End of Year	<u>\$ 1,140,772</u>	<u>\$ 498,496</u>	<u>\$ 657,560</u>

See accompanying notes to basic financial statements.

Total Nonmajor Funds	Total Governmental Funds
\$ 19,016	\$ 200,595
-	61,032
-	1,204,468
3,682	80,657
-	87,995
12	2,198
-	971
-	58,209
-	139,697
22,710	1,835,822
-	95,897
-	347,750
870	55,831
-	532,456
-	144,878
-	184,587
-	22,775
27,152	27,152
3,902	3,902
31,924	1,415,228
(9,214)	420,594
-	13,593
-	80,000
-	93,593
(9,214)	514,187
76,757	1,850,184
\$ 67,543	\$ 2,364,371



CITY OF LA VERNIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 514,187

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay. (67,778)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in those revenues from the prior year. (2,798)

The issuance of long-term debt (e.g. bonds, notes payable, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Proceeds from Capital Lease	(80,000)	
Principal Payments	<u>27,152</u>	(52,848)

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities, the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined pension expense exceeded the contributions.

Required Contributions	17,500	
Actuarially Determined Cost	<u>(21,336)</u>	(3,836)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensated Absences	(14,852)	
Change in Accrued Interest	<u>(1,202)</u>	<u>(16,054)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 370,873

CITY OF LA VERNIA
STATEMENT OF NET POSITION
PROPRIETARY UTILITY FUND
SEPTEMBER 30, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	300,668
Receivables (net of allowances for uncollectibles):		84,044
Prepaid Expenses		4,840
Due from Other Funds		282,994

Other Assets:

Restricted Cash and Investments		2,739,646
Capital Assets (net of depreciation)		3,522,968
TOTAL ASSETS		<u><u>6,935,160</u></u>

LIABILITIES

Current Liabilities:

Accounts Payable		100,758
Accrued Expenses		2,877
Accrued Compensated Absences		3,119
Customer Deposits		63,769
Unearned Revenue		8,601
Accrued Interest Payable		20,796

Noncurrent Liabilities:

Due within One Year		137,397
Due in more than One Year		4,152,023
TOTAL LIABILITIES		<u><u>4,489,340</u></u>

NET POSITION:

Net Investment in Capital Assets		1,768,992
Restricted Impact Fees		143,038
Unrestricted		533,790
TOTAL NET POSITION		<u><u>\$ 2,445,820</u></u>

CITY OF LA VERNIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY UTILITY FUND
FOR THE YEAR SEPTEMBER 30, 2016

OPERATING REVENUES	
Water Charges	\$ 479,669
Sewer Charges	179,553
Garbage Charges	245,908
Connection and Impact Fees	13,840
Miscellaneous Income	58,785
TOTAL OPERATING REVENUES	<u>977,755</u>
 OPERATING EXPENSES	
Personnel	127,468
Water Purchase	152,434
Garbage Collection	224,071
Utilities	66,869
Office and Administrative	42,184
Repairs and Chemicals	77,941
Treatment Plant Contract	62,454
Depreciation	121,956
TOTAL OPERATING EXPENSES	<u>875,377</u>
 OPERATING INCOME (LOSS)	 <u>102,378</u>
 NONOPERATING REVENUES (EXPENSES)	
Interest Income	1,191
Interest Expense	(49,405)
Bond Issue Costs	(83,403)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(131,617)</u>
 CHANGE IN NET POSITION	 (29,239)
 NET POSITION AT BEGINNING OF YEAR	 <u>2,475,059</u>
 NET POSITION AT END OF YEAR	 <u>\$ 2,445,820</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF CASH FLOWS - PROPRIETARY UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 982,651
Cash Paid to Suppliers for Goods and Services	(555,228)
Cash Paid to Employees	(125,216)
Net Cash Provided (Used) by Operating Activities	302,207
 Cash Flows From Capital and Related Financing Activities:	
Purchases of Capital Assets	(974,506)
Principal Proceeds from Bonds Issued	3,025,000
Premium Proceeds from Bonds Issued	243,935
Bond Issue Costs Paid	(83,403)
Principal Payments	(67,915)
Interest Paid	(41,117)
Net Cash Provided (Used) by Capital and Related Financing Activities	2,101,994
 Cash Flows From Noncapital Financing Activities:	
Short-term Loans to Other Funds	43,375
Net Cash Provided (Used) by Noncapital Financing Activities	43,375
 Cash Flows From Investing Activities:	
Investment Interest Received	1,191
Net Cash Provided (Used) by Investing Activities	1,191
 Net Increase (Decrease) in Cash and Cash Equivalents	 2,448,767
 Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents	451,684
Restricted Cash	139,863
	591,547
 Cash and Cash Equivalents at End of Year	
Cash and Cash Equivalents	300,668
Restricted Cash	2,739,646
	\$ 3,040,314

