



# **CITY OF LA VERNIA, TEXAS**

## **ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2022**



CITY OF LA VERNIA  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

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CITY OF LA VERNIA  
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

MARTIN POORE

MAYOR PRO TEM

DIANELL RECKER

CITY COUNCIL

GARRETT RABEL

AMANDA HUTCHINSON

JUSTIN OATES

GARY GILBERT

CITY ADMINISTRATOR

YVONNE GRIFFIN

ATTORNEY

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



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate fund remaining information of the City of La Vernia, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of La Vernia, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of La Vernia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of La Vernia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of La Vernia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of La Vernia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and total other post-employment benefit liability as referred to 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.

### ***Supplementary 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 supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.  
January 18, 2023

## 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, 2022. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

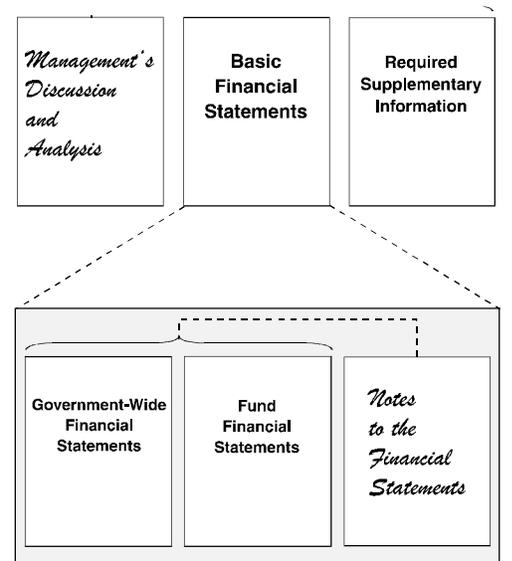
- The City’s total combined net position was \$7.9 million at September 30, 2022, an increase of \$974 thousand from the year prior.
- During the year, the City’s governmental expenses were \$899 thousand less than the \$3.0 million generated in general and program revenues for governmental activities. The total cost of the City’s governmental programs increased 12% from the prior year. A significant portion of the increase was from increased permitting activity and park improvements.
- The general fund reported an unassigned fund balance this year of \$1.2 million, a decrease of \$606 thousand.
- Utility charges for services increased \$151 thousand as development and new connections continue.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

<b>Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements</b>			
	<b>Fund Statements</b>		
<i>Type of Statements</i>	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 \$7.9 million at September 30, 2022. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2022-2021
	2022	2021	2022	2021	2022	2021	
<i>Assets:</i>							
Current Assets	\$ 4,114,107	\$ 4,476,679	\$ 343,019	\$ 138,948	\$ 4,457,126	\$ 4,615,627	(3.4)
Other Assets	-	-	78,964	63,194	78,964	63,194	25.0
Capital Assets (net)	2,165,794	902,998	4,952,375	5,281,822	7,118,169	6,184,820	15.1
<i>Total Assets</i>	<u>6,279,901</u>	<u>5,379,677</u>	<u>5,374,358</u>	<u>5,483,964</u>	<u>11,654,259</u>	<u>10,863,641</u>	7.3
<i>Deferred Outflows</i>	<u>53,183</u>	<u>83,120</u>	<u>-</u>	<u>-</u>	<u>53,183</u>	<u>83,120</u>	(36.0)
<i>Liabilities:</i>							
Current Liabilities	293,903	275,976	379,882	347,375	673,785	623,351	8.1
Long-Term Liabilities	117,347	164,290	2,956,838	3,174,237	3,074,185	3,338,527	(7.9)
<i>Total Liabilities</i>	<u>411,250</u>	<u>440,266</u>	<u>3,336,720</u>	<u>3,521,612</u>	<u>3,747,970</u>	<u>3,961,878</u>	(5.4)
<i>Deferred Inflows</i>	<u>72,883</u>	<u>72,378</u>	<u>-</u>	<u>-</u>	<u>72,883</u>	<u>72,378</u>	0.7
<i>Net Position:</i>							
Net Investment in Capital Assets	2,165,794	902,998	1,778,138	1,881,823	3,943,932	2,784,821	41.6
Restricted	2,602,307	2,396,273	78,940	63,194	2,681,247	2,459,467	9.0
Unrestricted	1,080,850	1,650,882	180,560	17,335	1,261,410	1,668,217	(24.4)
<i>Total Net Position</i>	<u>\$ 5,848,951</u>	<u>\$ 4,950,153</u>	<u>\$ 2,037,638</u>	<u>\$ 1,962,352</u>	<u>\$ 7,886,589</u>	<u>\$ 6,912,505</u>	14.1

### Governmental Activities

- Sales tax continues to be the main funding source for governmental activities at \$2.1 million. Tax revenues overall increased 8%.
- Governmental expenses increased 12% to \$2.1 million.
- Governmental net position increased by \$899 thousand.

### Business-Type Activities

Revenues of the City's utility business-type activities increased to \$1.5 million. A portion of the increase was from grant revenues, but charges for services increased 12% as new connections are added. Operating costs remained largely unchanged. This changed a loss of \$37 thousand for 2021 into a gain of \$75 thousand for 2022.

