

CITY OF LA VERNIA, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2014**



CITY OF LA VERNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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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.

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.



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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

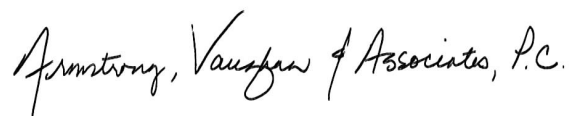
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress 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 14, 2015

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

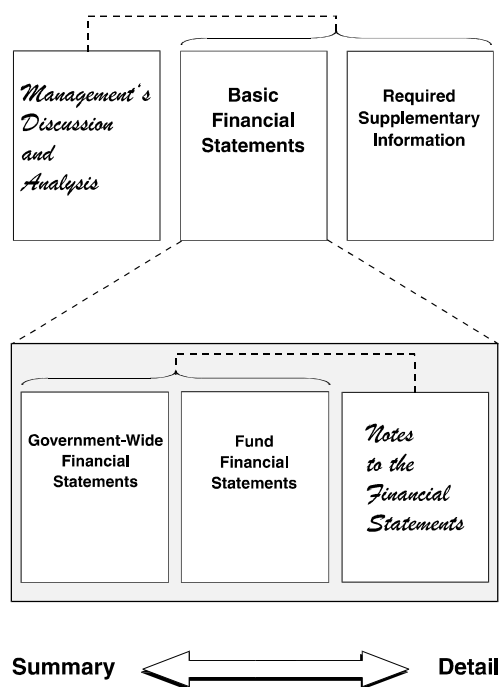
- The City's total combined net position was \$4.9 million at September 30, 2014.
- During the year, the City's governmental expenses were \$225 thousand less than the \$1.4 million generated in general and program revenues for governmental funds. The total cost of the City's programs increased 11% from the prior year.
- The general fund reported a fund balance this year of \$1.2 million, an increase of \$225 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.

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$4.9 million at September 30, 2014. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
<i>Assets:</i>							
Current Assets	\$ 931,674	\$ 917,636	\$ 927,574	\$ 686,191	\$ 1,859,248	\$ 1,603,827	15.9
Other Assets	854,536	682,772	97,316	579,165	951,852	1,261,937	(24.6)
Capital Assets (net)	1,050,603	1,068,565	2,516,939	1,823,448	3,567,542	2,892,013	23.4
Total Assets	2,836,813	2,668,973	3,541,829	3,088,804	6,378,642	5,757,777	10.8
<i>Liabilities:</i>							
Current Liabilities	89,253	165,068	149,848	103,505	239,101	268,573	(11.0)
Long-Term Liabilities	97,477	79,000	1,157,330	1,224,191	1,254,807	1,303,191	(3.7)
Total Liabilities	186,730	244,068	1,307,178	1,327,696	1,493,908	1,571,764	(5.0)
<i>Net Position:</i>							
Net Investment in Capital Assets	953,126	989,565	1,359,608	1,117,565	2,312,734	2,107,130	9.8
Restricted	867,390	701,316	24,803	40,968	892,193	742,284	20.2
Unrestricted	829,567	734,024	850,240	602,575	1,679,807	1,336,599	25.7
Total Net Position	\$ 2,650,083	\$ 2,424,905	\$ 2,234,651	\$ 1,761,108	\$ 4,884,734	\$ 4,186,013	16.7

The unrestricted net position represents resources available to fund the programs of the City next year.

Governmental Activities

- Property tax rates decreased for the fiscal year ending September 30, 2014, but appraised values more than offset the decrease leading to an increase in property tax revenues of \$6 thousand.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2014	2013	2014	2013	2014	2013	2014-2013
<i>Program Revenues:</i>							
Charges for Services	\$ 244,534	\$ 245,163	\$ 953,499	\$ 920,230	\$ 1,198,033	\$ 1,165,393	2.8
<i>Grants and Contributions:</i>							
Operating	-	-	-	-	-	-	0.0
Capital	-	20,000	417,554	-	417,554	20,000	1987.8
<i>General Revenues:</i>							
Taxes	1,175,771	1,029,479	-	-	1,175,771	1,029,479	14.2
Interest Earnings	3,591	3,120	1,497	1,791	5,088	4,911	3.6
Miscellaneous	9,915	6,959	-	-	9,915	6,959	42.5
TOTAL REVENUES	1,433,811	1,304,721	1,372,550	922,021	2,806,361	2,226,742	26.0
<i>Program Expenses:</i>							
Code Enforcement	21,942	62,428	-	-	21,942	62,428	(64.9)
General	288,170	219,908	-	-	288,170	219,908	31.0
Municipal Development	175,611	106,059	-	-	175,611	106,059	65.6
Municipal Court	11,292	-	-	-	11,292	-	100.0
Police	518,473	499,649	-	-	518,473	499,649	3.8
Public Works	188,380	187,123	-	-	188,380	187,123	0.7
Utility	-	-	899,007	947,437	899,007	947,437	(5.1)
Interest on Debt	4,765	7,853	-	-	4,765	7,853	(39.3)
TOTAL EXPENSES	1,208,633	1,083,020	899,007	947,437	2,107,640	2,030,457	3.8
Increase (Decrease) in Net Position	\$ 225,178	\$ 221,701	\$ 473,543	\$ (25,416)	\$ 698,721	\$ 196,285	(256.0)