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF CASH FLOWS - PROPRIETARY UTILITY FUND (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss)	\$	102,378
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation		121,956
(Increase) Decrease in Operating Assets:		
Accounts Receivable (net)		5,611
Prepaid Expenses		160
Increase (Decrease) in Current Liabilities:		
Accounts Payable		70,565
Accrued Expenses		1,001
Accrued Compensated Absences		1,251
Customer Deposits		829
Deferred Revenue		(1,544)
Total Adjustments to Reconcile Operating Activities		199,829

**Net Cash Provided (Used) by
Operating Activities**

\$ 302,207

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of La Vernia, Texas (“City”) operates under a Council-Mayor form of government and provides the following services: police protection, parks and recreation, municipal court, planning and zoning, general administrative services, and utility (water, sewer and garbage) services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. As of September 30, 2016, the City had one component unit that is blended in these financial statements:

La Vernia Municipal Development District

The City appoints a voting majority to, and exerts significant control over, the Municipal Development District (MDD), a legally separate entity. This qualifies the MDD as a component unit, which is presented in a separate column in the governmental fund financial statements (blended presentation). The MDD collects a 1/2 cent sales tax to promote the economic growth and enhance overall quality of life in the City of La Vernia. The MDD does not issue standalone financial statements. The MDD is located in the City Hall.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Street Maintenance Fund and Municipal Development District meet the criteria as *major governmental funds*.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred outflows of resources.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public works and capital acquisition.

The Street Maintenance Fund is used to account for the ¼ cent sales tax dedicated to maintaining the streets of the City.

Municipal Development District is used to account for the ½ cent sales tax to promote economic development and enhance overall quality of life in the City.

The City has the following nonmajor funds: Debt Service, Court Security and Court Technology.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Utility Fund (used to account for the provision of water, sewer, and garbage services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City. Cash is only reported as restricted if it has a restriction narrower than the purpose of the fund that it is recorded in. This may result in some cash being restricted on the government-wide statements but not restricted on the fund statements.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, and certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit which are carried at amortized cost.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2015 and past due after January 31, 2016. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles, which the City currently estimates to be \$9,374 and \$1,017 for the general fund and debt service funds, respectively.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

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

Asset	Estimated Life
Buildings and improvements	15 to 40 years
Streets and Infrastructure	10 to 30 years
Utility system in service	10 to 30 years
Machinery and equipment	3 to 25 years

10. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of service, ranging from 5 to 15 days per year. Accrued vacation leave must be taken within the employment year (based on anniversary date). Employees earn sick leave at the rate of 3.07 hours per pay period starting on date of employment. No sick leave days are paid when an employee leaves city employment and no liability is reported for unpaid sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Unavailable revenue is reported only in the governmental funds balance sheet under a modified accrual basis of accounting. Unavailable revenues from property tax are deferred and recognized as an inflow of resource in the period the amounts become available.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. DEFERRED COMPENSATION PLAN

The City offers an Internal Revenue Code Section 457 deferred compensation plan. The City does not contribute to the plan, the plan is administered by an unrelated party, and the assets are invested at the direction of the employee.

13. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the discount. Bond issuance costs are expensed when 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.

15. PENSIONS

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

16. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. FUND EQUITY (CONT.)

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council may make assignments and has chosen not to delegate that authority to any other individuals.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

17. NET POSITION

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

18. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

19. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

20. USE OF ESTIMATES

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE B -- DEPOSITS AND INVESTMENTS

Deposits

The City holds deposits at two institutions. At September 30, 2016, the City's deposits (including certificates of deposit) were fully collateralized by a combination of FDIC and pledged securities by the City's depositories.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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 basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, the investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit with a maturity greater than three (3) months, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investment policy further limits investments to: (1) federally insured bank deposits, (2) collateralized bank deposits, (3) U.S. Government Treasury bills and notes, including sweep accounts that invest in them, (4) U.S. Government Agencies, and (5) Public Funds Investment Pools. No other investments may be made without authorization of City Council.

The City had no investments at September 30, 2016 other than certificates of deposit.

Restricted Cash

In the fund statements, restricted cash is presented only if the restriction is narrower than the purpose of the fund. As of September 30, 2016, \$2,596,608 and \$143,038 in the utility fund were restricted for construction from bond proceeds and impact fees, respectively.