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

	Governmental		Business-Type		Total		Percentage Change 2022-2021
	Activities		Activities				
	2022	2021	2022	2021	2022	2021	
<i>Program Revenues:</i>							
Charges for Services	\$ 433,365	\$ 351,397	\$ 1,392,606	\$ 1,241,275	\$ 1,825,971	\$ 1,592,672	14.6
<i>Grants and Contributions:</i>							
Operating	59,622	41,627	-	-	59,622	41,627	43.2
Capital	-	-	112,485	-	112,485	-	100.0
<i>General Revenues:</i>							
Taxes	2,429,358	2,242,311	-	-	2,429,358	2,242,311	8.3
Interest Earnings	15,299	10,983	709	547	16,008	11,530	38.8
Miscellaneous	89,104	18,626	-	-	89,104	18,626	378.4
<b>TOTAL REVENUES</b>	<b>3,026,748</b>	<b>2,664,944</b>	<b>1,505,800</b>	<b>1,241,822</b>	<b>4,532,548</b>	<b>3,906,766</b>	<b>16.0</b>
<i>Program Expenses:</i>							
Code Enforcement	184,282	121,287	-	-	184,282	121,287	51.9
General	432,055	408,300	-	-	432,055	408,300	5.8
Municipal Development	164,984	111,205	-	-	164,984	111,205	48.4
Municipal Court	54,109	72,432	-	-	54,109	72,432	(25.3)
Police	985,319	962,072	-	-	985,319	962,072	2.4
Public Works	189,344	145,069	-	-	189,344	145,069	30.5
Parks	117,857	76,751	-	-	117,857	76,751	53.6
Utility	-	-	1,430,514	1,429,677	1,430,514	1,429,677	0.1
<b>TOTAL EXPENSES</b>	<b>2,127,950</b>	<b>1,897,116</b>	<b>1,430,514</b>	<b>1,429,677</b>	<b>3,558,464</b>	<b>3,326,793</b>	<b>7.0</b>
Transfers	-	(150,862)	-	150,862	-	-	
Increase (Decrease) in Net Position	898,798	616,966	75,286	(36,993)	974,084	579,973	68.0
Beginning Net Position	4,950,153	4,333,187	1,962,352	1,999,345	6,912,505	6,332,532	9.2
Ending Net Position	<b>\$ 5,848,951</b>	<b>\$ 4,950,153</b>	<b>\$ 2,037,638</b>	<b>\$ 1,962,352</b>	<b>\$ 7,886,589</b>	<b>\$ 6,912,505</b>	<b>14.1</b>

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.

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

	Total Cost of			Net Cost of		
	Services		Percentage	Services		Percentage
	2022	2021	Change	2022	2021	Change
Code Enforcement	\$ 184,282	\$ 121,287	51.9	\$ (26,298)	\$ 43,790	(160.1)
General	432,055	408,300	5.8	352,716	368,729	(4.3)
Municipal Development	164,984	111,205	48.4	164,984	111,205	48.4
Municipal Court	54,109	72,432	(25.3)	(20,729)	(10,528)	96.9
Police	985,319	962,072	2.4	857,089	769,076	11.4
Public Works	189,344	145,069	30.5	189,344	145,069	30.5
Parks	117,857	76,751	53.6	117,857	76,751	53.6
Utility	1,430,514	1,429,677	0.1	(74,577)	188,402	(139.6)

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$3.0 million, an increase of 11% from the preceding year. The increase was primarily related to an increase in sales tax collections and permit fees. Expenditures increased from \$1.8 to \$3.4 million. \$1.4 million of the increase is for park improvements, street repairs and equipment replacements.

### Budgetary Highlights

The City's actual expenditures in the general fund were \$72 thousand less than budgeted amounts. Revenues beat projections by \$202 thousand, primarily from sales tax. General fund balance decreased \$299 thousand less than anticipated.

The Municipal Development District's revenues were \$167 thousand more than budgeted amounts (sales tax), while expenditures were \$168 thousand less than budgeted amounts. This led to a net increase in fund balance of \$335 thousand.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2022, the City had invested \$13.3 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions for 2022 include street improvements, park improvements and several vehicles. (See Table A-4.)

**Table A-4**  
City's Capital Assets

	Governmental		Business-Type		Total		Percentage
	Activities		Activities				Change
	2022	2021	2022	2021	2022	2021	2022-2021
Land	\$ 209,198	\$ 209,198	\$ 31,158	\$ 31,158	\$ 240,356	\$ 240,356	0.0
Buildings and Improvements	384,269	356,269	14,000	14,000	398,269	370,269	7.6
Equipment	911,308	892,804	463,372	447,059	1,374,680	1,339,863	2.6
Infrastructure	1,385,520	693,260	9,471,572	9,471,572	10,857,092	10,164,832	6.8
Construction in Progress	431,376	-	-	-	431,376	-	100.0
Totals at Historical Cost	3,321,671	2,151,531	9,980,102	9,963,789	13,301,773	12,115,320	9.8
Total Accumulated Depreciation	(1,155,877)	(1,248,533)	(5,027,727)	(4,681,967)	(6,183,604)	(5,930,500)	4.3
Net Capital Assets	<u>\$2,165,794</u>	<u>\$ 902,998</u>	<u>\$4,952,375</u>	<u>\$ 5,281,822</u>	<u>\$ 7,118,169</u>	<u>\$ 6,184,820</u>	15.1

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 \$3.0 million in bonds outstanding as shown in Table A-5. No new debt was issued in 2022. More detailed information about the City's debt is presented in the notes to the financial statements.

### City's Long-Term Debt

	Governmental		Business-Type		Total		Percentage
	Activities		Activities				Change
	2022	2021	2022	2021	2022	2021	2022-2021
Bonds and Loans Payable	\$ -	\$ -	\$ 3,045,653	\$ 3,255,534	\$ 3,045,653	\$ 3,255,534	(6.4)
Total Bonds & Notes Payable	\$ -	\$ -	\$ 3,045,653	\$ 3,255,534	\$ 3,045,653	\$ 3,255,534	(6.4)

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budget for 2023 is based on a property tax rate decrease from 0.1752 to 0.154. However, increasing valuations are expected to offset the decrease in rate. No significant changes are expected to city services for fiscal year 2023.

## 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, 2022

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, 2022

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,457,620	\$ 225,970	\$ 3,683,590
Certificates of Deposit	161,985	-	161,985
Receivables (net of allowances):			
Ad Valorem Taxes	8,173	-	8,173
Other	447,065	115,817	562,882
Prepaid Items	39,264	1,232	40,496
Restricted Cash - Impact Fees	-	78,964	78,964
Capital Assets (net)	2,165,794	4,952,375	7,118,169
<b>TOTAL ASSETS</b>	<u>6,279,901</u>	<u>5,374,358</u>	<u>11,654,259</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	45,135	-	45,135
Deferred OPEB Related Outflows	8,048	-	8,048
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>53,183</u>	<u>-</u>	<u>53,183</u>
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	22,054	28,456	50,510
Accrued Wages	40,372	4,602	44,974
Accrued Interest Payable	-	10,977	10,977
Accrued Compensated Absences	46,321	3,455	49,776
Customer Deposits	-	94,832	94,832
Unearned Revenue	185,156	20,161	205,317
<i>Noncurrent Liabilities:</i>			
Due within One Year	-	217,399	217,399
Due in more than One Year	-	2,956,838	2,956,838
Net Pension Liability	80,475	-	80,475
Total OPEB Liability	36,872	-	36,872
<b>TOTAL LIABILITIES</b>	<u>411,250</u>	<u>3,336,720</u>	<u>3,747,970</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	67,238	-	67,238
Deferred OPEB Related Inflows	5,645	-	5,645
<b>TOTAL DEFERRED INFLOWS</b>	<u>72,883</u>	<u>-</u>	<u>72,883</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,165,794	1,778,138	3,943,932
Restricted for:			
Street Repair	634,330	-	634,330
Municipal Development District	1,859,062	-	1,859,062
Municipal Court	27,480	-	27,480
Tourism	81,435	-	81,435
Impact Fees	-	78,940	78,940
Unrestricted	1,080,850	180,560	1,261,410
<b>TOTAL NET POSITION</b>	<u>\$ 5,848,951</u>	<u>\$ 2,037,638</u>	<u>\$ 7,886,589</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