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 \$1.2 million. Taxpayers paid for 14.5% of these activities through property taxes of \$174 thousand.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2013	2014-2013	2014	2013	2014-2013
Code Enforcement	\$ 21,942	\$ 62,428	(64.9)	\$ (2,889)	\$ 39,916	(107.2)
General	288,170	219,908	31.0	271,031	207,657	30.5
Municipal Development	175,611	106,059	65.6	175,611	106,059	65.6
Municipal Court	11,292	-	100.0	(55,423)	-	100.0
Police	518,473	499,649	3.8	382,624	289,249	32.3
Public Works	188,380	187,123	0.7	188,380	167,123	12.7
Utility	899,007	947,437	(5.1)	(472,046)	27,207	(1835.0)

Business-Type Activities

Revenues of the City's utility business-type activities increased 3.6% to \$953 thousand, and operating expenses decreased 5% to \$899 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 \$1.4 million, an increase of 10% 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 (which includes the debt service fund for budgetary purposes) were \$56 thousand less than budgeted amounts, leading to a net change in fund balance that was \$377 thousand better than anticipated. The Municipal Development District's expenditures were under budget by \$250 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2014, the City had invested \$7.2 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 2014-2013
	2014	2013	2014	2013	2014	2013	
Land	\$ 209	\$ 209	\$ 31	\$ 31	\$ 240	\$ 240	0.1
Buildings and Improvements	356	336	14	14	370	350	5.8
Equipment	589	517	151	151	739	668	10.7
Infrastructure	539	539	4,307	4,307	4,846	4,846	0.0
Construction in Progress	-	-	1,025	232	1,025	232	341.7
Totals at Historical Cost	1,693	1,601	5,528	4,735	7,221	6,336	14.0
Total Accumulated Depreciation	(643)	(533)	(3,011)	(2,911)	(3,653)	(3,444)	6.1
Net Capital Assets	\$ 1,051	\$ 1,068	\$ 2,517	\$ 1,824	\$ 3,568	\$ 2,892	23.4

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

Long Term Debt

At year-end, the City had \$1.25 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
	2014	2013	2014	2013	2014	2013	2014-2013
Bonds and Loans Payable	\$ 64	\$ 79	\$ 1,157	\$ 1,224	\$ 1,221	\$ 1,303	(6.3)
Capital Lease	33	-	-	-	33	-	100.0
Total Bonds & Notes Payable	<u>\$ 97</u>	<u>\$ 79</u>	<u>\$ 1,157</u>	<u>\$ 1,224</u>	<u>\$ 1,254</u>	<u>\$ 1,303</u>	<u>(3.8)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 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, 2014

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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 468,514	\$ 539,976	\$ 1,008,490
Investments	221,693	-	221,693
Receivables (net of allowances for uncollectibles):			
Ad Valorem Taxes	4,168	-	4,168
Other	229,820	387,598	617,418
Prepaid Expenses	7,479	-	7,479
Restricted Cash and Investments	854,536	97,316	951,852
Capital Assets:			
Land	209,198	31,158	240,356
Building and Improvements	356,269	14,000	370,269
Vehicles and Equipment	588,677	150,772	739,449
Infrastructure	539,220	4,307,002	4,846,222
Construction in Progress	-	1,024,687	1,024,687
Accumulated Depreciation	(642,761)	(3,010,680)	(3,653,441)
TOTAL ASSETS	<u>2,836,813</u>	<u>3,541,829</u>	<u>6,378,642</u>
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	47,761	66,616	114,377
Accrued Expenses	16,426	1,495	17,921
Accrued Compensated Absences	23,085	1,242	24,327
Customer Deposits	-	58,234	58,234
Unearned Revenue	-	7,121	7,121
Accrued Interest Payable	1,981	15,140	17,121
<i>Noncurrent Liabilities:</i>			
Due within One Year	25,681	68,930	94,611
Due in more than One Year	71,796	1,088,400	1,160,196
TOTAL LIABILITIES	<u>186,730</u>	<u>1,307,178</u>	<u>1,493,908</u>
NET POSITION:			
Net Investment in Capital Assets	953,126	1,359,608	2,312,734
Restricted for:			
Street Repair	323,714	-	323,714
Municipal Development District	459,054	-	459,054
Municipal Court	2,715	-	2,715
Repair and Maintenance	-	5,000	5,000
Debt Service	81,907	19,803	101,710
Unrestricted	829,567	850,240	1,679,807
TOTAL NET POSITION	<u>\$ 2,650,083</u>	<u>\$ 2,234,651</u>	<u>\$ 4,884,734</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
<i>Governmental Activities:</i>				
Code Enforcement	\$ 21,942	\$ 24,831	\$ -	\$ -
General Government	288,170	17,139	-	-
Municipal Development	175,611	-	-	-
Municipal Court	11,292	66,715	-	-
Police	518,473	135,849	-	-
Public Works	188,380	-	-	-
Interest on Long-term Debt	4,765	-	-	-
<i>Total Governmental Activities</i>	<u>1,208,633</u>	<u>244,534</u>	<u>-</u>	<u>-</u>
<i>Business-Type Activities:</i>				
Utility	899,007	953,499	-	417,554
<i>Total Business-Type Activities</i>	<u>899,007</u>	<u>953,499</u>	<u>-</u>	<u>417,554</u>
Total Primary Government	<u><u>2,107,640</u></u>	<u><u>1,198,033</u></u>	<u><u>-</u></u>	<u><u>417,554</u></u>
General Revenues:				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Interest and Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Position

Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 2,889		\$ 2,889
(271,031)		(271,031)
(175,611)		(175,611)
55,423		55,423
(382,624)		(382,624)
(188,380)		(188,380)
(4,765)		(4,765)
<u>(964,099)</u>		<u>(964,099)</u>
	<u>472,046</u>	<u>472,046</u>
	<u>472,046</u>	<u>472,046</u>
<u>(964,099)</u>	<u>472,046</u>	<u>(492,053)</u>
174,255	-	174,255
72,008	-	72,008
929,508	-	929,508
3,591	1,497	5,088
9,915	-	9,915
<u>1,189,277</u>	<u>1,497</u>	<u>1,190,774</u>
225,178	473,543	698,721
<u>2,424,905</u>	<u>1,761,108</u>	<u>4,186,013</u>
<u>\$ 2,650,083</u>	<u>\$ 2,234,651</u>	<u>\$ 4,884,734</u>

CITY OF LA VERNIA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Municipal Development District		
ASSETS				
Cash and Cash Equivalents	\$ 468,514	\$ 441,372	\$ 86,472	\$ 996,358
Investments	221,693	-	-	221,693
Receivables (net of allowances for uncollectibles):				
Property Taxes	4,037	-	131	4,168
Other Receivables	185,476	44,344	-	229,820
Restricted Cash	326,692	-	-	326,692
Prepaid Items	6,504	975	-	7,479
Due from Other Funds	5,532	-	-	5,532
TOTAL ASSETS	\$ 1,218,448	\$ 486,691	\$ 86,603	\$ 1,791,742
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES				
<i>Liabilities</i>				
Accounts Payable	\$ 27,508	\$ 20,253	\$ -	\$ 47,761
Accrued Expenditures	14,574	1,852	-	16,426
Due to Other Funds	-	5,532	-	5,532
<i>Total Liabilities</i>	<u>42,082</u>	<u>27,637</u>	<u>-</u>	<u>69,719</u>
<i>Deferred Inflows of Resources</i>				
Unavailable Property Tax Revenues	2,475	-	-	2,475
<i>Total Deferred Inflows of Resources</i>	<u>2,475</u>	<u>-</u>	<u>-</u>	<u>2,475</u>
<i>Fund Balances:</i>				
Nonspendable Prepaid Items	6,504	975	-	7,479
Restricted for:				
Street Repair	323,714	-	-	323,714
Municipal Court	-	-	2,715	2,715
Municipal Development	-	458,079	-	458,079
Debt Service	-	-	83,888	83,888
Unassigned	843,673	-	-	843,673
<i>Total Fund Balances</i>	<u>1,173,891</u>	<u>459,054</u>	<u>86,603</u>	<u>1,719,548</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 1,218,448	\$ 486,691	\$ 86,603	\$ 1,791,742

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 1,719,548

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

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,050,603

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 2,475

Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds. (23,085)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds. (97,477)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds. (1,981)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,650,083

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, 2014

	Major Funds		Total Nonmajor Funds	Total Governmental Funds
	General Fund	Municipal Development District		
REVENUES				
Ad Valorem Taxes	\$ 154,035	\$ -	\$ 19,644	\$ 173,679
Franchise Fees	72,008	-	-	72,008
Sales Taxes	708,448	221,060	-	929,508
Fines and Penalties	64,000	-	2,715	66,715
Licenses and Permits	24,831	-	-	24,831
Interest Income	3,291	300	-	3,591
Miscellaneous	27,987	25	-	28,012
Police Services for School District	134,890	-	-	134,890
TOTAL REVENUES	1,189,490	221,385	22,359	1,433,234
EXPENDITURES				
<i>Current:</i>				
Code Enforcement	22,095	-	-	22,095
General Government	262,611	-	-	262,611
Municipal Court	11,292	-	-	11,292
Police	474,371	-	-	474,371
Public Works	147,150	-	-	147,150
Municipal Development	-	175,766	-	175,766
Capital Outlay	91,397	-	-	91,397
<i>Debt Service:</i>				
Principal	-	-	26,372	26,372
Interest and Fiscal Charges	-	-	5,290	5,290
TOTAL EXPENDITURES	1,008,916	175,766	31,662	1,216,344
Excess (Deficiency) of Revenues Over (Under) Expenditures	180,574	45,619	(9,303)	216,890
OTHER FINANCING SOURCES				
Capital Lease Proceeds	44,849	-	-	44,849
TOTAL OTHER FINANCING SOURCES	44,849	-	-	44,849
Net Change in Fund Balance	225,423	45,619	(9,303)	261,739
Fund Balances at Beginning of Year	948,468	413,435	95,906	1,457,809
Fund Balances at End of Year	\$ 1,173,891	\$ 459,054	\$ 86,603	\$ 1,719,548

See accompanying notes to basic financial statements.

