

**CITY OF LA VERNIA, TEXAS**

**ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2015**



CITY OF LA VERNIA  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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CITY OF LA VERNIA  
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

ROBERT GREGORY

MAYOR PRO TEM

MARIE GERLICH

CITY COUNCIL

ELOI CORMIER

MARK DOEGE

JENNIFER MOCZYGEMBA

HAROLD SCHOTT

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, 2015, and the related notes to the financial statements, which collectively comprise City of La Vernia's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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 City of La Vernia, as of September 30, 2015, 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.

## ***Emphasis of Matter***

As discussed in Note A21 to the financial statements, in October 2014, the City adopted new accounting principles, resulting in a restatement of prior year balances. This required a restatement of beginning net position of governmental activities. Also discussed in Note A21, the City split the activities of the street maintenance sales tax, which was previously part of the General Fund, into a separate fund. Our opinion is not modified with respect to these matters.

## ***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 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, 2016

## 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, 2015. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

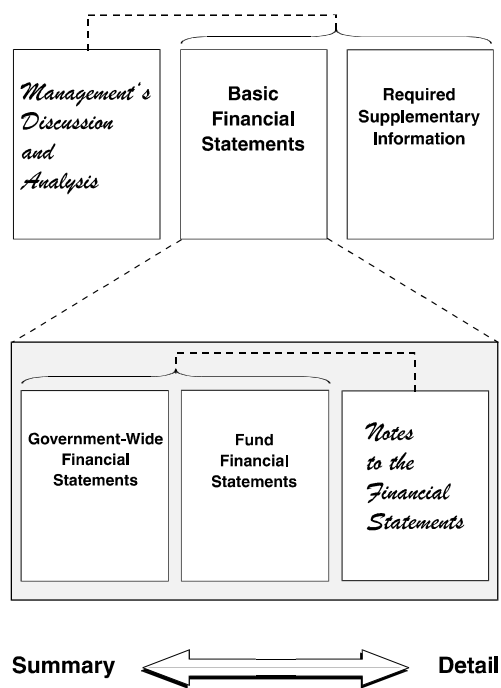
- The City’s total combined net position was \$5.1 million at September 30, 2015.
- During the year, the City’s governmental expenses were \$106 thousand less than the \$1.7 million generated in general and program revenues for governmental activities. The total cost of the City’s programs increased 29% from the prior year.
- The general fund reported an unassigned fund balance this year of \$858 thousand, an increase of \$14 thousand.
- No new debt was issued this year.

### 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.



<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
<i>Type of Statements</i>	<b>Fund Statements</b>		
	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 \$5.1 million at September 30, 2015. (See Table A-1).

**Table A-1**  
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2015-2014
	2015	2014*	2015	2014	2015	2014*	
<i>Assets:</i>							
Current Assets	\$ 1,300,854	\$ 931,674	\$ 876,947	\$ 927,574	\$ 2,177,801	\$ 1,859,248	17.1
Other Assets	601,809	854,536	135,624	97,316	737,433	951,852	(22.5)
Capital Assets (net)	997,965	1,050,603	2,670,418	2,516,939	3,668,383	3,567,542	2.8
<i>Total Assets</i>	<u>2,900,628</u>	<u>2,836,813</u>	<u>3,682,989</u>	<u>3,541,829</u>	<u>6,583,617</u>	<u>6,378,642</u>	3.2
<i>Deferred Outflows</i>	<u>13,897</u>	<u>9,676</u>	<u>-</u>	<u>-</u>	<u>13,897</u>	<u>9,676</u>	43.6
<i>Liabilities:</i>							
Current Liabilities	104,769	114,934	175,577	218,778	280,346	333,712	(16.0)
Long-Term Liabilities	150,364	178,173	1,032,353	1,088,400	1,182,717	1,266,573	(6.6)
<i>Total Liabilities</i>	<u>255,133</u>	<u>293,107</u>	<u>1,207,930</u>	<u>1,307,178</u>	<u>1,463,063</u>	<u>1,600,285</u>	(8.6)
<i>Net Position:</i>							
Net Investment in Capital Assets	926,169	953,126	1,582,018	1,359,608	2,508,187	2,312,734	8.5
Restricted	991,081	867,390	135,624	24,803	1,126,705	892,193	26.3
Unrestricted	742,142	829,567	757,417	850,240	1,499,559	1,679,807	(10.7)
<i>Total Net Position</i>	<u>\$ 2,659,392</u>	<u>\$ 2,650,083</u>	<u>\$ 2,475,059</u>	<u>\$ 2,234,651</u>	<u>\$ 5,134,451</u>	<u>\$ 4,884,734</u>	5.1

\*2014 has been restated to reflect the results of the prior period adjustment. See Note A21.

## Governmental Activities

- Property tax rates and valuations increased for the fiscal year ending September 30, 2015, leading to an increase in property tax revenues of \$7 thousand.

**Table A-2**  
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2015	2014*	2015	2014	2015	2014*	2015-2014
<i>Program Revenues:</i>							
Charges for Services	\$ 288,488	\$ 244,534	\$ 979,883	\$ 953,499	\$ 1,268,371	\$ 1,198,033	5.9
<i>Grants and Contributions:</i>							
Operating	1,199	-	-	-	1,199	-	100.0
Capital	-	-	67,446	417,554	67,446	417,554	(83.8)
<i>General Revenues:</i>							
Taxes	1,324,447	1,175,771	-	-	1,324,447	1,175,771	12.6
Interest Earnings	2,528	3,591	332	1,497	2,860	5,088	(43.8)
Miscellaneous	43,434	9,915	-	-	43,434	9,915	338.1
<b>TOTAL REVENUES</b>	<b>1,660,096</b>	<b>1,433,811</b>	<b>1,047,661</b>	<b>1,372,550</b>	<b>2,707,757</b>	<b>2,806,361</b>	<b>(3.5)</b>
<i>Program Expenses:</i>							
Code Enforcement	130,115	21,942	-	-	130,115	21,942	493.0
General	342,714	288,170	-	-	342,714	288,170	18.9
Municipal Development	178,291	175,611	-	-	178,291	175,611	1.5
Municipal Court	76,184	11,292	-	-	76,184	11,292	574.7
Police	530,066	518,473	-	-	530,066	518,473	2.2
Public Works	292,066	188,380	-	-	292,066	188,380	55.0
Utility	-	-	807,253	899,007	807,253	899,007	(10.2)
Interest on Debt	4,650	4,765	-	-	4,650	4,765	(2.4)
<b>TOTAL EXPENSES</b>	<b>1,554,086</b>	<b>1,208,633</b>	<b>807,253</b>	<b>899,007</b>	<b>2,361,339</b>	<b>2,107,640</b>	<b>12.0</b>
Increase (Decrease) in Net Position	<u>\$ 106,010</u>	<u>\$ 225,178</u>	<u>\$ 240,408</u>	<u>\$ 473,543</u>	<u>\$ 346,418</u>	<u>\$ 698,721</u>	50.4