<b>Functions and Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Code Enforcement	\$ 184,282	\$ 210,580	\$ -	\$ -
General Government	432,055	20,657	58,682	-
Municipal Development	164,984	-	-	-
Municipal Court	54,109	74,838	-	-
Police	985,319	127,290	940	-
Public Works	189,344	-	-	-
Parks	117,857	-	-	-
<i>Total Governmental Activities</i>	<u>2,127,950</u>	<u>433,365</u>	<u>59,622</u>	<u>-</u>
<i>Business-Type Activities:</i>				
Water and Sewer Utility	1,430,514	1,392,606	-	112,485
<i>Total Business-Type Activities</i>	<u>1,430,514</u>	<u>1,392,606</u>	<u>-</u>	<u>112,485</u>
<b>Total Primary Government</b>	<u><u>\$ 3,558,464</u></u>	<u><u>\$ 1,825,971</u></u>	<u><u>\$ 59,622</u></u>	<u><u>\$ 112,485</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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 26,298		\$ 26,298
(352,716)		(352,716)
(164,984)		(164,984)
20,729		20,729
(857,089)		(857,089)
(189,344)		(189,344)
(117,857)		(117,857)
<u>(1,634,963)</u>		<u>(1,634,963)</u>
	<u>\$ 74,577</u>	<u>74,577</u>
	<u>74,577</u>	<u>74,577</u>
<u>(1,634,963)</u>	<u>74,577</u>	<u>(1,560,386)</u>
254,817	-	254,817
76,538	-	76,538
2,098,003	-	2,098,003
15,299	709	16,008
89,104	-	89,104
<u>2,533,761</u>	<u>709</u>	<u>2,534,470</u>
898,798	75,286	974,084
<u>4,950,153</u>	<u>1,962,352</u>	<u>6,912,505</u>
<u>\$ 5,848,951</u>	<u>\$ 2,037,638</u>	<u>\$ 7,886,589</u>

CITY OF LA VERNIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	General Fund	Street Maintenance	Grant Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 964,971	\$ 588,156	\$ 185,156
Certificates of Deposit	-	-	-
Receivables (net of allowances for uncollectibles):			
Property Taxes	8,173	-	-
Other Receivables	307,069	46,174	-
Prepaid Items	15,107	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,295,320</b>	<b>\$ 634,330</b>	<b>\$ 185,156</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>			
<i>Liabilities</i>			
Accounts Payable	\$ 15,135	\$ -	\$ -
Accrued Wages	39,631	-	-
Unearned Grant Revenue	-	-	185,156
<i>Total Liabilities</i>	54,766	-	185,156
 <i>Deferred Inflows of Resources</i>			
Unavailable Property Tax Revenues	8,173	-	-
<i>Total Deferred Inflows of Resources</i>	8,173	-	-
 <i>Fund Balances:</i>			
Nonspendable Prepaid Items	15,107	-	-
Restricted for:			
Street Repair	-	634,330	-
Municipal Court	-	-	-
Tourism Development	-	-	-
Municipal Development	-	-	-
Unassigned	1,217,274	-	-
<i>Total Fund Balances</i>	1,232,381	634,330	-
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b>\$ 1,295,320</b>	<b>\$ 634,330</b>	<b>\$ 185,156</b>

See accompanying notes to basic financial statements.

Municipal Development District	Total Nonmajor Funds	Total Governmental Funds
\$ 1,614,058	\$ 105,278	\$ 3,457,619
161,985	-	161,985
-	-	8,173
90,185	3,637	447,065
495	23,663	39,265
<u>\$ 1,866,723</u>	<u>\$ 132,578</u>	<u>\$ 4,114,107</u>
\$ 6,919	\$ -	\$ 22,054
742	-	40,373
-	-	185,156
<u>7,661</u>	<u>-</u>	<u>247,583</u>
-	-	8,173
<u>-</u>	<u>-</u>	<u>8,173</u>
495	23,663	39,265
-	-	634,330
-	27,480	27,480
-	81,435	81,435
1,858,567	-	1,858,567
-	-	1,217,274
<u>1,859,062</u>	<u>132,578</u>	<u>3,858,351</u>
<u>\$ 1,866,723</u>	<u>\$ 132,578</u>	<u>\$ 4,114,107</u>



CITY OF LA VERNIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 3,858,351
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,165,794
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		8,174
Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds.		(46,321)
Net pension liabilities (and related deferred outflows of resources) do not provide or consume current financial resources and are not reported in the funds.		
Net Pension Liability	(80,475)	
Pension Related Deferred Outflows	45,135	
Pension Related Deferred Inflows	<u>(67,238)</u>	(102,578)
Total OPEB liabilities (and related deferred outflows of resources) do not provide or consume current financial resources and are not reported in the funds.		
Total OPEB Liability	(36,872)	
OPEB Related Deferred Outflows	8,048	
OPEB Related Deferred Inflows	<u>(5,645)</u>	(34,469)
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		 <u>\$ 5,848,951</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Street Maintenance	Grant Fund
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 254,051	\$ -	\$ -
Franchise Fees and Hotel Taxes	76,538	-	-
Sales Taxes	1,284,234	252,528	-
Fines and Penalties	73,158	-	-
Licenses and Permits	210,580	-	-
Interest Income	7,880	2,085	-
Grants and Donations	940	-	56,547
Miscellaneous	39,467	-	-
Police Services for School District	124,134	-	-
<b>TOTAL REVENUES</b>	<u>2,070,982</u>	<u>254,613</u>	<u>56,547</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Code Enforcement	152,919	-	-
General Government	398,499	-	-
Municipal Court	54,606	-	-
Police	950,506	-	-
Public Works	139,962	-	3,747
Parks	118,601	-	-
Municipal Development	-	-	-
Capital Outlay	926,495	407,783	52,800
<b>TOTAL EXPENDITURES</b>	<u>2,741,588</u>	<u>407,783</u>	<u>56,547</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(670,606)</u>	<u>(153,170)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	25,025	-	-
Transfer In	39,082	-	-
Transfer Out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>64,107</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(606,499)	(153,170)	-
Fund Balances at Beginning of Year	<u>1,838,880</u>	<u>787,500</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 1,232,381</u>	<u>\$ 634,330</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