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, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 261,739

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. (17,962)

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. 574

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	26,372	
Capital Lease Proceeds	(44,849)	(18,477)

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	(1,222)	
Change in Accrued Interest	526	(696)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 225,178

CITY OF LA VERNIA
STATEMENT OF NET POSITION
PROPRIETARY UTILITY FUND
SEPTEMBER 30, 2014

ASSETS

Cash and Cash Equivalents	\$	539,976
Receivables (net of allowances for uncollectibles):		90,312
Grant Receivable		297,286
Restricted Cash and Investments		97,316
Capital Assets:		
Land		31,158
Building and Improvements		14,000
Vehicles and Equipment		150,772
Infrastructure		4,307,002
Construction in Progress		1,024,687
Accumulated Depreciation		(3,010,680)
TOTAL ASSETS		3,541,829

LIABILITIES

Current Liabilities:

Accounts Payable		66,616
Accrued Expenses		1,495
Accrued Compensated Absences		1,242
Customer Deposits		58,234
Unearned Revenue		7,121
Accrued Interest Payable		15,140

Noncurrent Liabilities:

Due within One Year		68,930
Due in more than One Year		1,088,400
TOTAL LIABILITIES		1,307,178

NET POSITION:

Net Investment in Capital Assets		1,359,608
Restricted for:		
Repairs		5,000
Debt Service		19,803
Unrestricted		850,240
TOTAL NET POSITION	\$	2,234,651

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, 2014

OPERATING REVENUES	
Water Charges	\$ 480,532
Sewer Charges	174,876
Garbage Charges	210,806
Connection and Impact Fees	51,064
Miscellaneous Income	36,221
TOTAL OPERATING REVENUES	<u>953,499</u>
OPERATING EXPENSES	
Personnel	50,555
Water Purchase	256,612
Garbage Collection	209,829
Office and Administrative	86,583
Repairs and Chemicals	54,859
Treatment Plant Contract	84,550
Depreciation	99,504
TOTAL OPERATING EXPENSES	<u>842,492</u>
OPERATING INCOME (LOSS)	<u>111,007</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	1,497
Intergovernmental Grant Revenues	417,554
Interest Expense	(56,515)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>362,536</u>
CHANGE IN NET POSITION	473,543
NET POSITION AT BEGINNING OF YEAR	<u>1,761,108</u>
NET POSITION AT END OF YEAR	<u><u>\$ 2,234,651</u></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, 2014

Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 969,901
Cash Paid to Suppliers for Goods and Services	(648,487)
Cash Paid to Employees	(59,412)
Net Cash Provided (Used) by Operating Activities	<u>262,002</u>
Cash Flows From Capital and Related Financing Activities:	
Capital Grants Received	120,268
Purchases of Capital Assets	(792,995)
Principal Payments	(66,861)
Interest Paid	(56,515)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(796,103)</u>
Cash Flows From Investing Activities:	
Maturity of Certificate of Deposit	259,346
Investment Interest Received	1,497
Net Cash Provided (Used) by Investing Activities	<u>260,843</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(273,258)
Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents	331,385
Restricted Cash	579,165
	<u>910,550</u>
Cash and Cash Equivalents at End of Year	
Cash and Cash Equivalents	539,976
Restricted Cash	97,316
	<u>\$ 637,292</u>

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, 2014

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss)	\$	111,007
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation		99,504
(Increase) Decrease in Operating Assets:		
Accounts Receivable (net)		5,148
Increase (Decrease) in Current Liabilities:		
Accounts Payable		43,946
Accrued Expenses		(7,332)
Accrued Compensated Absences		(1,525)
Customer Deposits		7,103
Deferred Revenue		4,151
Total Adjustments to Reconcile Operating Activities		150,995

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

\$ 262,002

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014, 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, 2014

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 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, 2014

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 service and capital acquisition.

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, 2014

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, 2013 and past due after January 31, 2014. 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, 2014

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, 2014

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, 2014

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, 2014 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, 2014

NOTE B -- DEPOSITS AND INVESTMENTS

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

1. Deposits

The City holds deposits at two institutions. At September 30, 2014, the City's deposits were fully collateralized by a combination of FDIC and pledged securities by the City's depositories.

2. 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, 2014

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’s investments at September 30, 2014 consist of \$221,693 in certificates of deposit.

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, 2013, upon which the fiscal 2014 levy was based, was \$92,049,441 (i.e., market value less exemptions). The estimated market value was \$121,206,188, 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, 2014, was \$0.1992 per \$100 of assessed value, which means that the City has a tax margin of \$2.3008 for each \$100 value and could increase its annual tax levy by approximately \$2,117,874 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, 2014 are as follows:

	General Fund	Municipal Development	Utility
Sales Tax	\$ 139,784	\$ 44,344	\$ -
Franchise Taxes	17,381	-	-
Police Services	28,311	-	-
Utility Services	-	-	97,963
Allowance for Uncollectible Accounts	-	-	(7,651)
Total Other Receivables	\$ 185,476	\$ 44,344	\$ 90,312

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE E -- INTERFUND BALANCES

Balances owed between funds at September 30, 2014 are as follows:

Due From	Due To	Amount	Purpose
Municipal Development	General Fund	\$ 5,532	<i>reimbursement</i>
Totals	Totals	\$ 5,532	

NOTE F -- GRANT RECEIVABLE

The City was awarded a grant from the Environmental Protection Agency to fund a portion of the new well construction, up to \$485,000. The City has accrued a reimbursement as part of the grant for costs incurred for the well project. As of September 30, 2014, the City had remaining commitments of \$136,297 in construction contracts and \$2,645 in engineering fees.