*\*2014 has not been restated to reflect the results of the prior period adjustment as not enough information is available to restate.*

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 \$1.6 million. Taxpayers paid for 12% of these activities through property taxes of \$181 thousand.

**Table A-3**  
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2014	2015-2014	2015	2014	2015-2014
Code Enforcement	\$ 130,115	\$ 21,942	493.0	\$ 80,891	\$ (2,889)	(2900.0)
General	342,714	288,170	18.9	335,394	271,031	23.7
Municipal Development	178,291	175,611	1.5	178,291	175,611	1.5
Municipal Court	76,184	11,292	574.7	25,340	(55,423)	(145.7)
Police	530,066	518,473	2.2	347,767	382,624	(9.1)
Public Works	292,066	188,380	55.0	292,066	188,380	55.0
Utility	807,253	899,007	(10.2)	(240,076)	(472,046)	(49.1)

## Business-Type Activities

Revenues of the City's utility business-type activities (not counting capital grants) increased 2.7% to \$980 thousand, and operating expenses decreased 10% to \$807 thousand. Fluctuations in revenues and expenses are primarily related to changes in water consumption, water acquisition costs, and depreciation.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$1.66 million, an increase of 16% from the preceding year. The increase was primarily related to an increase in sales tax collections.

## Budgetary Highlights

The City's actual expenditures in the general fund were \$50 thousand less than budgeted amounts, leading to a net change in fund balance that was \$106 thousand better than anticipated. The Municipal Development District's expenditures were under budget by \$140 thousand.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2015, the City had invested \$7.5 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 2015-2014
	2015	2014	2015	2014	2015	2014	
Land	\$ 209	\$ 209	\$ 31	\$ 31	\$ 240	\$ 240	0.0
Buildings and Improvements	356	356	14	14	370	370	0.0
Equipment	610	588	151	151	761	739	3.0
Infrastructure	539	539	4,307	4,307	4,846	4,846	0.0
Construction in Progress	-	-	1,275	1,025	1,275	1,025	24.4
Totals at Historical Cost	1,714	1,692	5,778	5,528	7,492	7,220	3.8
Total Accumulated Depreciation	(716)	(643)	(3,108)	(3,011)	(3,824)	(3,654)	4.7
Net Capital Assets	\$ 998	\$ 1,049	\$ 2,670	\$ 2,517	\$ 3,668	\$ 3,566	2.9

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 \$1.16 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
	2015	2014	2015	2014	2015	2014	2015-2014
Bonds and Loans Payable	\$ 49	\$ 64	\$ 1,088	\$ 1,157	\$ 1,137	\$ 1,221	(6.9)
Capital Lease	22	33	-	-	22	33	100.0
Total Bonds & Notes Payable	<u>\$ 71</u>	<u>\$ 97</u>	<u>\$ 1,088</u>	<u>\$ 1,157</u>	<u>\$ 1,159</u>	<u>\$ 1,254</u>	<u>(7.6)</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 2016 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, 2015

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, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,421,357	\$ 455,923	\$ 1,877,280
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	4,219	-	4,219
Other	200,672	89,655	290,327
Prepaid Expenses	975	5,000	5,975
Internal Balances	(326,369)	326,369	-
Restricted Cash and Investments	601,809	135,624	737,433
Capital Assets (net)	997,965	2,670,418	3,668,383
<b>TOTAL ASSETS</b>	<u>2,900,628</u>	<u>3,682,989</u>	<u>6,583,617</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	13,897	-	13,897
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	21,688	30,193	51,881
Accrued Expenses	26,678	1,876	28,554
Accrued Compensated Absences	27,813	1,868	29,681
Customer Deposits	-	62,940	62,940
Unearned Revenue	-	10,145	10,145
Accrued Interest Payable	1,438	12,508	13,946
<i>Noncurrent Liabilities:</i>			
Due within One Year	27,152	56,047	83,199
Due in more than One Year	44,644	1,032,353	1,076,997
Net Pension Liability	105,720	-	105,720
<b>TOTAL LIABILITIES</b>	<u>255,133</u>	<u>1,207,930</u>	<u>1,463,063</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	926,169	1,582,018	2,508,187
Restricted for:			
Street Repair	365,718	-	365,718
Municipal Development District	550,009	-	550,009
Municipal Court	4,841	-	4,841
Impact Fees	-	135,624	135,624
Debt Service	70,513	-	70,513
Unrestricted	742,142	757,417	1,499,559
<b>TOTAL NET POSITION</b>	<u>\$ 2,659,392</u>	<u>\$ 2,475,059</u>	<u>\$ 5,134,451</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>Functions and Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Code Enforcement	\$ 130,115	\$ 49,224	\$ -	\$ -
General Government	342,714	7,320	-	-
Municipal Development	178,291	-	-	-
Municipal Court	76,184	50,844	-	-
Police	530,066	181,100	1,199	-
Public Works	292,066	-	-	-
Interest on Long-term Debt	4,650	-	-	-
<i>Total Governmental Activities</i>	<u>1,554,086</u>	<u>288,488</u>	<u>1,199</u>	<u>-</u>
<i>Business-Type Activities:</i>				
Water and Sewer Utility	<u>807,253</u>	<u>979,883</u>	<u>-</u>	<u>67,446</u>
<i>Total Business-Type Activities</i>	<u>807,253</u>	<u>979,883</u>	<u>-</u>	<u>67,446</u>
<b>Total Primary Government</b>	<u><u>2,361,339</u></u>	<u><u>1,268,371</u></u>	<u><u>1,199</u></u>	<u><u>67,446</u></u>
<b>General Revenues:</b>				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Interest and Investment Earnings				
Miscellaneous				
<b>Total General Revenues</b>				
Change in Net Position				
<b>Net Position at Beginning of Year</b>				
Prior Period Adjustment				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