Municipal Development District	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ 254,051
-	35,739	112,277
493,957	-	2,030,719
-	12,501	85,659
-	-	210,580
5,129	205	15,299
-	-	57,487
39,739	-	79,206
-	-	124,134
<u>538,825</u>	<u>48,445</u>	<u>2,969,412</u>
-	-	152,919
-	-	398,499
-	135	54,741
-	-	950,506
-	-	143,709
-	-	118,601
165,186	-	165,186
-	-	1,387,078
<u>165,186</u>	<u>135</u>	<u>3,371,239</u>
<u>373,639</u>	<u>48,310</u>	<u>(401,827)</u>
-	-	25,025
-	-	39,082
<u>(39,082)</u>	<u>-</u>	<u>(39,082)</u>
<u>(39,082)</u>	<u>-</u>	<u>25,025</u>
334,557	48,310	(376,802)
<u>1,524,505</u>	<u>84,268</u>	<u>4,235,153</u>
<u>\$ 1,859,062</u>	<u>\$ 132,578</u>	<u>\$ 3,858,351</u>





CITY OF LA VERNIA  
STATEMENT OF NET POSITION  
PROPRIETARY UTILITY FUND  
SEPTEMBER 30, 2022

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$	225,970
Receivables (net of allowances for uncollectibles):		115,817
Prepaid Expenses		1,232
<i>Total Current Assets</i>		343,019

*Other Assets:*

Restricted Cash - Impact Fees		78,964
Capital Assets (net of depreciation)		4,952,375
<i>Total Other Assets</i>		5,031,339

<b>TOTAL ASSETS</b>		5,374,358
---------------------	--	-----------

**LIABILITIES**

*Current Liabilities:*

Accounts Payable		28,456
Accrued Wages		4,602
Accrued Compensated Absences		3,455
Customer Deposits		94,832
Unearned Revenue		20,161
Accrued Interest Payable		10,977
Long-Term Debt - Current Portion		217,399
<i>Total Current Liabilities</i>		379,882

*Noncurrent Liabilities:*

Long-Term Debt - Net of Current Portion		2,956,838
<b>TOTAL LIABILITIES</b>		3,336,720

**NET POSITION:**

Net Investment in Capital Assets		1,778,138
Restricted Impact Fees		78,940
Unrestricted		180,560
<b>TOTAL NET POSITION</b>	\$	2,037,638

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, 2022

<b>OPERATING REVENUES</b>	
Water Charges	\$ 740,720
Sewer Charges	225,018
Garbage Charges	322,900
Connection and Impact Fees	66,148
Other Charges	37,820
<b>TOTAL OPERATING REVENUES</b>	<u>1,392,606</u>
 <b>OPERATING EXPENSES</b>	
Personnel	170,876
Water Purchase	58,823
Garbage Collection	291,944
Utilities	93,745
Office and Administrative	50,193
Repairs and Chemicals	155,386
Treatment Plant Contract	90,681
Depreciation	422,547
<b>TOTAL OPERATING EXPENSES</b>	<u>1,334,195</u>
 <b>OPERATING INCOME (LOSS)</b>	 <u>58,411</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Grant Revenue	112,485
Interest Income	709
Interest Expense	(96,319)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>16,875</u>
 <b>CHANGE IN NET POSITION</b>	 75,286
 <b>NET POSITION AT BEGINNING OF YEAR</b>	 <u>1,962,352</u>
 <b>NET POSITION AT END OF YEAR</b>	 <u><u>\$ 2,037,638</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, 2022

<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 1,393,328
Cash Paid to Suppliers for Goods and Services	(704,868)
Cash Paid to Employees	(169,138)
<b>Net Cash Provided (Used) by Operating Activities</b>	519,322
 <b>Cash Flows From Capital and Related Financing Activities:</b>	
Capital Grants Received	112,485
Purchases of Capital Assets	(93,100)
Principal Payments	(209,881)
Interest Paid	(117,125)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	(307,621)
 <b>Cash Flows From Investing Activities:</b>	
Investment Interest Received	709
<b>Net Cash Provided (Used) by Investing Activities</b>	709
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 212,410
 <b>Cash and Cash Equivalents at Beginning of Year</b>	
Cash and Cash Equivalents	29,330
Restricted Cash	63,194
	92,524
 <b>Cash and Cash Equivalents at End of Year</b>	
Cash and Cash Equivalents	225,970
Restricted Cash	78,964
	\$ 304,934

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, 2022

**Reconciliation of Operating Income to Net Cash**

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

Operating Income (Loss)	\$	58,411
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation		422,547
(Increase) Decrease in Operating Assets:		
Accounts Receivable (net)		(14,837)
Prepaid Expenses		7,406
Increase (Decrease) in Current Liabilities:		
Accounts Payable		28,498
Accrued Wages		2,714
Accrued Compensated Absences		(976)
Customer Deposits		12,620
Unearned Revenue		2,939
<b>Total Adjustments to Reconcile Operating Activities</b>		<b>460,911</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$</b>	<b>519,322</b>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**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, 2022, the City had one component unit that is blended in these financial statements:

*La Vernia Municipal Development District*

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

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

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

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

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Street Maintenance Fund, Grant 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, 2022

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

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

The government reports the following major governmental funds:

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

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

**The Grant Fund** is used to account for restricted grants and the related expenditures.

**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: Court Security, Court Technology, Hotel Tax and Police Forfeiture.