In the statement of net position, all cash not available for general operations is restricted. As of September 30, 2016, \$618,131 was restricted for the MDD, \$59,846 for debt service, \$2,803 for court security, \$4,905 for court technology, and \$2,596,608 and \$143,038 in the utility fund were restricted for construction from bond proceeds and impact fees.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Wilson County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 1, 2015, upon which the fiscal 2016 levy was based, was \$100,352,546 (i.e., market value less exemptions). The estimated market value was \$133,460,042, making the taxable value 75% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2016, was \$0.1999 per \$100 of assessed value, which means that the City has a tax margin of \$2.3001 for each \$100 value and could increase its annual tax levy by approximately \$2,308,209 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2016 are as follows:

	General Fund	Street Maintenance	Municipal Development	Utility
Sales Tax	\$ 134,194	\$ 26,043	\$ 50,513	\$ -
Franchise Taxes	17,381	-	-	-
Police Services	9,699	-	-	-
Other	887	-	-	7,347
Utility Services	-	-	-	84,348
Allowance for Uncollectible Accounts	-	-	-	(7,651)
Total Other Receivables	<u>\$ 162,161</u>	<u>\$ 26,043</u>	<u>\$ 50,513</u>	<u>\$ 84,044</u>

NOTE E -- INTERFUND BALANCES

Balances owed between funds at September 30, 2016 are as follows:

Due From	Due To	Amount	Purpose
Municipal Development	General Fund	\$ 8,942	<i>reimbursement</i>
General Fund	Utility Fund	282,994	<i>share of previously pooled cash account</i>
	Total	<u>\$ 291,936</u>	

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

<u>Governmental Activities</u>	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 9/30/2016</u>
Land	\$ 209,198	\$ -	\$ -	\$ 209,198
Buildings and Improvements	356,269	-	-	356,269
Vehicles and Equipment	609,512	22,775	(25,620)	606,667
Infrastructure	539,220	-	-	539,220
	<u>1,714,199</u>	<u>22,775</u>	<u>(25,620)</u>	<u>1,711,354</u>
Less Accumulated Depreciation				
Buildings and Improvements	(87,520)	(10,561)	-	(98,081)
Equipment	(459,778)	(54,298)	25,620	(488,456)
Infrastructure	(168,936)	(25,694)	-	(194,630)
	<u>(716,234)</u>	<u>(90,553)</u>	<u>25,620</u>	<u>(781,167)</u>
Governmental Capital Assets, Net	<u>\$ 997,965</u>	<u>\$ (67,778)</u>	<u>\$ -</u>	<u>\$ 930,187</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

Code Enforcement	\$ 67
General	18,643
Police	31,251
Public Works	<u>40,592</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 90,553</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE F -- CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	Balance 10/1/2015	Additions	Disposals/ Transfers	Balance 9/30/2016
Land	\$ 31,158	\$ -	\$ -	\$ 31,158
Buildings and Improvements	14,000	-	-	14,000
Vehicles and Equipment	150,772	185,859	-	336,631
Infrastructure	4,307,002	197,984	1,287,631	5,792,617
Construction in Progress	1,275,143	590,663	(1,287,631)	578,175
	<u>5,778,075</u>	<u>974,506</u>	<u>-</u>	<u>6,752,581</u>
Less Accumulated Depreciation				
Buildings and Improvements	(6,904)	(925)	-	(7,829)
Equipment	(114,365)	(17,627)	-	(131,992)
Infrastructure	<u>(2,986,388)</u>	<u>(103,404)</u>	<u>-</u>	<u>(3,089,792)</u>
	<u>(3,107,657)</u>	<u>(121,956)</u>	<u>-</u>	<u>(3,229,613)</u>
Business-Type Capital Assets, Net	<u>\$ 2,670,418</u>	<u>\$ 852,550</u>	<u>\$ -</u>	<u>\$ 3,522,968</u>

Land and Construction in Progress are not depreciated.

NOTE G -- LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2016, comprise the following individual issues:

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003

In 2003, the City issued these bonds to perform improvements to City Hall. The face amount of the bonds was \$170,000 with an interest rate of 5%. The bonds mature in March 2018.

Note Payable – San Antonio River Authority (SARA)

In April 2004, the City borrowed money from SARA to improve the wastewater treatment plant. The loan was for \$600,000 with an interest rate of 4.48%. The loan requires annual installments of \$46,046, maturing in June 2024. The loan is supported by a pledge of income and fees from the utility fund.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011

In May 2011, the City issued these bonds to construct a new water well. The face value of the bonds was \$750,000, which has an interest rate of 4.69% and matures March 2030.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016