<u>Net (Expense) Revenue and Changes in Position</u>		
<u>Primary Government</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (80,891)		\$ (80,891)
(335,394)		(335,394)
(178,291)		(178,291)
(25,340)		(25,340)
(347,767)		(347,767)
(292,066)		(292,066)
(4,650)		(4,650)
<u>(1,264,399)</u>		<u>(1,264,399)</u>
	<u>240,076</u>	<u>240,076</u>
	<u>240,076</u>	<u>240,076</u>
<u>(1,264,399)</u>	<u>240,076</u>	<u>(1,024,323)</u>
181,089	-	181,089
60,931	-	60,931
1,082,427	-	1,082,427
2,528	332	2,860
43,434	-	43,434
<u>1,370,409</u>	<u>332</u>	<u>1,370,741</u>
106,010	240,408	346,418
2,650,083	2,234,651	4,884,734
(96,701)	-	(96,701)
<u>\$ 2,659,392</u>	<u>\$ 2,475,059</u>	<u>\$ 5,134,451</u>

CITY OF LA VERNIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	Major Funds		
	General Fund	Street Maintenance	Municipal Development District
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,058,617	\$ 365,718	\$ 522,087
Receivables (net of allowances for uncollectibles):			
Property Taxes	4,171	-	-
Other Receivables	162,185	-	38,499
Prepaid Items	-	-	975
Due from Other Funds	6,259	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,231,232</b>	<b>\$ 365,718</b>	<b>\$ 561,561</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>			
<i>Liabilities</i>			
Accounts Payable	\$ 18,564	\$ -	\$ 3,135
Accrued Expenditures	24,521	-	2,158
Due to Other Funds	326,369	-	6,259
<i>Total Liabilities</i>	<u>369,454</u>	<u>-</u>	<u>11,552</u>
<i>Deferred Inflows of Resources</i>			
Unavailable Property Tax Revenues	4,078	-	-
<i>Total Deferred Inflows of Resources</i>	<u>4,078</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable Prepaid Items	-	-	975
Restricted for:			
Street Repair	-	365,718	-
Municipal Court	-	-	-
Municipal Development	-	-	549,034
Debt Service	-	-	-
Unassigned	857,700	-	-
<i>Total Fund Balances</i>	<u>857,700</u>	<u>365,718</u>	<u>550,009</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b>\$ 1,231,232</b>	<b>\$ 365,718</b>	<b>\$ 561,561</b>

See accompanying notes to basic financial statements.

Total Nonmajor Funds	Total Governmental Funds
\$ 76,744	\$ 2,023,166
48	4,219
-	200,684
-	975
-	6,259
<u>\$ 76,792</u>	<u>\$ 2,235,303</u>

\$ -	\$ 21,699
-	26,679
-	332,628
<u>-</u>	<u>381,006</u>

<u>35</u>	<u>4,113</u>
<u>35</u>	<u>4,113</u>

-	975
-	365,718
4,841	4,841
-	549,034
71,916	71,916
-	857,700
<u>76,757</u>	<u>1,850,184</u>

<u>\$ 76,792</u>	<u>\$ 2,235,303</u>
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CITY OF LA VERNIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 1,850,184
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		997,965
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		4,113
Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds.		(27,813)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.		(71,796)
Net pension liabilities (and related deferred outflows or resources) do not consume current financial resources and are not reported in the funds.		
Net Pension Liability	(105,720)	
Pension Related Deferred Outflows	13,897	(91,823)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.		(1,438)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 2,659,392

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, 2015

	Major Funds		
	General Fund	Street Maintenance	Municipal Development District
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 160,548	\$ -	\$ -
Franchise Fees	60,931	-	-
Sales Taxes	672,009	140,648	269,771
Fines and Penalties	48,664	-	-
Licenses and Permits	49,224	-	-
Interest Income	2,137	121	269
Intergovernmental	1,199	-	-
Miscellaneous	86,138	-	1,052
Police Services for School District	144,664	-	-
<b>TOTAL REVENUES</b>	<u>1,225,514</u>	<u>140,769</u>	<u>271,092</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Code Enforcement	130,209	-	-
General Government	318,491	-	-
Municipal Court	76,414	-	-
Police	492,724	-	-
Public Works	148,749	98,765	-
Municipal Development	-	-	180,137
Capital Outlay	51,404	-	-
<i>Debt Service:</i>			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,217,991</u>	<u>98,765</u>	<u>180,137</u>
Net Change in Fund Balance	7,523	42,004	90,955
Fund Balances at Beginning of Year	<u>850,177</u>	<u>323,714</u>	<u>459,054</u>
Fund Balances at End of Year	<u>\$ 857,700</u>	<u>\$ 365,718</u>	<u>\$ 550,009</u>

See accompanying notes to basic financial statements.