**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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**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 reports investments in local government pools at net asset value and certificates of deposit at amortized cost. Local government investment pools are reported as part of cash and cash equivalents.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2021 and past due after January 31, 2022. 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 \$1,891 and \$- 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, 2022

**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 3.07 hours per pay period starting on date of employment. No sick leave days are paid when an employee leaves city employment and no liability is reported for unpaid sick leave. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

12. DEFERRED COMPENSATION PLAN

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

13. UNEARNED REVENUE

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

14. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

15. PENSIONS

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

16. FUND EQUITY

Fund balances in governmental funds are classified as follows:

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

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

16. FUND EQUITY (CONT.)

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

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

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

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

17. NET POSITION

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

18. OPERATING REVENUES AND EXPENSES

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

19. INTERFUND TRANSACTIONS

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

20. USE OF ESTIMATES

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**NOTE B – DEPOSITS AND INVESTMENTS**

Deposits

The City holds deposits at two institutions. At September 30, 2022, the City's deposits (including certificates of deposit) were fully collateralized by a combination of FDIC and pledged securities by the City's depositories.

Investments

The 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.

Public Funds Investment Pools

As of September 30, 2022, the held \$1,127,627 in TexPool, a local government investment pool. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported in an amount determined, by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

GASB Statement 40 requires additional disclosures addressing other common risks of deposits and investments as follows:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**NOTE B – DEPOSITS AND INVESTMENTS (CONT.)**

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

**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, 2021, upon which the fiscal 2022 levy was based, was \$146.7 million (i.e., market value less exemptions). The tax rate to finance general governmental services for the year ended September 30, 2022, was \$0.1752 per \$100 of assessed value. In general, the City generally may not increase the maintenance and operations portion of the property tax rate (that funds the General Fund) more than 3.5% annually (based on a three year average) without an election.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**NOTE D -- OTHER RECEIVABLES**

Other receivables for the City as of September 30, 2022 are as follows:

	General Fund	Street Maintenance	Municipal Development	Total Nonmajor Funds	Utility
Sales Tax	\$ 234,687	\$ 46,174	\$ 90,185	\$ -	\$ -
Franchise Taxes	22,761	-	-	-	-
Police Services	8,098	-	-	-	-
Other	5,883	-	-	3,637	-
Vendor Overpayment	35,640	-	-	-	-
Utility Services	-	-	-	-	123,469
Allowance for Uncollectible Accounts	-	-	-	-	(7,652)
Total Other Receivables	<u>\$ 307,069</u>	<u>\$ 46,174</u>	<u>\$ 90,185</u>	<u>\$ 3,637</u>	<u>\$ 115,817</u>

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022, was as follows:

<u>Business-Type Activities</u>	Balance 10/1/2021	Additions	Disposals/ Transfers	Balance 9/30/2022
Land	\$ 31,158	\$ -	\$ -	\$ 31,158
Buildings and Improvements	14,000	-	-	14,000
Vehicles and Equipment	447,059	93,100	(76,787)	463,372
Infrastructure	9,471,572	-	-	9,471,572
	<u>9,963,789</u>	<u>93,100</u>	<u>(76,787)</u>	<u>9,980,102</u>
Less Accumulated Depreciation				
Buildings and Improvements	(12,454)	(925)	-	(13,379)
Equipment	(262,251)	(40,071)	76,787	(225,535)
Infrastructure	(4,407,262)	(381,551)	-	(4,788,813)
	<u>(4,681,967)</u>	<u>(422,547)</u>	<u>76,787</u>	<u>(5,027,727)</u>
Business-Type Capital Assets, Net	<u>\$ 5,281,822</u>	<u>\$ (329,447)</u>	<u>\$ -</u>	<u>\$ 4,952,375</u>

Land and Construction in Progress are not depreciated.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

<u>Governmental Activities</u>	Balance 10/1/2021	Additions	Disposals/ Transfers	Balance 9/30/2022
Land	\$ 209,198	\$ -	\$ -	\$ 209,198
Buildings and Improvements	356,269	28,000	-	384,269
Vehicles and Equipment	892,804	231,442	(212,938)	911,308
Infrastructure	693,260	696,260	(4,000)	1,385,520
Construction in Progress	-	431,376	-	431,376
	<u>2,151,531</u>	<u>1,387,078</u>	<u>(216,938)</u>	<u>3,321,671</u>
Less Accumulated Depreciation				
Buildings and Improvements	(150,857)	(11,088)	-	(161,945)
Equipment	(750,706)	(66,606)	212,938	(604,374)
Infrastructure	(346,970)	(46,588)	4,000	(389,558)
	<u>(1,248,533)</u>	<u>(124,282)</u>	<u>216,938</u>	<u>(1,155,877)</u>
Governmental Capital Assets, Net	<u>\$ 902,998</u>	<u>\$ 1,262,796</u>	<u>\$ -</u>	<u>\$ 2,165,794</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

General	\$ 37,243
Police	39,083
Public Works	<u>47,956</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 124,282</u>

**NOTE F -- LONG-TERM DEBT**

Changes in long-term debt for the year ending September 30, 2022 were as follows:

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022
Bonds and Notes	\$ 3,399,999	\$ -	\$ (225,762)	\$ 3,174,237
Net Pension Liability	130,029	9,579	(59,133)	80,475
Total OPEB Liability	34,261	2,112	(653)	36,872
Compensated Absences	46,288	49,776	(46,288)	49,776
Totals	<u>\$ 3,610,577</u>	<u>\$ 61,467</u>	<u>\$ (331,836)</u>	<u>\$ 3,341,360</u>

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

Long-term debt and obligations payable at September 30, 2022, comprise the following individual issues:

*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 2016*

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

*General Obligation Refunding Bonds, Series 2017*

In November 2017, the City authorized \$564,000 in general obligation refunding bonds to advance refund a portion of the outstanding 2011 series. The debt service on the new bonds will be paid for from net utility fund revenues. The bonds mature March 1, 2030 and bear interest at rates ranging from 1.295% to 2.84%.