In December 2015, the City issued \$3,025,000 in Combination Tax and Revenue Certificates of Obligation, Series 2016. The proceeds are to be used for water system improvements. The City intends to use utility revenues to service the debt but has the ability to levy property taxes for the debt service as well. The bonds mature September 1, 2036 and bear interest at rates ranging from 1.00% to 3.15%.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE G -- LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Due Within One Year
<i>Governmental Activities</i>					
Certificates of Obligation, 2003	\$ 49,000	\$ -	\$ (16,000)	\$ 33,000	\$ 16,000
Capital Lease 2014	22,796	-	(11,152)	11,644	11,644
Capital Lease 2016	-	80,000	-	80,000	25,903
<i>Total Governmental Activities</i>	<u>71,796</u>	<u>80,000</u>	<u>(27,152)</u>	<u>124,644</u>	<u>53,547</u>
<i>Business-Type Activities</i>					
San Antonio River Authority	446,400	-	(26,046)	420,354	27,214
Certificates of Obligation, 2011	642,000	-	(30,000)	612,000	32,000
Certificates of Obligation, 2016	-	3,025,000	-	3,025,000	60,000
Premiums	-	243,935	(11,869)	232,066	18,183
<i>Total Business-Type Activities</i>	<u>1,088,400</u>	<u>3,268,935</u>	<u>(67,915)</u>	<u>4,289,420</u>	<u>137,397</u>
Total Primary Government	<u><u>\$ 1,160,196</u></u>	<u><u>\$ 3,348,935</u></u>	<u><u>\$ (95,067)</u></u>	<u><u>\$ 4,414,064</u></u>	<u><u>\$ 190,944</u></u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2016, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 16,000	\$ 1,315	\$ 17,315	\$ 119,214	\$ 154,634	\$ 273,848
2018	17,000	447	17,447	121,433	150,691	272,124
2019	-	-	-	189,707	146,622	336,329
2020	-	-	-	192,038	139,877	331,915
2021	-	-	-	195,428	133,001	328,429
2022-2026	-	-	-	1,105,280	553,303	1,658,583
2027-2031	-	-	-	1,129,254	329,650	1,458,904
2032-2036	-	-	-	1,005,000	123,600	1,128,600
	<u>\$ 33,000</u>	<u>\$ 1,762</u>	<u>\$ 34,762</u>	<u>\$ 4,057,354</u>	<u>\$ 1,731,378</u>	<u>\$ 5,788,732</u>

In 2014, the City entered into a lease agreement for the purchase of a police vehicle. The lease requires annual payments of \$12,157 through September, 2017. The related vehicle is included in equipment at a cost of \$47,084 with accumulated depreciation of \$39,237 as of September 30, 2016. Minimum future lease payments are as follows:

Year Ending September 30,	Lease Payments
2017	\$ 12,157
Less: Amount Representing Interest	(513)
Net	<u>\$ 11,644</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE G -- LONG-TERM DEBT (Continued)

In August 2016, the City entered into a lease agreement for the purchase of two police vehicles. The lease requires annual payments of \$28,427 through September, 2019. The related vehicles were purchased in December 2016 from the lease proceeds. Minimum future lease payments are as follows:

Year Ending September 30,	Lease Payments
2017	\$ 28,427
2018	28,427
2019	28,427
Less: Amount Representing Interest	(5,281)
Net	\$ 80,000

NOTE H -- DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an 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, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the 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.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE H -- DEFINED BENEFIT PENSION PLAN (Continued)

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	9
Active employees	16
	27
	27

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 governing body of the City. Under the state law governing TMRS, 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.

For the year ending September 30, 2016, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.60% and 2.44% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$17,500 which equaled required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.00% per year
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE H -- DEFINED BENEFIT PENSION PLAN (Continued)

For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality 16 rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
	<u>100.00%</u>	

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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.

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2015:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 344,124	\$ 238,404	\$ 105,720
Changes for the year:			
Service Cost	39,505	-	39,505
Interest	24,686	-	24,686
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(3,519)	-	(3,519)
Changes of Assumptions	13,921	-	13,921
Contributions - Employer	-	16,604	(16,604)
Contributions - Employee	-	31,604	(31,604)
Net Investment Income	-	352	(352)
Benefit Payments, Including Refunds of Employee Contributions	(22,438)	(22,438)	-
Administrative Expense	-	(214)	214
Other Changes	-	(10)	10
Net Changes	<u>52,155</u>	<u>25,898</u>	<u>26,257</u>
Balance at December 31, 2015	<u>\$ 396,279</u>	<u>\$ 264,302</u>	<u>\$ 131,977</u>

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:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 189,874	\$ 131,977	\$ 84,509

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2016, the City recognized pension expense of \$21,426. Also as of September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 2,777
Changes in Actuarial Assumptions	11,958	-
Differences Between Projected and Actual Investment Earnings	14,633	-
Contributions Subsequent to the Measurement Date	12,504	-
	\$ 39,095	\$ 2,777

Deferred outflows of resources in the amount of \$12,504 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the calendar year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2016	\$ 5,302
2017	5,302
2018	5,303
2019	4,782
2020	1,514
Thereafter	1,611
	\$ 23,814

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers. The city’s contributions to the TMRS SDBF for the years ended September 30, 2016, 2015 and 2014 were \$846, \$720 and \$562 respectively, which equaled the required contributions each year.

NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY

In September 2006, the City created a nonprofit corporation under Section 53.35(b) of The Texas Education code. The creation of this nonprofit corporation established a Higher Education Authority (the Authority) for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the city is not liable for any expenses incurred in establishing or administering the Higher Education Authority. The Texas Higher Education Authority is not consolidated into the financial statements of City of La Vernia because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. The Authority has approved the issuance of the following obligations. The City has no obligation for this debt.