Total Nonmajor Funds	Total Governmental Funds
\$ 18,901	\$ 179,449
-	60,931
-	1,082,428
2,180	50,844
-	49,224
-	2,527
-	1,199
-	87,190
-	144,664
21,081	1,658,456
-	130,209
-	318,491
54	76,468
-	492,724
-	247,514
-	180,137
-	51,404
25,681	25,681
5,192	5,192
30,927	1,527,820
(9,846)	130,636
86,603	1,719,548
\$ 76,757	\$ 1,850,184



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, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 130,636

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. (52,638)

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. 1,638

The issuance of long-term debt (e.g. bonds and notes payable) 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:

Principal Payments	25,681	25,681
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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 contributions exceeded the actuarially determined pension expense. 4,878

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	(4,728)	
Change in Accrued Interest	543	(4,185)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 106,010

CITY OF LA VERNIA  
STATEMENT OF NET POSITION  
PROPRIETARY UTILITY FUND  
SEPTEMBER 30, 2015

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$ 455,923
Receivables (net of allowances for uncollectibles):	89,655
Prepaid Expenses	5,000
Due from Other Funds	326,369

*Other Assets:*

Restricted Cash and Investments - Impact Fees	135,624
Capital Assets (net of depreciation)	2,670,418
<b>TOTAL ASSETS</b>	<u><u>3,682,989</u></u>

**LIABILITIES**

*Current Liabilities:*

Accounts Payable	30,193
Accrued Expenses	1,876
Accrued Compensated Absences	1,868
Customer Deposits	62,940
Unearned Revenue	10,145
Accrued Interest Payable	12,508

*Noncurrent Liabilities:*

Due within One Year	56,047
Due in more than One Year	1,032,353
<b>TOTAL LIABILITIES</b>	<u><u>1,207,930</u></u>

**NET POSITION:**

Net Investment in Capital Assets	1,582,018
Restricted Impact Fees	135,624
Unrestricted	757,417
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,475,059</u></u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY UTILITY FUND  
FOR THE YEAR SEPTEMBER 30, 2015

<b>OPERATING REVENUES</b>	
Water Charges	\$ 475,894
Sewer Charges	178,043
Garbage Charges	237,703
Connection and Impact Fees	47,588
Miscellaneous Income	40,655
<b>TOTAL OPERATING REVENUES</b>	<u>979,883</u>
 <b>OPERATING EXPENSES</b>	
Personnel	62,735
Water Purchase	148,355
Garbage Collection	217,664
Utilities	61,848
Office and Administrative	52,102
Repairs and Chemicals	45,463
Treatment Plant Contract	72,434
Depreciation	96,977
<b>TOTAL OPERATING EXPENSES</b>	<u>757,578</u>
 <b>OPERATING INCOME (LOSS)</b>	 <u>222,305</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	332
Intergovernmental Grant Revenues	67,446
Interest Expense	(49,675)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>18,103</u>
 <b>CHANGE IN NET POSITION</b>	 240,408
 <b>NET POSITION AT BEGINNING OF YEAR</b>	 <u>2,234,651</u>
 <b>NET POSITION AT END OF YEAR</b>	 <u>\$ 2,475,059</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, 2015

<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 988,270
Cash Paid to Suppliers for Goods and Services	(639,289)
Cash Paid to Employees	(61,728)
<b>Net Cash Provided (Used) by Operating Activities</b>	287,253
 <b>Cash Flows From Capital and Related Financing Activities:</b>	
Capital Grants Received	364,732
Purchases of Capital Assets	(250,456)
Principal Payments	(68,930)
Interest Paid	(52,307)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	(6,961)
 <b>Cash Flows From Noncapital Financing Activities:</b>	
Short-term Loans to Other Funds	(326,369)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	(326,369)
 <b>Cash Flows From Investing Activities:</b>	
Investment Interest Received	332
<b>Net Cash Provided (Used) by Investing Activities</b>	332
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(45,745)
 <b>Cash and Cash Equivalents at Beginning of Year</b>	
Cash and Cash Equivalents	539,976
Restricted Cash	97,316
	637,292
 <b>Cash and Cash Equivalents at End of Year</b>	
Cash and Cash Equivalents	455,923
Restricted Cash	135,624
	\$ 591,547

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, 2015

**Reconciliation of Operating Income to Net Cash**

**Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ 222,305
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	96,977
(Increase) Decrease in Operating Assets:	
Accounts Receivable (net)	657
Prepaid Expenses	(5,000)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(36,423)
Accrued Expenses	381
Accrued Compensated Absences	626
Customer Deposits	4,706
Deferred Revenue	3,024
<b>Total Adjustments to Reconcile Operating Activities</b>	<b>64,948</b>

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

**\$ 287,253**

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

**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, 2015, 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 at 207 Chihuahua Street #102, La Vernia, Texas 78121.

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, 2015

**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, 2015

**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 dedicating 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, 2015

**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, 2014 and past due after January 31, 2015. 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 \$1,517 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, 2015

**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:

<u>Asset</u>	<u>Estimated Life</u>
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 48 hours per year 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 OF RESOURCES

*Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. 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, 2015

**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. 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.

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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

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

15. FUND EQUITY (CONT.)

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.

16. 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.

17. 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.

18. INTERFUND TRANSACTIONS

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

19. 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.

20. RECLASSIFICATIONS

Certain transactions are classified differently on the September 30, 2015 financial statements than previous fiscal years. These reclassifications had no effect on net income.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

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

21. ACCOUNTING CHANGES

*Governmental Accounting Standards Board Statement No. 68*

For the year ending September 30, 2015, the City implemented GASB Statement No. 68 related to accounting for pensions. This new standard requires the City plan's net pension liability and related deferred inflows and outflows of resources to be recognized on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the net pension liability at September 30, 2014.

*Creation of the Street Maintenance Fund*

The City accounted for street maintenance sales tax receipts and related expenditures in the General Fund. For 2015, these activities have been moved to the Street Maintenance Fund. For clarity, beginning fund balances are presented as if the street maintenance activities were separated in the prior year as well.

**NOTE B -- DEPOSITS AND INVESTMENTS**

Deposits

The City holds deposits at two institutions. At September 30, 2015, the City's deposits 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, 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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE B -- DEPOSITS AND INVESTMENTS (Continued)**

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, 2015.