*Changes in Bonds and Notes:*

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
<b>Business-Type Activities</b>					
<i>Private Placements and Direct Borrowings:</i>					
San Antonio River Authority Refunding, 2017	\$ 271,534	\$ -	\$ (33,881)	\$ 237,653	\$ 35,399
	454,000	-	(46,000)	408,000	47,000
<i>Total Private Placements and Direct Borrowings</i>	<u>725,534</u>	<u>-</u>	<u>(79,881)</u>	<u>645,653</u>	<u>82,399</u>
<i>Public Offerings:</i>					
Certificates of Obligation, 2016	2,530,000	-	(130,000)	2,400,000	135,000
<i>Total Public Offerings</i>	<u>2,530,000</u>	<u>-</u>	<u>(130,000)</u>	<u>2,400,000</u>	<u>135,000</u>
Unamortized Premiums	144,465	-	(15,881)	128,584	-
<i>Total Business-Type Activities</i>	<u>3,399,999</u>	<u>-</u>	<u>(225,762)</u>	<u>3,174,237</u>	<u>217,399</u>
 Total Primary Government	<u>\$ 3,399,999</u>	<u>\$ -</u>	<u>\$ (225,762)</u>	<u>\$ 3,174,237</u>	<u>\$ 217,399</u>

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

The annual requirements to service long-term debt and obligations outstanding as of September 30, 2022, including interest payments, are as follows:

Year Ending September 30,	Business-Type Activities				
	Private Placements and Direct Borrowings		Public Offerings		Total
	Principal	Interest	Principal	Interest	
2023	\$ 82,399	\$ 20,133	\$ 135,000	\$ 90,300	\$ 327,832
2024	84,985	17,584	140,000	86,250	328,819
2025	87,642	14,870	145,000	82,050	329,562
2026	90,373	11,989	150,000	77,700	330,062
2027	94,182	8,936	150,000	73,200	326,318
2028-2032	206,072	8,786	860,000	269,800	1,344,658
2033-2036	-	-	820,000	83,400	903,400
	<u>\$ 645,653</u>	<u>\$ 82,298</u>	<u>\$ 2,400,000</u>	<u>\$ 762,700</u>	<u>\$ 3,890,651</u>

The City has a bond series and a note payable that were directly placed at local banking institutions. The bond documents do not contain subjective acceleration clauses, events of default with finance related consequences or termination events with finance-related consequences.

**NOTE G -- DEFINED BENEFIT PENSION PLAN**

Texas Municipal Retirement System

**Plan Description**

The City participates as one of 892 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**Benefits Provided**

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	15
Active employees	22
	41
	41

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 1 to 1, 1.5 to 1, or 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ending September 30, 2022, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year and the City match is at 1.5 to 1. The contribution rates for the City were 5.52% and 5.4% in calendar years 2021 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2022 were \$59,133 which equaled required contributions.

**Net Pension Liability**

The City’s Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	2.75
Investment Rate of Return*	6.75%

\* Presented net of pension plan investment expense, including inflation

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Markets	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
	<u>100.00%</u>	

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2021:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 812,871	\$ 682,842	\$ 130,029
Changes for the year:			
Service Cost	119,718	-	119,718
Interest	57,287	-	57,287
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(5,475)	-	(5,475)
Changes of Assumptions	-	-	-
Contributions - Employer	-	58,275	(58,275)
Contributions - Employee	-	73,900	(73,900)
Net Investment Income	-	89,317	(89,317)
Benefit Payments, Including Refunds of Employee Contributions	(48,062)	(48,062)	-
Administrative Expense	-	(412)	412
Other Changes	-	4	(4)
Net Changes	123,468	173,022	(49,554)
Balance at December 31, 2021	\$ 936,339	\$ 855,864	\$ 80,475

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

	5.75%	6.75%	7.75%
Net Pension Liability (Asset)	\$ 212,880	\$ 80,475	\$ (29,942)

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2022, the City recognized pension expense of \$38,120. Also as of September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 21,974
Changes in Actuarial Assumptions	1,539	-
Differences Between Projected and Actual Investment Earnings	-	45,264
Contributions Subsequent to the Measurement Date	43,596	-
	\$ 45,135	\$ 67,238

Deferred outflows of resources in the amount of \$43,596 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the calendar year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2022	\$ (15,333)
2023	(24,108)
2024	(16,313)
2025	(9,945)
2026	-
Thereafter	-
	\$ (65,699)

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2022

**NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (OPEB)**

The City also participates in the cost sharing single-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. Membership in the plan at December 31, 2021, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	22
	26
	26

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

The assumptions are summarized below:

Inflation	2.50% per year
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	1.84% (Based on Fidelity's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

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

The SDBF required contribution rates, based on these assumptions, are as follows:

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2020	0.15%	0.02%
2021	0.16%	0.06%
2022	0.16%	0.06%

The following presents the TOL of the City, calculated using the discount rate of 1.84% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 0.84%	Discount Rate 1.84%	Discount Rate 2.84%
Total OPEB Liability (Asset)	\$ 44,117	\$ 36,872	\$ 30,952

The City's Total OPEB Liability (TOL), as of December 31, 2021 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2020	\$ 34,261
Changes for the year:	
Service Cost	4,328
Interest	722
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	(2,904)
Changes of Assumptions or Other Inputs	1,098
Benefit Payments	(633)
Net Changes	2,611
Balance at December 31, 2021	\$ 36,872

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2022

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$5,397. Also as of September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 7,564	\$ -
Difference in Expected and Actual Experience	-	5,645
Contributions Subsequent to the Measurement Date	484	-
	\$ 8,048	\$ 5,645

Deferred outflows of resources in the amount of \$484 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended December 31,		
	2022	\$ 347
	2023	347
	2024	347
	2025	298
	2026	252
	Thereafter	328
		\$ 1,919

**NOTE I -- INTERFUND TRANSFERS**

The Municipal Development Fund transferred \$39,082 to the General Fund in support of administrative overhead.

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2022

**NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY**

In September 2006, the City created a nonprofit corporation under Section 53.35(b) of The Texas Education code. The creation of this nonprofit corporation established a Higher Education Authority (the Authority) for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the city is not liable for any expenses incurred in establishing or administering the Higher Education Authority. The Texas Higher Education Authority is not consolidated into the financial statements of City of La Vernia because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards.

The Authority has approved the issuance of the following obligations. The City has no obligation for this debt.