Issuance Date	Entity	Original Issue	Estimated Outstanding	Maturity
2006	Southwest Winners Foundation, Inc.	\$ 9,470,000	\$ 7,110,000	2031
2009	Winfrey Academy Charter Schools	8,305,000	7,755,000	2038
2008	COSMOS Foundation, Inc.	30,075,000	28,190,000	2038
2008	Amigos Por Vida for Life Housing and Education Corp.	10,350,000	9,145,000	2037
2011	Life School of Dallas	38,880,000	35,750,000	2041
2015	Meridian World School	29,640,000	29,640,000	2045
2015	Meridian World School	445,000	170,000	2017

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016

NOTE K -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Commitments

The City has entered into various contracts for engineering and construction of improvements and repairs to City assets. As of September 30, 2016, the City had the following estimated commitments related to these contracts:

Project	Estimated Cost	Expended to Date	Estimated Future Commitment
Well # 7	\$ 393,469	\$ 50,960	\$ 342,509
Street Maintenance	178,201	-	178,201
Water Line Replacement	541,826	416,011	125,815
	<u>\$ 1,113,496</u>	<u>\$ 466,971</u>	<u>\$ 646,525</u>

NOTE L -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to \$1,000,000. Annual contributions for the year ended September 30, 2016 were \$25,821 for property and casualty coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Municipal Development District
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan

CITY OF LA VERNIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 188,430	\$ 188,460	\$ 181,579	\$ (6,881)
Franchise Fees	50,000	63,000	61,032	(1,968)
Sales Taxes	759,004	764,504	763,383	(1,121)
Fines and Penalties	38,750	54,550	76,975	22,425
Licenses and Permits	63,600	76,700	87,995	11,295
Interest Income	1,500	750	792	42
Intergovernmental	1,200	1,200	971	(229)
Miscellaneous	24,510	56,600	58,209	1,609
Police Services for School District	112,000	112,000	139,697	27,697
TOTAL REVENUES	<u>1,238,994</u>	<u>1,317,764</u>	<u>1,370,633</u>	<u>52,869</u>
EXPENDITURES				
<i>Code Enforcement</i>				
Personnel	43,950	18,450	11,158	7,292
Operations	127,160	132,160	84,739	47,421
<i>Total Code Enforcement</i>	<u>171,110</u>	<u>150,610</u>	<u>95,897</u>	<u>54,713</u>
<i>General Government</i>				
Personnel	136,800	141,800	146,719	(4,919)
Operations	177,386	201,086	201,031	55
<i>Total General Government</i>	<u>314,186</u>	<u>342,886</u>	<u>347,750</u>	<u>(4,864)</u>
<i>Municipal Court</i>				
Personnel	44,600	45,700	48,418	(2,718)
Operations	11,360	11,260	6,543	4,717
<i>Total Municipal Court</i>	<u>55,960</u>	<u>56,960</u>	<u>54,961</u>	<u>1,999</u>
<i>Police Department</i>				
Personnel	315,200	323,500	322,755	745
Operations	245,138	242,338	209,701	32,637
Capital Outlay	-	23,000	22,775	225
<i>Total Police Department</i>	<u>560,338</u>	<u>588,838</u>	<u>555,231</u>	<u>33,607</u>
<i>Public Works</i>				
Personnel	65,700	68,100	66,906	1,194
Operations	71,700	69,800	60,409	9,391
<i>Total Public Works</i>	<u>137,400</u>	<u>137,900</u>	<u>127,315</u>	<u>10,585</u>
TOTAL EXPENDITURES	<u>1,238,994</u>	<u>1,277,194</u>	<u>1,181,154</u>	<u>96,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 40,570</u>	<u>\$ 189,479</u>	<u>\$ 148,909</u>

CITY OF LA VERNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Capital Assets	\$ -	\$ -	\$ 13,593	\$ 13,593
Proceeds from Capital Lease Financing	-	12,127	80,000	67,873
TOTAL OTHER FINANCING SOURCES (USES)	-	12,127	93,593	81,466
Net Change in Fund Balance	-	52,697	283,072	230,375
BEGINNING FUND BALANCE	857,700	857,700	857,700	-
ENDING FUND BALANCE	<u>\$ 857,700</u>	<u>\$ 910,397</u>	<u>\$ 1,140,772</u>	<u>\$ 230,375</u>