**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, 2014, upon which the fiscal 2015 levy was based, was \$93,752,443 (i.e., market value less exemptions). The estimated market value was \$123,370,062, making the taxable value 76% 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, 2015, 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 \$2,156,400 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, 2015 are as follows:

	General Fund	Municipal Development	Utility
Sales Tax	\$ 121,016	\$ 38,499	\$ -
Franchise Taxes	17,381	-	-
Police Services	23,667	-	-
Other	121	-	1,631
Utility Services	-	-	95,675
Allowance for Uncollectible Accounts	-	-	(7,651)
Total Other Receivables	\$ 162,185	\$ 38,499	\$ 89,655



CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE E -- INTERFUND BALANCES**

Balances owed between funds at September 30, 2015 are as follows:

Due From	Due To	Amount	Purpose
Municipal Development	General Fund	\$ 6,259	<i>reimbursement</i>
General Fund	Water Fund	326,369	<i>share of previously pooled cash account</i>
	Total	<u>\$ 332,628</u>	

**NOTE F -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2014	Additions	Disposals/ Transfers	Balance 9/30/2015
Land	\$ 209,198	\$ -	\$ -	\$ 209,198
Buildings and Improvements	356,269	-	-	356,269
Vehicles and Equipment	588,677	51,404	(30,569)	609,512
Infrastructure	539,220	-	-	539,220
	<u>1,693,364</u>	<u>51,404</u>	<u>(30,569)</u>	<u>1,714,199</u>
Less Accumulated Depreciation				
Buildings and Improvements	(76,959)	(10,561)	-	(87,520)
Equipment	(422,661)	(67,687)	30,569	(459,779)
Infrastructure	(143,141)	(25,794)	-	(168,935)
	<u>(642,761)</u>	<u>(104,042)</u>	<u>30,569</u>	<u>(716,234)</u>
Governmental Capital Assets, Net	<u>\$ 1,050,603</u>	<u>\$ (52,638)</u>	<u>\$ -</u>	<u>\$ 997,965</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

Code Enforcement	\$ 68
General	23,054
Police	37,221
Public Works	43,699
Total Depreciation Expense - Governmental Activities	<u>\$ 104,042</u>

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE F -- CAPITAL ASSETS (Continued)**

<u>Business-Type Activities</u>	Balance 10/1/2014	Additions	Disposals/ Transfers	Balance 9/30/2015
Land	\$ 31,158	\$ -	\$ -	\$ 31,158
Buildings and Improvements	14,000	-	-	14,000
Vehicles and Equipment	150,772	-	-	150,772
Infrastructure	4,307,002	-	-	4,307,002
Construction in Progress	1,024,687	250,456	-	1,275,143
	<u>5,527,619</u>	<u>250,456</u>	<u>-</u>	<u>5,778,075</u>
Less Accumulated Depreciation				
Buildings and Improvements	(5,979)	(925)	-	(6,904)
Equipment	(103,891)	(10,474)	-	(114,365)
Infrastructure	<u>(2,900,810)</u>	<u>(85,578)</u>	<u>-</u>	<u>(2,986,388)</u>
	<u>(3,010,680)</u>	<u>(96,977)</u>	<u>-</u>	<u>(3,107,657)</u>
Business-Type Capital Assets, Net	<u>\$ 2,516,939</u>	<u>\$ 153,479</u>	<u>\$ -</u>	<u>\$ 2,670,418</u>

Land and Construction in Progress are not depreciated.

**NOTE G -- LONG-TERM DEBT**

Long-term debt and obligations payable at September 30, 2015, comprise the following individual issues:

*Waterworks and Sanitary Sewer System Revenue Bonds, Series 1975*

In February 1975, the City issued these bonds to perform improvements to the City's water and sewer system. The face amount of the bonds was \$390,000 with interest rates ranging from 5.35% to 6%. The bonds matured in January 2015.

*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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE G -- LONG-TERM DEBT** (Continued)

*Changes in Long-Term Liabilities*

	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Due Within One Year
<i>Governmental Activities</i>					
Certificates of Obligation, 2003	\$ 64,000	\$ -	\$ (15,000)	\$ 49,000	\$ 16,000
Capital Lease	33,477	-	(10,681)	22,796	11,152
<i>Total Governmental Activities</i>	<u>97,477</u>	<u>-</u>	<u>(25,681)</u>	<u>71,796</u>	<u>27,152</u>
<i>Business-Type Activities</i>					
San Antonio River Authority	471,330	-	(24,930)	446,400	26,047
Revenue Bonds, Series 1975	15,000	-	(15,000)	-	-
Certificates of Obligation, 2011	671,000	-	(29,000)	642,000	30,000
<i>Total Business-Type Activities</i>	<u>1,157,330</u>	<u>-</u>	<u>(68,930)</u>	<u>1,088,400</u>	<u>56,047</u>
 Total Primary Government	 <u>\$1,254,807</u>	 <u>\$ -</u>	 <u>\$ (94,611)</u>	 <u>\$1,160,196</u>	 <u>\$ 83,199</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2015, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 16,000	\$ 2,157	\$ 18,157	\$ 56,047	\$ 49,405	\$ 105,452
2017	16,000	1,315	17,315	59,214	46,784	105,998
2018	17,000	447	17,447	61,433	44,041	105,474
2019	-	-	-	64,707	41,172	105,879
2020	-	-	-	67,038	38,177	105,215
2021-2025	-	-	-	387,335	140,831	528,166
2026-2030	-	-	-	392,626	43,872	436,498
	<u>\$ 49,000</u>	<u>\$ 3,919</u>	<u>\$ 52,919</u>	<u>\$1,088,400</u>	<u>\$ 404,282</u>	<u>\$1,492,682</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 \$23,542 as of September 30, 2015. Minimum future lease payments are as follows:

Year Ending September 30,	Lease Payments
2016	\$ 12,157
2017	12,157
	<u>24,314</u>
Less: Amount Representing Interest	(1,518)
Net	<u>22,796</u>

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2015

**NOTE H -- DEFINED BENEFIT PENSION PLAN**

Texas Municipal Retirement System

**Plan Description**

The City participates as one of 860 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](http://www.tmr.com).