Issuance Date	Entity	Original Issue	Estimated Outstanding	Maturity
2015	Meridian World School	\$ 30,085,000	\$ 26,575,000	2045

**NOTE K -- COMMITMENTS AND CONTINGENCIES**

Litigation

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

**NOTE L -- RISK MANAGEMENT**

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2022

**NOTE M -- ABATEMENTS FOR ECONOMIC DEVELOPMENT**

The City entered into an agreement on March 31, 2018 with a hotel business in the community in accordance with Article III, Section 52-a of the Texas Constitution and Chapter 380 of the Texas Local Government Code to promote state or local economic development and to stimulate business and commercial activity in the City. Ongoing commitments of the City include a 75% annual property tax abatement and rebate of 50% of annual occupancy taxes collected for each calendar year from 2019 through 2028 with no obligation for a refund for any calendar year after 2028. The percentages abated gradually decrease over the life of the agreement to 5% in the final year. During the year ended September 30, 2022, the City abated \$1,969 in property taxes and \$31,546 in occupancy taxes.

The City's Municipal Development District (MDD) entered into an agreement on September 24, 2019, with a business in the community in accordance with Article III, Section 52-a of the Texas Constitution and Chapter 377 of the Texas Local Government Code to promote state or local economic development and to stimulate business and commercial activity in the MDD. Under the terms of the agreement, the MDD will make yearly grant payments of \$5,000 for the term of the agreement or until the maximum total amount of \$25,000 is achieved. During the year ended September 30, 2022, the MDD paid \$5,000 to the business with a remaining abatement obligation of \$10,000.

In September 2021, the MDD sold land to an entity to construct a business. The land was sold in exchange for a forgivable note of \$110,000. If certain performance metrics are achieved, the loan will be forgiven in four annual amounts of \$27,500. Management fully expects to forgive the entire loan and thus has not recorded a receivable on these financial statements. However, construction is still in progress, so no amounts have been officially forgiven as of September 30, 2022.



## REQUIRED SUPPLEMENTARY INFORMATION

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

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

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, 2022

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 268,660	\$ 268,660	\$ 254,051	\$ (14,609)
Franchise Fees	72,000	72,000	76,538	4,538
Sales Taxes	1,082,169	1,082,169	1,284,234	202,065
Fines and Penalties	112,100	112,100	73,158	(38,942)
Licenses and Permits	78,200	128,200	210,580	82,380
Interest Income	3,000	3,000	7,880	4,880
Grants and Donations	1,130	1,130	940	(190)
Miscellaneous	44,875	44,875	39,467	(5,408)
Police Services for School District	156,693	156,693	124,134	(32,559)
<b>TOTAL REVENUES</b>	<u>1,818,827</u>	<u>1,868,827</u>	<u>2,070,982</u>	<u>202,155</u>
<b>EXPENDITURES</b>				
<i>Code Enforcement</i>				
Personnel	16,181	16,181	10,795	5,386
Operations	93,750	103,750	142,124	(38,374)
<i>Total Code Enforcement</i>	<u>109,931</u>	<u>119,931</u>	<u>152,919</u>	<u>(32,988)</u>
<i>General Government</i>				
Personnel	193,195	193,195	187,494	5,701
Operations	184,019	185,169	211,005	(25,836)
Capital Outlay	-	60,000	28,000	32,000
<i>Total General Government</i>	<u>377,214</u>	<u>438,364</u>	<u>426,499</u>	<u>11,865</u>
<i>Municipal Court</i>				
Personnel	50,875	50,875	48,698	2,177
Operations	12,250	19,250	5,908	13,342
<i>Total Municipal Court</i>	<u>63,125</u>	<u>70,125</u>	<u>54,606</u>	<u>15,519</u>
<i>Police Department</i>				
Personnel	744,212	754,212	739,064	15,148
Operations	207,250	212,250	211,442	808
Capital Outlay	135,000	186,765	178,642	8,123
<i>Total Police Department</i>	<u>\$ 1,086,462</u>	<u>\$ 1,153,227</u>	<u>\$ 1,129,148</u>	<u>\$ 24,079</u>

CITY OF LA VERNIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<i>Public Works</i>				
Personnel	\$ 80,862	\$ 80,862	\$ 58,489	\$ 22,373
Operations	60,300	70,300	81,473	(11,173)
<i>Total Public Works</i>	141,162	151,162	139,962	11,200
<i>Parks</i>				
Personnel	52,815	53,315	52,828	487
Operations	27,200	27,200	65,773	(38,573)
Capital Outlay	-	800,000	719,853	80,147
<i>Total Parks</i>	80,015	880,515	838,454	42,061
<b>TOTAL EXPENDITURES</b>	1,857,909	2,813,324	2,741,588	71,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,082)	(944,497)	(670,606)	273,891
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	-	-	25,025	25,025
Transfer In	39,082	39,082	39,082	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	39,082	39,082	64,107	25,025
Net Change in Fund Balance	-	(905,415)	(606,499)	298,916
<b>BEGINNING FUND BALANCE</b>	1,838,880	1,838,880	1,838,880	-
<b>ENDING FUND BALANCE</b>	\$ 1,838,880	\$ 933,465	\$ 1,232,381	\$ 298,916

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, 2022

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Sales Tax	\$ 363,465	\$ 363,465	\$ 493,957	\$ 130,492
Interest Income	1,000	1,000	5,129	4,129
Grants and Donations	7,500	7,500	39,739	32,239
<b>TOTAL REVENUES</b>	<u>371,965</u>	<u>371,965</u>	<u>538,825</u>	<u>166,860</u>
<b>EXPENDITURES</b>				
Personnel	70,680	70,680	72,196	(1,516)
Operations	262,203	262,203	92,990	169,213
<b>TOTAL EXPENDITURES</b>	<u>332,883</u>	<u>332,883</u>	<u>165,186</u>	<u>167,697</u>
Excess of Revenues Over Expenditures	<u>39,082</u>	<u>39,082</u>	<u>373,639</u>	<u>334,557</u>
<b>OTHER FINANCING USES</b>				
Transfer Out	<u>(39,082)</u>	<u>(39,082)</u>	<u>(39,082)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	-	-	334,557	334,557
Fund Balance at Beginning of Year	<u>1,524,505</u>	<u>1,524,505</u>	<u>1,524,505</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,524,505</u>	<u>\$ 1,524,505</u>	<u>\$ 1,859,062</u>	<u>\$ 334,557</u>

CITY OF LA VERNIA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2022

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

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

The City does not use encumbrances.