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

<i>Governmental Activities</i>	Balance 10/1/2013	Additions	Disposals/ Transfers	Balance 9/30/2014
Land	\$ 209,198	\$ -	\$ -	\$ 209,198
Buildings and Improvements	336,329	19,940	-	356,269
Vehicles and Equipment	517,220	71,457	-	588,677
Infrastructure	539,220	-	-	539,220
	1,601,967	91,397	-	1,693,364
Less Accumulated Depreciation				
Buildings and Improvements	(66,730)	(10,229)	-	(76,959)
Equipment	(349,324)	(73,337)	-	(422,661)
Infrastructure	(117,348)	(25,793)	-	(143,141)
	(533,402)	(109,359)	-	(642,761)
Governmental Capital Assets, Net	\$ 1,068,565	\$ (17,962)	\$ -	\$ 1,050,603

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

Code Enforcement	\$ 68
General	23,994
Police	45,101
Public Works	40,196
Total Depreciation Expense - Governmental Activities	\$ 109,359

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE G -- CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	Balance 10/1/2013	Additions	Disposals/ Transfers	Balance 9/30/2014
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	231,692	792,995	-	1,024,687
	<u>4,734,624</u>	<u>792,995</u>	<u>-</u>	<u>5,527,619</u>
Less Accumulated Depreciation				
Buildings and Improvements	(5,054)	(925)	-	(5,979)
Equipment	(91,635)	(12,256)	-	(103,891)
Infrastructure	<u>(2,814,487)</u>	<u>(86,323)</u>	<u>-</u>	<u>(2,900,810)</u>
	<u>(2,911,176)</u>	<u>(99,504)</u>	<u>-</u>	<u>(3,010,680)</u>
Business-Type Capital Assets, Net	<u>\$ 1,823,448</u>	<u>\$ 693,491</u>	<u>\$ -</u>	<u>\$ 2,516,939</u>

Land and Construction in Progress are not depreciated.

NOTE H -- LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2014, 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 mature 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, 2014

NOTE H -- LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Due Within One Year
<i>Governmental Activities</i>					
Certificates of Obligation, 2003	\$ 79,000	\$ -	\$ (15,000)	\$ 64,000	\$ 15,000
Capital Lease	-	44,849	(11,372)	33,477	10,681
Compensated Absences	21,863	23,085	(21,863)	23,085	23,085
<i>Total Governmental Activities</i>	<u>100,863</u>	<u>67,934</u>	<u>(48,235)</u>	<u>120,562</u>	<u>48,766</u>
<i>Business-Type Activities</i>					
San Antonio River Authority	495,191	-	(23,861)	471,330	24,930
Revenue Bonds, Series 1975	30,000	-	(15,000)	15,000	15,000
Certificates of Obligation, 2011	699,000	-	(28,000)	671,000	29,000
Compensated Absences	2,767	1,242	(2,767)	1,242	1,242
<i>Total Business-Type Activities</i>	<u>1,226,958</u>	<u>1,242</u>	<u>(69,628)</u>	<u>1,158,572</u>	<u>70,172</u>
 Total Primary Government	 <u>\$1,327,821</u>	 <u>\$ 69,176</u>	 <u>\$ (117,863)</u>	 <u>\$1,279,134</u>	 <u>\$ 118,938</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2014, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 15,000	\$ 2,972	\$ 17,972	\$ 68,930	\$ 52,708	\$ 121,638
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
2020-2024	-	-	-	369,731	158,050	527,781
2025-2029	-	-	-	419,268	63,470	482,738
2030	-	-	-	58,000	1,360	59,360
	<u>\$ 64,000</u>	<u>\$ 6,891</u>	<u>\$ 70,891</u>	<u>\$1,157,330</u>	<u>\$ 456,990</u>	<u>\$1,614,320</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 \$7,847 as of September 30, 2014. Minimum future lease payments are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 10,681	\$ 1,476	\$ 12,157
2016	11,152	1,005	12,157
2017	11,644	513	12,157
	<u>\$ 33,477</u>	<u>\$ 2,994</u>	<u>\$ 36,471</u>

CITY OF LA VERNIA
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2014

NOTE I -- DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	5%	5%
Matching Ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the City's contribution rate is annually determined by the actuary, using the Entry Age Normal cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE I -- DEFINED BENEFIT PENSION PLAN (Continued)

The annual pension cost is as follows:

Fiscal Year Ending September 30,	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution
2014	\$ 12,852	\$ 12,852	100%
2013	13,836	13,836	100%
2012	18,726	18,726	100%

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations; information for the December 31, 2013 valuation also follows:

Actuarial Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	20.9 years - Closed Period	19.7 years - Closed Period	30.0 years - Closed Period
Amortization Period for New Gains/Losses	19 years	18 Years	19 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	None	None	None

Funded Status and Funding Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
2013	\$ 194,898	\$ 310,755	62.7%	\$ 115,857	\$ 473,845	24.5%

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE I -- DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE J -- OTHER POSTEMPLOYMENT BENEFIT

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

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The city's contributions to the TMRS SDBF for the years ended September 30, 2014, 2013 and 2012 were \$562, \$682 and \$1,153, respectively, which equaled the required contributions each year.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE K -- 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	\$ 7,725,000	2031
2009	Winfree Academy Charter Schools	8,305,000	8,065,000	2038
2009	KIPP, Inc	66,865,000	65,175,000	2044
2008	COSMOS Foundation, Inc.	30,075,000	29,190,000	2038
2008	Amigos Por Vida for Life Housing and Education Corp.	10,350,000	9,545,000	2037
2011	Life School of Dallas	38,880,000	36,795,000	2041
2011	Life School of Dallas	380,000	80,000	2015

NOTE L -- 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.