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

**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.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	2013	2014
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	4	6
Active employees	14	16
	20	24

**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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE H -- DEFINED BENEFIT PENSION PLAN (Continued)**

For the year ending September 30, 2015, 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 2.49% and 2.60% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$15,785 which equaled required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Salary Increases	3.50% to 12.00%, including inflation
Investment Rate of Return*	7.00%

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%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. 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.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE H -- DEFINED BENEFIT PENSION PLAN** (Continued)

**Actuarial Assumptions** (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

**Changes in the Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2014:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 310,755	\$ 204,378	\$ 106,377
Changes for the year:			
Service Cost	30,199	-	30,199
Interest	22,134	-	22,134
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	340	-	340
Changes of Assumptions	-	-	-
Contributions - Employer	-	14,042	(14,042)
Contributions - Employee	-	27,720	(27,720)
Net Investment Income	-	11,700	(11,700)
Benefit Payments, Including Refunds of Employee Contributions	(19,304)	(19,304)	-
Administrative Expense	-	(122)	122
Other Changes	-	(10)	10
Net Changes	<u>33,369</u>	<u>34,026</u>	<u>(657)</u>
Balance at December 31, 2014	<u>\$ 344,124</u>	<u>\$ 238,404</u>	<u>\$ 105,720</u>

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	Discount Rate 6%	Discount Rate 7%	Discount Rate 8%
Net Pension Liability (Asset)	\$ 156,868	\$ 105,720	\$ 63,866

**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](http://www.tmrs.com).

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)**

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

For the year ended September 30, 2015, the City recognized pension expense of \$11,007. Also as of September 30, 2015, 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	\$ 293	\$ -
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	2,085	-
Contributions Subsequent to the Measurement Date	11,519	-
	\$ 13,897	\$ -

Deferred outflows of resources in the amount of \$11,519 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 year ending September 30, 2015. 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,		
2015	\$	568
2016		568
2017		568
2018		569
2019		47
Thereafter		58
	\$	2,378

**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.



CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)**

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, 2015, 2014 and 2013 were \$720, \$562 and \$682, respectively, which equaled the required contributions each year.

**NOTE J -- TEXAS HIGER 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	\$ 7,425,000	2031
2009	Winfree Academy Charter Schools	8,305,000	7,960,000	2038
2009	KIPP, Inc	66,865,000	64,665,000	2044
2008	COSMOS Foundation, Inc.	30,075,000	28,705,000	2038
2008	Amigos Por Vida for Life Housing and Education Corp.	10,350,000	9,350,000	2037
2011	Life School of Dallas	38,880,000	36,290,000	2041
2015	Meridian World School	29,640,000	29,640,000	2045
2015	Meridian World School	445,000	445,000	2017

**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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2015

**NOTE L -- SUBSEQUENT EVENTS**

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%.

**NOTE M -- 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, 2015 were \$25,092 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, 2015

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 175,215	\$ 175,215	\$ 160,548	\$ (14,667)
Franchise Fees	50,000	65,000	60,931	(4,069)
Sales Taxes	636,905	653,451	672,009	18,558
Fines and Penalties	35,750	45,400	48,664	3,264
Licenses and Permits	15,750	51,925	49,224	(2,701)
Interest Income	1,000	250	2,137	1,887
Intergovernmental	-	1,198	1,199	1
Miscellaneous	16,550	37,318	86,138	48,820
Police Services for School District	120,000	140,000	144,664	4,664
<b>TOTAL REVENUES</b>	<u>1,051,170</u>	<u>1,169,757</u>	<u>1,225,514</u>	<u>55,757</u>
<b>EXPENDITURES</b>				
<i>Code Enforcement</i>				
Personnel	-	19,545	17,313	2,232
Operations	27,500	111,150	112,896	(1,746)
<i>Total Code Enforcement</i>	<u>27,500</u>	<u>130,695</u>	<u>130,209</u>	<u>486</u>
<i>General Government</i>				
Personnel	117,960	130,213	124,079	6,134
Operations	139,727	196,477	194,412	2,065
<i>Total General Government</i>	<u>257,687</u>	<u>326,690</u>	<u>318,491</u>	<u>8,199</u>
<i>Municipal Court</i>				
Personnel	70,961	75,244	69,489	5,755
Operations	8,030	8,230	6,925	1,305
<i>Total Municipal Court</i>	<u>78,991</u>	<u>83,474</u>	<u>76,414</u>	<u>7,060</u>
<i>Police Department</i>				
Personnel	271,701	285,343	293,331	(7,988)
Operations	230,813	229,638	199,393	30,245
Capital Outlay	-	55,000	51,404	3,596
<i>Total Police Department</i>	<u>502,514</u>	<u>569,981</u>	<u>544,128</u>	<u>25,853</u>
<i>Public Works</i>				
Personnel	84,504	78,400	83,581	(5,181)
Operations	119,861	78,583	65,168	13,415
<i>Total Public Works</i>	<u>204,365</u>	<u>156,983</u>	<u>148,749</u>	<u>8,234</u>
<b>TOTAL EXPENDITURES</b>	<u>1,071,057</u>	<u>1,267,823</u>	<u>1,217,991</u>	<u>49,832</u>
Net Change in Fund Balance	(19,887)	(98,066)	7,523	105,589
<b>BEGINNING FUND BALANCE</b>	850,177	850,177	850,177	-
<b>ENDING FUND BALANCE</b>	<u>\$ 830,290</u>	<u>\$ 752,111</u>	<u>\$ 857,700</u>	<u>\$ 105,589</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, 2015

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Sales Tax	\$ 252,000	\$ 252,000	\$ 269,771	\$ 17,771
Interest Income	-	-	269	269
Miscellaneous	-	-	1,052	1,052
<b>TOTAL REVENUES</b>	<u>252,000</u>	<u>252,000</u>	<u>271,092</u>	<u>19,092</u>
<b>EXPENDITURES</b>				
Personnel	101,164	101,164	92,913	8,251
Operations	218,751	218,751	87,224	131,527
<b>TOTAL EXPENDITURES</b>	<u>319,915</u>	<u>319,915</u>	<u>180,137</u>	<u>139,778</u>
<b>Net Change in Fund Balance</b>	(67,915)	(67,915)	90,955	158,870
Fund Balances at Beginning of Year	<u>459,054</u>	<u>459,054</u>	<u>459,054</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 391,139</u>	<u>\$ 391,139</u>	<u>\$ 550,009</u>	<u>\$ 158,870</u>