CITY OF LA VERNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL – MUNICIPAL DEVELOPMENT DISTRICT
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales Tax	\$ 252,000	\$ 252,000	\$ 290,879	\$ 38,879
Interest Income	-	-	1,259	1,259
TOTAL REVENUES	<u>252,000</u>	<u>252,000</u>	<u>292,138</u>	<u>40,138</u>
EXPENDITURES				
Personnel	103,375	103,375	93,842	9,533
Operations	148,625	148,625	90,745	57,880
TOTAL EXPENDITURES	<u>252,000</u>	<u>252,000</u>	<u>184,587</u>	<u>67,413</u>
Net Change in Fund Balance	-	-	107,551	107,551
Fund Balances at Beginning of Year	<u>550,009</u>	<u>550,009</u>	<u>550,009</u>	-
Fund Balances at End of Year	<u>\$ 550,009</u>	<u>\$ 550,009</u>	<u>\$ 657,560</u>	<u>\$ 107,551</u>

CITY OF LA VERNIA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2016

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Municipal Development, and Debt Service Funds.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF LA VERNIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO CALENDER YEARS

Total Pension Liability		
	2014	2015
Service Cost	\$ 30,199	\$ 39,505
Interest (on the Total Pension Liability)	22,134	24,686
Changes of Benefit Terms	-	-
Difference between Expected and Actual Experience	340	(3,519)
Change of Assumptions	-	13,921
Benefit Payments, Including Refunds of Employee Contributions	(19,304)	(22,438)
Net Change in Total Pension Liability	33,369	52,155
Total Pension Liability - Beginning	310,755	344,124
Total Pension Liability - Ending	<u>\$ 344,124</u>	<u>\$ 396,279</u>
Plan Fiduciary Net Position		
	2014	2015
Contributions - Employer	\$ 14,042	\$ 16,604
Contributions - Employee	27,720	31,604
Net Investment Income	11,700	352
Benefit Payments, Including Refunds of Employee Contributions	(19,304)	(22,438)
Administrative Expense	(122)	(214)
Other	(10)	(10)
Net Change in Plan Fiduciary Net Position	34,026	25,898
Plan Fiduciary Net Postion - Beginning	204,378	238,404
Plan Fiduciary Net Postion - Ending	<u>\$ 238,404</u>	<u>\$ 264,302</u>
Net Pension Liability (Asset) - Ending	\$ 105,720	\$ 131,977
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.28%	66.70%
Covered Employee Payroll	\$ 554,405	\$ 632,086
Net Pension Liability as a Percentage of Covered Employee Payroll	19.07%	20.88%

CITY OF LA VERNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN
 LAST THREE FISCAL YEARS

	2014	2015	2016
Actuarially Determined Contribution	\$ 12,852	\$ 15,785	\$ 17,500
Contributions in Relation to the Actuarially Determined Contribution	12,852	15,785	17,500
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 494,024	\$ 614,311	\$ 704,603
Contributions as a Percentage of Covered Employee Payroll	2.60%	2.57%	2.48%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Valuation Date: 2015

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (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	28 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.



SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Comparative Statements – Municipal Development District
- Comparative Statements – Street Maintenance Fund
- Combining Statements – Nonmajor Governmental Funds
- Comparative Statements – Proprietary Utility Fund

CITY OF LA VERNIA
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,256,095	\$ 1,058,617
Receivables (net of allowances for uncollectibles):		
Property Taxes	3,112	4,171
Other Receivables	162,161	162,185
Prepaid Items	63,954	-
Due from Other Funds	8,942	6,259
 TOTAL ASSETS	 \$ 1,494,264	 \$ 1,231,232
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 41,965	\$ 18,564
Accrued Expenditures	27,500	24,521
Due to Other Funds	282,994	326,369
<i>Total Liabilities</i>	352,459	369,454
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	1,033	4,078
<i>Total Deferred Inflows of Resources</i>	1,033	4,078
 <i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	63,954	-
Restricted For:		
Unassigned	1,076,818	857,700
<i>Total Fund Balances</i>	1,140,772	857,700
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	 \$ 1,494,264	 \$ 1,231,232

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
REVENUES		
Ad Valorem Taxes	\$ 181,579	\$ 160,548
Franchise Fees	61,032	60,931
Sales Taxes	763,383	672,009
Fines and Penalties	76,975	48,664
Licenses and Permits	87,995	49,224
Interest Income	792	2,137
Intergovernmental	971	1,199
Miscellaneous	58,209	86,138
Police Services for School District	139,697	144,664
TOTAL REVENUES	1,370,633	1,225,514
EXPENDITURES		
<i>Current:</i>		
Code Enforcement	95,897	130,209
General Government	347,750	318,491
Municipal Court	54,961	76,414
Police	532,456	492,724
Public Works	127,315	148,749
Capital Outlay	22,775	51,404
TOTAL EXPENDITURES	1,181,154	1,217,991
Excess (Deficiency) of Revenues Over (Under) Expenditures	189,479	7,523
OTHER FINANCING SOURCES (USES)		
Proceeds from the Sale of Capital Assets	13,593	-
Proceeds from Capital Lease Financing	80,000	-
TOTAL OTHER FINANCING SOURCES (USES)	93,593	-
Net Change in Fund Balance	283,072	7,523
Fund Balances at Beginning of Year	857,700	850,177
Fund Balances at End of Year	\$ 1,140,772	\$ 857,700