Economic Development Agreement

In 2009, the City and Municipal Development District entered into agreements with HEB Grocery Company to refund a portion of sales tax and property tax to encourage and assist in development. The agreements call for sales tax rebates of ½ of the City's 1% general sales tax and ½ of the MDD's 0.5% sales tax generated by the new development. Maximum sales tax rebates are \$350,000 and \$150,000 for the City and MDD, respectively. As of September 30, 2014, the City has \$30,927 in rebates remaining and the MDD had met the maximum rebate. In addition, the City agreed to rebate 100% of the development's increased property taxes above the base tax year of 2009 for a period of 5 years.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE L -- COMMITMENTS AND CONTINGENCIES (CONT.)

Payroll Tax Liability

Subsequent to September 30, 2014, the City was assessed \$48,938 in penalties and interest by the Internal Revenue Service for late paying and filing payroll taxes. Management is working towards a resolution of these amounts and has paid all payroll taxes through the date of this report. None of the penalties and interest are reflected in these financial statements as they will be recorded in the period of assessment.

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, 2014 were \$23,839 for property and casualty coverage.

For workers compensation coverage, the City participates in the Texas Political Subdivisions Joint Self-Insurance Fund (TPS), a self-insurance pool. Guaranteed-cost members, who are non-assessable, combine their contributions to cover pooled losses and expenses. The required contribution for each guaranteed-cost member is based upon the rated manual contribution affected by a factor for individual loss experience, and the member's share of total expenses. As required by interlocal agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the interlocal agreement, so that members will not have joint and several liability beyond their required contribution. Annual contributions for the year ended September 30, 2014 were \$6,563.

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 Funding Progress – 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, 2014

	Budget Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary)	Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 189,189	\$ 189,189	\$ 173,679	\$ (15,510)
Franchise Fees	50,000	50,000	72,008	22,008
Sales Taxes	486,687	486,687	708,448	221,761
Fines and Penalties	43,200	43,200	64,000	20,800
Licenses and Permits	10,400	10,400	24,831	14,431
Interest Income	3,000	3,000	3,291	291
Miscellaneous	18,200	18,200	27,987	9,787
Police Services for School District	120,000	120,000	134,890	14,890
TOTAL REVENUES	920,676	920,676	1,209,134	288,458
EXPENDITURES				
<i>Code Enforcement</i>				
Personnel	40,774	2,500	7,988	(5,488)
Operations	39,995	39,696	14,107	25,589
<i>Total Code Enforcement</i>	80,769	42,196	22,095	20,101
<i>General Government</i>				
Personnel	92,692	185,075	108,590	76,485
Operations	147,106	186,297	154,021	32,276
Capital Outlay	-	-	19,940	(19,940)
<i>Total General Government</i>	239,798	371,372	282,551	88,821
<i>Municipal Court</i>				
Personnel	3,933	3,933	3,626	307
Operations	6,550	6,550	7,666	(1,116)
<i>Total Municipal Court</i>	10,483	10,483	11,292	(809)
<i>Police Department</i>				
Personnel	262,010	264,010	268,993	(4,983)
Operations	212,376	212,376	205,378	6,998
Capital Outlay	12,127	12,127	47,084	(34,957)
<i>Total Police Department</i>	486,513	488,513	521,455	(32,942)
<i>Public Works</i>				
Personnel	82,739	82,739	82,832	(93)
Operations	81,512	81,512	64,318	17,194
Capital Outlay	-	-	24,373	(24,373)
<i>Total Public Works</i>	\$ 164,251	\$ 164,251	\$ 171,523	\$ (7,272)

CITY OF LA VERNIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual	Variance
	Original	Final	Amounts (Budgetary)	Favorable (Unfavorable)
EXPENDITURES (CONT.)				
<i>Debt Service</i>				
Principal	\$ 15,000	\$ 15,000	\$ 26,372	\$ (11,372)
Interest	4,505	4,505	5,290	(785)
<i>Total Debt Service</i>	19,505	19,505	31,662	(12,157)
TOTAL EXPENDITURES	1,001,319	1,096,320	1,040,578	55,742
Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,643)	(175,644)	168,556	344,200
Other Financing Sources				
Capital Lease Proceeds	12,127	12,127	44,849	32,722
Total Other Financing Sources	12,127	12,127	44,849	32,722
Net Change in Fund Balance	\$ (68,516)	\$ (163,517)	\$ 213,405	\$ 376,922

Reconciliation to Net Change in Fund Balance - General Fund

Perspective Differences:

Debt Service Fund Budgeted with General Fund

Debt Service Property Tax Revenues	(19,644)
Debt Service Principal Expenditures	26,372
Debt Service Interest Expenditures	5,290
Net Change in Fund Balance (GAAP Basis) - General Fund	\$ 225,423

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, 2014

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Sales Tax	\$ 190,000	\$ 190,000	\$ 221,060	\$ 31,060
Interest Income	-	-	300	300
Interest Income	-	-	25	25
TOTAL REVENUES	<u>190,000</u>	<u>190,000</u>	<u>221,385</u>	<u>31,385</u>
EXPENDITURES				
Personnel	78,522	78,522	76,067	2,455
Operations	346,915	346,915	99,699	247,216
TOTAL EXPENDITURES	<u>425,437</u>	<u>425,437</u>	<u>175,766</u>	<u>249,671</u>
Net Change in Fund Balance	(235,437)	(235,437)	45,619	(218,286)
Fund Balances at Beginning of Year	<u>413,435</u>	<u>413,435</u>	<u>413,435</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 177,998</u>	<u>\$ 177,998</u>	<u>\$ 459,054</u>	<u>\$ 281,056</u>