CITY OF LA VERNIA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2015

**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 YEAR

Total Pension Liability	
	2014
Service Cost	\$ 30,199
Interest (on the Total Pension Liability)	22,134
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	340
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(19,304)
Net Change in Total Pension Liability	33,369
Total Pension Liability - Beginning	310,755
Total Pension Liability - Ending	\$ 344,124
Plan Fiduciary Net Position	
	2014
Contributions - Employer	\$ 14,042
Contributions - Employee	27,720
Net Investment Income	11,700
Benefit Payments, Including Refunds of Employee Contributions	(19,304)
Administrative Expense	(122)
Other	(10)
Net Change in Plan Fiduciary Net Position	34,026
Plan Fiduciary Net Position - Beginning	204,378
Plan Fiduciary Net Position - Ending	\$ 238,404
Net Pension Liability (Asset) - Ending	\$ 105,720
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.28%
Covered Employee Payroll	\$ 554,405
Net Pension Liability as a Percentage of Covered Employee Payroll	19.07%

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

	2015
Actuarially Determined Contribution	\$ 15,785
Contributions in Relation to the Actuarially Determined Contribution	15,785
Contribution Deficiency (Excess)	\$ -
 Covered Employee Payroll	 \$ 614,311
 Contributions as a Percentage of Covered Employee Payroll	 2.57%

**Valuation Date:**

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	29 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including Inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
 Mortality	 RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and femal 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, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,058,617	\$ 147,778
Investments	-	221,693
Restricted Cash	-	323,714
Receivables (net of allowances for uncollectibles):		
Property Taxes	4,171	4,037
Other Receivables	162,185	185,476
Prepaid Items	-	6,504
Due from Other Funds	6,259	5,532
 <b>TOTAL ASSETS</b>	<b>\$ 1,231,232</b>	<b>\$ 894,734</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>		
<i>Liabilities</i>		
Accounts Payable	\$ 18,564	\$ 27,508
Accrued Expenditures	24,521	14,574
Due to Other Funds	326,369	-
<i>Total Liabilities</i>	369,454	42,082
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	4,078	2,475
<i>Total Deferred Inflows of Resources</i>	4,078	2,475
 <i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	-	6,504
Restricted For:		
Unassigned	857,700	843,673
<i>Total Fund Balances</i>	857,700	850,177
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b>\$ 1,231,232</b>	<b>\$ 894,734</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 160,548	\$ 154,035
Franchise Fees	60,931	72,008
Sales Taxes	672,009	579,216
Fines and Penalties	48,664	64,000
Licenses and Permits	49,224	24,831
Interest Income	2,137	3,291
Intergovernmental	1,199	-
Miscellaneous	86,138	27,987
Police Services for School District	144,664	134,890
<b>TOTAL REVENUES</b>	1,225,514	1,060,258
<b>EXPENDITURES</b>		
<i>Current:</i>		
Code Enforcement	130,209	22,095
General Government	318,491	262,611
Municipal Court	76,414	11,292
Police	492,724	474,371
Public Works	148,749	147,150
Capital Outlay	51,404	91,397
<b>TOTAL EXPENDITURES</b>	1,217,991	1,008,916
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,523	51,342
<b>OTHER FINANCING SOURCES</b>		
Capital Lease Proceeds	-	44,849
Net Change in Fund Balance	7,523	96,191
Fund Balances at Beginning of Year	850,177	753,986
Fund Balances at End of Year	\$ 857,700	\$ 850,177

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 STREET MAINTENANCE FUND  
 SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 365,718	\$ 323,714
 <b>FUND BALANCE</b>		
Restricted for Street Maintenance	\$ 365,718	\$ 323,714

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 STREET MAINTENANCE FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>REVENUES</b>		
Sales Taxes	\$ 140,648	\$ 129,232
Interest Income	121	-
<b>TOTAL REVENUES</b>	140,769	129,232
 <b>EXPENDITURES</b>		
<i>Current:</i>		
Public Works	98,765	-
<b>TOTAL EXPENDITURES</b>	98,765	-
 Net Change in Fund Balance	42,004	129,232
 Fund Balances at Beginning of Year	323,714	194,482
 Fund Balances at End of Year	\$ 365,718	\$ 323,714

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 MUNICIPAL DEVELOPMENT DISTRICT  
 SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 522,087	\$ 441,372
Other Receivables	38,499	44,344
Prepaid Items	975	975
<b>TOTAL ASSETS</b>	<b>\$ 561,561</b>	<b>\$ 486,691</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 3,135	\$ 20,253
Accrued Expenditures	2,158	1,852
Due to Other Funds	6,259	5,532
<i>Total Liabilities</i>	11,552	27,637
 <i>Fund Balances:</i>		
Nonspendable Prepaid Items	975	975
Restricted for Municipal Development	549,034	458,079
<i>Total Fund Balances</i>	550,009	459,054
 <b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 561,561</b>	<b>\$ 486,691</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 MUNICIPAL DEVELOPMENT DISTRICT  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>REVENUES</b>		
Sales Tax	\$ 269,771	\$ 221,060
Interest Income	269	300
Miscellaneous Income	1,052	25
<b>TOTAL REVENUES</b>	271,092	221,385
 <b>EXPENDITURES</b>		
Personnel	92,913	76,067
Operations	87,224	99,699
<b>TOTAL EXPENDITURES</b>	180,137	175,766
 Net Change in Fund Balance	90,955	45,619
 Fund Balances at Beginning of Year	459,054	413,435
 Fund Balances at End of Year	\$ 550,009	\$ 459,054

CITY OF LA VERNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2015

	<u>Debt Service</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 71,903	\$ 2,041	\$ 2,800	\$ 76,744
Receivables (net of allowances for uncollectibles):				
Property Taxes	<u>48</u>	<u>-</u>	<u>-</u>	<u>48</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 71,951</u></u>	<u><u>\$ 2,041</u></u>	<u><u>\$ 2,800</u></u>	<u><u>\$ 76,792</u></u>
<b>DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>				
<i>Deferred Inflows of Resources</i>				
Unavailable Property Tax Revenues	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35</u>
<i>Fund Balances:</i>				
Restricted for Municipal Court	-	2,041	2,800	4,841
Restricted for Debt Service	<u>71,916</u>	<u>-</u>	<u>-</u>	<u>71,916</u>
<i>Total Fund Balances</i>	<u><u>71,916</u></u>	<u><u>2,041</u></u>	<u><u>2,800</u></u>	<u><u>76,757</u></u>
<b>TOTAL DEFERRED INFLOWS &amp; FUND BALANCES</b>	<u><u>\$ 71,951</u></u>	<u><u>\$ 2,041</u></u>	<u><u>\$ 2,800</u></u>	<u><u>\$ 76,792</u></u>