CITY OF LA VERNIA
 COMPARATIVE BALANCE SHEETS
 STREET MAINTENANCE FUND
 SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 473,898	\$ 365,718
Other Receivables	26,043	-
TOTAL ASSETS	\$ 499,941	\$ 365,718
 LIABILITIES & FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 1,445	\$ -
<i>Total Liabilities</i>	1,445	-
 <i>Fund Balance:</i>		
Restricted for Street Maintenance	498,496	365,718
<i>Total Fund Balance</i>	498,496	365,718
TOTAL LIABILITIES & FUND BALANCE	\$ 499,941	\$ 365,718

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 STREET MAINTENANCE FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
REVENUES		
Sales Taxes	\$ 150,206	\$ 140,648
Interest Income	135	121
TOTAL REVENUES	150,341	140,769
 EXPENDITURES		
<i>Current:</i>		
Public Works	17,563	98,765
TOTAL EXPENDITURES	17,563	98,765
 Net Change in Fund Balance	132,778	42,004
 Fund Balances at Beginning of Year	365,718	323,714
 Fund Balances at End of Year	\$ 498,496	\$ 365,718

CITY OF LA VERNIA
 COMPARATIVE BALANCE SHEETS
 MUNICIPAL DEVELOPMENT DISTRICT
 SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 222,053	\$ 522,087
Certificates of Deposit	396,078	-
Other Receivables	50,513	38,499
Prepaid Items	-	975
TOTAL ASSETS	\$ 668,644	\$ 561,561
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 1,085	\$ 3,135
Accrued Expenditures	1,057	2,158
Due to Other Funds	8,942	6,259
<i>Total Liabilities</i>	11,084	11,552
 <i>Fund Balances:</i>		
Nonspendable Prepaid Items	-	975
Restricted for Municipal Development	657,560	549,034
<i>Total Fund Balances</i>	657,560	550,009
 TOTAL LIABILITIES & FUND BALANCES	 \$ 668,644	 \$ 561,561

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 MUNICIPAL DEVELOPMENT DISTRICT
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
REVENUES		
Sales Tax	\$ 290,879	\$ 269,771
Interest Income	1,259	269
Miscellaneous Income	-	1,052
TOTAL REVENUES	292,138	271,092
 EXPENDITURES		
Personnel	93,842	92,913
Operations	90,745	87,224
TOTAL EXPENDITURES	184,587	180,137
Net Change in Fund Balance	107,551	90,955
Fund Balances at Beginning of Year	550,009	459,054
Fund Balances at End of Year	\$ 657,560	\$ 550,009

CITY OF LA VERNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	Debt Service	Court Security	Court Technology	Total
ASSETS				
Cash and Cash Equivalents	\$ 59,846	\$ 2,803	\$ 4,905	\$ 67,554
Receivables (net of allowances for uncollectibles):				
Property Taxes	325	-	-	325
TOTAL ASSETS	\$ 60,171	\$ 2,803	\$ 4,905	\$ 67,879
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 54	\$ -	\$ 54
<i>Total Liabilities</i>	-	54	-	54
 <i>Deferred Inflows of Resources</i>				
Unavailable Property Tax Revenues	282	-	-	282
<i>Total Deferred Inflows of Resources</i>	282	-	-	282
 <i>Fund Balances:</i>				
Restricted for Municipal Court	-	2,749	4,905	7,654
Restricted for Debt Service	59,889	-	-	59,889
<i>Total Fund Balances</i>	59,889	2,749	4,905	67,543
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 60,171	\$ 2,803	\$ 4,905	\$ 67,879

CITY OF LA VERNIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Debt Service	Court Security	Court Technology	Total
REVENUES				
Ad Valorem Taxes	\$ 19,016	\$ -	\$ -	\$ 19,016
Fines and Penalties	-	1,578	2,104	3,682
Interest Income	11	-	1	12
TOTAL REVENUES	<u>19,027</u>	<u>1,578</u>	<u>2,105</u>	<u>22,710</u>
EXPENDITURES				
<i>Current:</i>				
Municipal Court	-	870	-	870
<i>Debt Service:</i>				
Principal	27,152	-	-	27,152
Interest and Fiscal Charges	3,902	-	-	3,902
TOTAL EXPENDITURES	<u>31,054</u>	<u>870</u>	<u>-</u>	<u>31,924</u>
Net Change in Fund Balance	(12,027)	708	2,105	(9,214)
Fund Balances at Beginning of Year	<u>71,916</u>	<u>2,041</u>	<u>2,800</u>	<u>76,757</u>
Fund Balances at End of Year	<u>\$ 59,889</u>	<u>\$ 2,749</u>	<u>\$ 4,905</u>	<u>\$ 67,543</u>