CITY OF LA VERNIA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2014

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. However, the City combines the Debt Service and General Fund budgets. 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 FUNDING PROGRESS – DEFINED BENEFIT PENSION PLAN
 LAST SIX CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY*	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
2008	\$ 5,197	\$ 127,893	4.1%	\$ 122,696	\$ 296,186	41.4%
2009	39,599	170,874	23.2%	131,275	377,687	34.8%
2010	84,458	214,626	39.4%	130,168	381,598	34.1%
2011	135,551	276,102	49.1%	140,551	443,598	31.7%
2012	157,039	275,943	56.9%	118,904	448,819	26.5%
2013	194,898	310,755	62.7%	115,857	473,845	24.5%

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Assets are stated at cost as of December 31 of the preceding 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
- Combining Statements – Nonmajor Governmental Funds
- Comparative Statements – Proprietary Utility Fund

CITY OF LA VERNIA
 COMPARATIVE BALANCE SHEETS
 GENERAL FUND
 SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 468,514	\$ 501,550
Investments	221,693	219,510
Restricted Cash	326,692	203,218
Receivables (net of allowances for uncollectibles):		
Property Taxes	4,037	5,059
Other Receivables	185,476	153,817
Prepaid Items	6,504	-
Due from Other Funds	5,532	-
	\$ 1,218,448	\$ 1,083,154
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES		
<i>Liabilities</i>		
Accounts Payable	\$ 27,508	\$ 122,027
Accrued Expenditures	14,574	10,758
<i>Total Liabilities</i>	42,082	132,785
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	2,475	1,901
<i>Total Deferred Inflows of Resources</i>	2,475	1,901
 <i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	6,504	-
Restricted For:		
Street Repairs	323,714	194,482
Unassigned	843,673	753,986
<i>Total Fund Balances</i>	1,173,891	948,468
	\$ 1,218,448	\$ 1,083,154

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GENERAL FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Ad Valorem Taxes	\$ 154,035	\$ 149,508
Franchise Fees	72,008	62,552
Sales Taxes	708,448	615,504
Fines and Penalties	64,000	45,794
Licenses and Permits	24,831	22,512
Interest Income	3,291	2,838
Miscellaneous	27,987	42,179
Police Services for School District	134,890	132,953
TOTAL REVENUES	1,189,490	1,073,840
EXPENDITURES		
<i>Current:</i>		
Code Enforcement	22,095	63,501
General Government	262,611	199,388
Municipal Court	11,292	-
Police	474,371	429,071
Public Works	147,150	155,901
Capital Outlay	91,397	225,142
TOTAL EXPENDITURES	1,008,916	1,073,003
Net Change in Fund Balance	180,574	837
OTHER FINANCING SOURCES		
Capital Lease Proceeds	44,849	-
TOTAL OTHER FINANCING SOURCES	44,849	-
Net Change in Fund Balance	225,423	837
Fund Balances at Beginning of Year	948,468	947,631
Fund Balances at End of Year	\$ 1,173,891	\$ 948,468

CITY OF LA VERNIA
 COMPARATIVE BALANCE SHEETS
 MUNICIPAL DEVELOPMENT DISTRICT
 SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 441,372	\$ 384,035
Other Receivables	44,344	37,313
Prepaid Items	975	-
TOTAL ASSETS	\$ 486,691	\$ 421,348
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 20,253	\$ 6,820
Accrued Expenditures	1,852	1,093
Due to Other Funds	5,532	-
<i>Total Liabilities</i>	27,637	7,913
 <i>Fund Balances:</i>		
Nonspendable Prepaid Items	975	-
Restricted for Municipal Development	458,079	413,435
<i>Total Fund Balances</i>	459,054	413,435
 TOTAL LIABILITIES & FUND BALANCES	\$ 486,691	\$ 421,348

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 MUNICIPAL DEVELOPMENT DISTRICT
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
REVENUES		
Sales Tax	\$ 221,060	\$ 183,177
Interest Income	300	281
Miscellaneous Income	25	-
TOTAL REVENUES	221,385	183,458
 EXPENDITURES		
Personnel	76,067	70,502
Operations	99,699	34,328
TOTAL EXPENDITURES	175,766	104,830
 Net Change in Fund Balance	45,619	78,628
 Fund Balances at Beginning of Year	413,435	334,807
 Fund Balances at End of Year	\$ 459,054	\$ 413,435

CITY OF LA VERNIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	<u>Debt Service</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 83,757	\$ 1,171	\$ 1,544	\$ 86,472
Receivables (net of allowances for uncollectibles):				
Property Taxes	<u>131</u>	<u>-</u>	<u>-</u>	<u>131</u>
TOTAL ASSETS	<u><u>\$ 83,888</u></u>	<u><u>\$ 1,171</u></u>	<u><u>\$ 1,544</u></u>	<u><u>\$ 86,603</u></u>
FUND BALANCES				
Restricted for Municipal Court	\$ -	\$ 1,171	\$ 1,544	\$ 2,715
Restricted for Debt Service	<u>83,888</u>	<u>-</u>	<u>-</u>	<u>83,888</u>
FUND BALANCES	<u><u>\$ 83,888</u></u>	<u><u>\$ 1,171</u></u>	<u><u>\$ 1,544</u></u>	<u><u>\$ 86,603</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, 2014