CITY OF LA VERNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Debt Service	Court Security	Court Technology	Total
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 18,901	\$ -	\$ -	\$ 18,901
Fines and Penalties	-	924	1,256	2,180
<b>TOTAL REVENUES</b>	<u>18,901</u>	<u>924</u>	<u>1,256</u>	<u>21,081</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Municipal Court	-	54	-	54
<i>Debt Service:</i>				
Principal	25,681	-	-	25,681
Interest and Fiscal Charges	5,192	-	-	5,192
<b>TOTAL EXPENDITURES</b>	<u>30,873</u>	<u>54</u>	<u>-</u>	<u>30,927</u>
Net Change in Fund Balance	(11,972)	870	1,256	(9,846)
Fund Balances at Beginning of Year	<u>83,888</u>	<u>1,171</u>	<u>1,544</u>	<u>86,603</u>
Fund Balances at End of Year	<u>\$ 71,916</u>	<u>\$ 2,041</u>	<u>\$ 2,800</u>	<u>\$ 76,757</u>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF NET POSITION  
 PROPRIETARY UTILITY FUND  
 SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 455,923	\$ 544,215
Receivables (net of allowances for uncollectibles):	89,655	90,312
Grant Receivables	-	297,286
Prepaid Expenses	5,000	-
Due from Other Funds	326,369	-
<i>Other Assets:</i>		
Restricted Cash and Investments	135,624	93,077
Capital Assets (net of depreciation)	2,670,418	2,516,939
<b>TOTAL ASSETS</b>	<b>3,682,989</b>	<b>3,541,829</b>
<b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	30,193	66,616
Accrued Expenses	1,876	1,495
Accrued Compensated Absences	1,868	1,242
Customer Deposits	62,940	58,234
Unearned Revenue	10,145	7,121
Accrued Interest Payable	12,508	15,140
<i>Noncurrent Liabilities:</i>		
Due within One Year	56,047	68,930
Due in more than One Year	1,032,353	1,088,400
<b>TOTAL LIABILITIES</b>	<b>1,207,930</b>	<b>1,307,178</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	1,582,018	1,359,608
Restricted for:		
Debt Service	-	19,803
Repair and Replacement	-	5,000
Impact Fees	135,624	93,077
Unrestricted	757,417	757,163
<b>TOTAL NET POSITION</b>	<b>\$ 2,475,059</b>	<b>\$ 2,234,651</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY UTILITY FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>OPERATING REVENUES</b>		
Water Charges	\$ 475,894	\$ 480,532
Sewer Charges	178,043	174,876
Garbage Charges	237,703	210,806
Connection and Impact Fees	47,588	51,064
Miscellaneous Income	40,655	36,221
<b>TOTAL OPERATING REVENUES</b>	979,883	953,499
<b>OPERATING EXPENSES</b>		
Personnel	62,735	57,735
Water Purchase	148,355	256,612
Garbage Collection	217,664	209,829
Utilities	61,848	44,000
Office and Administrative	52,102	32,874
Repairs and Chemicals	45,463	57,388
Treatment Plant Contract	72,434	84,550
Depreciation	96,977	99,504
<b>TOTAL OPERATING EXPENSES</b>	757,578	842,492
<b>OPERATING INCOME (LOSS)</b>	222,305	111,007
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	332	1,497
Intergovernmental Grants	67,446	417,554
Interest Expense	(49,675)	(56,515)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	18,103	362,536
<b>CHANGE IN NET POSITION</b>	240,408	473,543
<b>NET POSITION AT BEGINNING OF YEAR</b>	2,234,651	1,761,108
<b>NET POSITION AT END OF YEAR</b>	\$ 2,475,059	\$ 2,234,651

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF CASH FLOWS  
 PROPRIETARY UTILITY FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Cash Received From Customers	\$ 988,270	\$ 969,901
Cash Paid to Suppliers for Goods and Services	(639,289)	(641,307)
Cash Paid to Employees	(61,728)	(66,592)
<b>Net Cash Provided (Used) by Operating Activities</b>	287,253	262,002
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital Grants Received	364,732	120,268
Purchases of Capital Assets	(250,456)	(792,995)
Principal Payments	(68,930)	(66,861)
Interest Paid	(52,307)	(56,515)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	(6,961)	(796,103)
<b>Cash Flows From Noncapital Financing Activities:</b>		
Short-term Loans to Other Funds	(326,369)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	(326,369)	-
<b>Cash Flows From Investing Activities:</b>		
Maturity of Certificates of Deposits	-	259,346
Investment Interest Received	332	1,497
<b>Net Cash Provided (Used) by Investing Activities</b>	332	260,843
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(45,745)	(273,258)
<b>Cash and Cash Equivalents at Beginning of Year</b>		
Cash and Cash Equivalents	539,976	331,385
Restricted Cash	97,316	579,165
	637,292	910,550
<b>Cash and Cash Equivalents at End of Year</b>		
Cash and Cash Equivalents	455,923	539,976
Restricted Cash	135,624	97,316
	\$ 591,547	\$ 637,292

CITY OF LA VERNIA  
 COMPARATIVES STATEMENT OF CASH FLOWS  
 PROPRIETARY UTILITY FUND (CONT.)  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 222,305	\$ 111,007
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	96,977	99,504
(Increase) Decrease in Operating Assets:		
Accounts Receivable (net)	657	5,148
Prepaid Expenses	(5,000)	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(36,423)	43,946
Accrued Expenses	381	(7,332)
Accrued Compensated Absences	626	(1,525)
Customer Deposits	4,706	7,103
Deferred Revenue	3,024	4,151
<b>Total Adjustments to Reconcile Operating Activities</b>	<b>64,948</b>	<b>150,995</b>
 <b>Net Cash Provided (Used) by</b>		
<b>Operating Activities</b>	<b>\$ 287,253</b>	<b>\$ 262,002</b>