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF NET POSITION
 PROPRIETARY UTILITY FUND
 SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 300,668	\$ 455,923
Receivables (net of allowances for uncollectibles):	84,044	89,655
Prepaid Expenses	4,840	5,000
Due from Other Funds	282,994	326,369
<i>Other Assets:</i>		
Restricted Cash and Investments	2,739,646	135,624
Capital Assets (net of depreciation)	3,522,968	2,670,418
TOTAL ASSETS	6,935,160	3,682,989
 LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	100,758	30,193
Accrued Expenses	2,877	1,876
Accrued Compensated Absences	3,119	1,868
Customer Deposits	63,769	62,940
Unearned Revenue	8,601	10,145
Accrued Interest Payable	20,796	12,508
<i>Noncurrent Liabilities:</i>		
Due within One Year	137,397	56,047
Due in more than One Year	4,152,023	1,032,353
TOTAL LIABILITIES	4,489,340	1,207,930
 NET POSITION:		
Net Investment in Capital Assets	1,768,992	1,582,018
Restricted for Impact Fees	143,038	135,624
Unrestricted	533,790	757,417
TOTAL NET POSITION	\$ 2,445,820	\$ 2,475,059

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY UTILITY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Water Charges	\$ 479,669	\$ 475,894
Sewer Charges	179,553	178,043
Garbage Charges	245,908	237,703
Connection and Impact Fees	13,840	47,588
Miscellaneous Income	58,785	40,655
TOTAL OPERATING REVENUES	977,755	979,883
OPERATING EXPENSES		
Personnel	127,468	62,735
Water Purchase	152,434	148,355
Garbage Collection	224,071	217,664
Utilities	66,869	61,848
Office and Administrative	42,184	49,573
Repairs and Chemicals	77,941	47,992
Treatment Plant Contract	62,454	72,434
Depreciation	121,956	96,977
TOTAL OPERATING EXPENSES	875,377	757,578
OPERATING INCOME (LOSS)	102,378	222,305
NONOPERATING REVENUES (EXPENSES)		
Interest Income	1,191	332
Intergovernmental Grants	-	67,446
Interest Expense	(49,405)	(49,675)
Bond Issue Costs	(83,403)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(131,617)	18,103
CHANGE IN NET POSITION	(29,239)	240,408
NET POSITION AT BEGINNING OF YEAR	2,475,059	2,234,651
NET POSITION AT END OF YEAR	\$ 2,445,820	\$ 2,475,059

CITY OF LA VERNIA
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY UTILITY FUND
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 982,651	\$ 988,270
Cash Paid to Suppliers for Goods and Services	(555,228)	(639,289)
Cash Paid to Employees	(125,216)	(61,728)
Net Cash Provided (Used) by Operating Activities	302,207	287,253
Cash Flows From Capital and Related Financing Activities:		
Capital Grants Received	-	364,732
Purchases of Capital Assets	(974,506)	(250,456)
Principal Proceeds from Bonds Issued	3,025,000	-
Premium Proceeds from Bonds Issued	243,935	-
Bond Issue Costs Paid	(83,403)	-
Principal Payments	(67,915)	(68,930)
Interest Paid	(41,117)	(52,307)
Net Cash Provided (Used) by Capital and Related Financing Activities	2,101,994	(6,961)
Cash Flows From Noncapital Financing Activities:		
Short-term Loans to Other Funds	43,375	(326,369)
Net Cash Provided (Used) by Noncapital Financing Activities	43,375	(326,369)
Cash Flows From Investing Activities:		
Investment Interest Received	1,191	332
Net Cash Provided (Used) by Investing Activities	1,191	332
Net Increase (Decrease) in Cash and Cash Equivalents	2,448,767	(45,745)
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents	451,684	539,976
Restricted Cash	139,863	97,316
	591,547	637,292
Cash and Cash Equivalents at End of Year		
Cash and Cash Equivalents	300,668	455,923
Restricted Cash	2,739,646	135,624
	\$ 3,040,314	\$ 591,547

CITY OF LA VERNIA
 COMPARATIVES STATEMENT OF CASH FLOWS
 PROPRIETARY UTILITY FUND (CONT.)
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 102,378	\$ 222,305
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	121,956	96,977
(Increase) Decrease in Operating Assets:		
Accounts Receivable (net)	5,611	657
Prepaid Expenses	160	(5,000)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	70,565	(36,423)
Accrued Expenses	1,001	381
Accrued Compensated Absences	1,251	626
Customer Deposits	829	4,706
Deferred Revenue	(1,544)	3,024
Total Adjustments to Reconcile Operating Activities	199,829	64,948
 Net Cash Provided (Used) by		
Operating Activities	\$ 302,207	\$ 287,253