	<u>Debt Service</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Total</u>
REVENUES				
Ad Valorem Taxes	\$ 19,644	\$ -	\$ -	\$ 19,644
Fines and Penalties	-	1,171	1,544	2,715
TOTAL REVENUES	<u>19,644</u>	<u>1,171</u>	<u>1,544</u>	<u>22,359</u>
EXPENDITURES				
Debt Service:				
Principal	26,372	-	-	26,372
Interest and Fiscal Charges	5,290	-	-	5,290
TOTAL EXPENDITURES	<u>31,662</u>	<u>-</u>	<u>-</u>	<u>31,662</u>
Net Change in Fund Balance	(12,018)	1,171	1,544	(9,303)
Fund Balances at Beginning of Year	<u>95,906</u>	<u>-</u>	<u>-</u>	<u>95,906</u>
Fund Balances at End of Year	<u>\$ 83,888</u>	<u>\$ 1,171</u>	<u>\$ 1,544</u>	<u>\$ 86,603</u>

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF NET POSITION
 PROPRIETARY UTILITY FUND
 SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	\$ 539,976	\$ 331,385
Investments	-	259,346
Receivables (net of allowances for uncollectibles):	90,312	95,460
Grant Receivables	297,286	-
Restricted Cash and Investments	97,316	579,165
Capital Assets:		
Land	31,158	31,158
Building 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	231,692
Accumulated Depreciation	(3,010,680)	(2,911,176)
TOTAL ASSETS	3,541,829	3,088,804
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	66,616	22,670
Accrued Expenses	1,495	8,827
Accrued Compensated Absences	1,242	2,767
Customer Deposits	58,234	51,131
Unearned Revenue	7,121	2,970
Accrued Interest Payable	15,140	15,140
<i>Noncurrent Liabilities:</i>		
Due within One Year	68,930	66,861
Due in more than One Year	1,088,400	1,157,330
TOTAL LIABILITIES	1,307,178	1,327,696
NET POSITION:		
Net Investment in Capital Assets	1,359,608	1,117,565
Restricted for:		
Debt Service	19,803	35,968
Repair and Replacement	5,000	5,000
Unrestricted	850,240	602,575
TOTAL NET POSITION	\$ 2,234,651	\$ 1,761,108

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY UTILITY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Water Charges	\$ 480,532	\$ 489,874
Sewer Charges	174,876	172,066
Garbage Charges	210,806	194,032
Connection and Impact Fees	51,064	35,988
Miscellaneous Income	36,221	28,270
TOTAL OPERATING REVENUES	953,499	920,230
OPERATING EXPENSES		
Personnel	50,555	39,902
Water Purchase	256,612	215,097
Garbage Collection	209,829	164,577
Office and Administrative	86,583	77,575
Repairs and Chemicals	54,859	62,111
Treatment Plant Contract	84,550	93,292
Depreciation	99,504	193,931
TOTAL OPERATING EXPENSES	842,492	846,485
OPERATING INCOME (LOSS)	111,007	73,745
NONOPERATING REVENUES (EXPENSES)		
Interest Income	1,497	1,791
Intergovernmental Grants	417,554	-
Interest Expense	(56,515)	(100,952)
TOTAL NONOPERATING REVENUES (EXPENSES)	362,536	(99,161)
CHANGE IN NET POSITION	473,543	(25,416)
NET POSITION AT BEGINNING OF YEAR	1,761,108	1,786,524
NET POSITION AT END OF YEAR	\$ 2,234,651	\$ 1,761,108

CITY OF LA VERNIA
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY UTILITY FUND
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 969,901	\$ 920,911
Cash Paid to Suppliers for Goods and Services	(648,487)	(632,799)
Cash Paid to Employees	(59,412)	(29,752)
Net Cash Provided (Used) by Operating Activities	262,002	258,360
Cash Flows From Capital and Related Financing Activities:		
Capital Grants Received	120,268	-
Purchases of Capital Assets	(792,995)	(102,744)
Principal Payments	(66,861)	(63,839)
Interest Paid	(56,515)	(59,606)
Net Cash Provided (Used) by Capital and Related Financing Activities	(796,103)	(226,189)
Cash Flows From Noncapital Financing Activities:		
Repayment of Short-term Loans to Other Funds	-	192,641
Net Cash Provided (Used) by Noncapital Financing Activities	-	192,641
Cash Flows From Investing Activities:		
Sale (Purchase) of Certificates	259,346	(259,346)
Investment Interest Received	1,497	1,791
Net Cash Provided (Used) by Investing Activities	260,843	(257,555)
Net Increase (Decrease) in Cash and Cash Equivalents	(273,258)	(32,743)
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents	331,385	313,294
Restricted Cash	579,165	629,999
	910,550	943,293
Cash and Cash Equivalents at End of Year		
Cash and Cash Equivalents	539,976	331,385
Restricted Cash	97,316	579,165
	\$ 637,292	\$ 910,550

CITY OF LA VERNIA
 COMPARATIVES STATEMENT OF CASH FLOWS
 PROPRIETARY UTILITY FUND (CONT.)
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 111,007	\$ 73,745
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	99,504	193,931
(Increase) Decrease in Operating Assets:		
Accounts Receivable (net)	5,148	(4,295)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	43,946	(20,147)
Accrued Expenses	(7,332)	8,329
Accrued Compensated Absences	(1,525)	1,821
Customer Deposits	7,103	4,687
Deferred Revenue	4,151	289
Total Adjustments to Reconcile Operating Activities	150,995	184,615
 Net Cash Provided (Used) by		
Operating Activities	\$ 262,002	\$ 258,360