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

Total Pension Liability				
	2014	2015	2016	2017
Service Cost	\$ 30,199	\$ 39,505	\$ 40,465	\$ 42,472
Interest (on the Total Pension Liability)	22,134	24,686	28,107	30,518
Changes of Benefit Terms	-	-	5,235	-
Difference between Expected and Actual Experience	340	(3,519)	(6,327)	(10,600)
Change of Assumptions	-	13,921	-	-
Benefit Payments, Including Refunds of Employee Contributions	(19,304)	(22,438)	(10,693)	(44,361)
Net Change in Total Pension Liability	33,369	52,155	56,787	18,029
Total Pension Liability - Beginning	310,755	344,124	396,279	453,066
Total Pension Liability - Ending	<u>\$ 344,124</u>	<u>\$ 396,279</u>	<u>\$ 453,066</u>	<u>\$ 471,095</u>
Plan Fiduciary Net Position				
	2014	2015	2016	2017
Contributions - Employer	\$ 14,042	\$ 16,604	\$ 15,213	\$ 16,427
Contributions - Employee	27,720	31,604	31,175	32,422
Net Investment Income	11,700	352	17,891	44,113
Benefit Payments, Including Refunds of Employee Contributions	(19,304)	(22,438)	(10,693)	(44,361)
Administrative Expense	(122)	(214)	(202)	(228)
Other	(10)	(10)	(11)	(12)
Net Change in Plan Fiduciary Net Position	34,026	25,898	53,373	48,361
Plan Fiduciary Net Postion - Beginning	204,378	238,404	264,302	317,675
Plan Fiduciary Net Postion - Ending	<u>\$ 238,404</u>	<u>\$ 264,302</u>	<u>\$ 317,675</u>	<u>\$ 366,036</u>
Net Pension Liability (Asset) - Ending	\$ 105,720	\$ 131,977	\$ 135,391	\$ 105,059
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.28%	66.70%	70.12%	77.70%
Covered Payroll	\$ 554,405	\$ 632,086	\$ 623,503	\$ 540,360
Net Pension Liability as a Percentage of Covered Payroll	19.07%	20.88%	21.71%	19.44%

Information for this schedule is being accumulated until ten years is presented.

Total Pension Liability			
2018	2019	2020	2021
\$ 67,609	\$ 108,497	\$ 113,253	\$ 119,718
33,415	43,381	48,823	57,287
-	28,198	-	-
29,933	(43,164)	(4,609)	(5,475)
-	2,883	-	-
(19,738)	(44,149)	(22,556)	(48,062)
111,219	95,646	134,911	123,468
471,095	582,314	677,960	812,871
<u>\$ 582,314</u>	<u>\$ 677,960</u>	<u>\$ 812,871</u>	<u>\$ 936,339</u>

Plan Fiduciary Net Position			
2018	2019	2020	2021
\$ 31,359	\$ 30,972	\$ 57,421	\$ 58,275
61,748	56,656	69,541	73,900
(10,986)	66,446	40,975	89,317
(19,738)	(44,149)	(22,556)	(48,062)
(212)	(374)	(264)	(412)
(11)	(11)	(11)	4
62,160	109,540	145,106	173,022
366,036	428,196	537,736	682,842
<u>\$ 428,196</u>	<u>\$ 537,736</u>	<u>\$ 682,842</u>	<u>\$ 855,864</u>

\$ 154,118	\$ 140,224	\$ 130,029	\$ 80,475
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73.53%	79.32%	84.00%	91.41%
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\$ 833,655	\$ 944,273	\$ 993,449	\$ 1,055,715
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18.49%	14.85%	13.09%	7.62%
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CITY OF LA VERNIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN  
 LAST NINE FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution (ARC)	Contributions in Relation to ARC	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As Percent of Covered Payroll
2014	\$ 12,852	\$ 12,852	\$ -	\$ 494,024	2.60%
2015	15,785	15,785	-	614,311	2.57%
2016	17,500	17,500	-	704,602	2.48%
2017	16,862	16,862	-	587,825	2.87%
2018	24,229	24,229	-	797,021	3.04%
2019	29,291	29,291	-	910,636	3.22%
2020	51,415	51,415	-	1,008,536	5.10%
2021	57,718	57,718	-	1,033,407	5.59%
2022	59,133	59,133	-	1,088,806	5.43%

Notes to Pension Schedules

Benefit Changes: None

Changes in Assumptions: None

Information for this schedule is being accumulated until ten years is presented.

CITY OF LA VERNIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND  
 RELATED RATIOS  
 LAST FIVE CALENDER YEARS

	Total OPEB Liability		
	2017	2018	2019
Service Cost	\$ 1,621	\$ 2,834	\$ 2,077
Interest	671	728	850
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	-	(573)	(765)
Changes in Assumptions or Other Inputs	1,499	(1,528)	5,152
Benefit Payments	(108)	(167)	(189)
Net Change in Total OPEB Liability	3,683	1,294	7,125
Total OPEB Liability - Beginning	16,987	20,670	21,964
Total OPEB Liability - Ending	<u>\$ 20,670</u>	<u>\$ 21,964</u>	<u>\$ 29,089</u>
 Covered Employee Payroll	 \$ 540,360	 \$ 833,655	 \$ 944,273
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 3.83%	 2.63%	 3.08%

Notes to Schedule of Contributions

Changes in Benefits: None

Changes in Assumptions: None

- 2021: Discount rate reduced to 1.84%
- 2020: Discount rate reduced to 2.00%
- 2019: Discount rate reduced to 2.75%
- 2018: Discount rate increased to 3.71%
- 2017: Discount rate reduced to 3.31%

**Trust:**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

Information is being accumulated until ten years are presented.

<u>Total OPEB Liability</u>	
<u>2020</u>	<u>2021</u>
\$ 3,179	\$ 4,328
841	722
-	-
(2,932)	(2,904)
4,283	1,098
<u>(199)</u>	<u>(633)</u>
5,172	2,611
29,089	34,261
<u>\$ 34,261</u>	<u>\$ 36,872</u>
\$ 993,449	\$ 1,055,715
3.45%	3.49%



## SUPPLEMENTARY INFORMATION

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

Such statements and schedule include:

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

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 GENERAL FUND  
 SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 964,971	\$ 1,772,776
Receivables (net of allowances for uncollectibles):		
Property Taxes	8,173	7,564
Other Receivables	307,069	257,403
Prepaid Items	15,107	42,289
<b>TOTAL ASSETS</b>	<b>\$ 1,295,320</b>	<b>\$ 2,080,032</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 15,135	\$ 20,429
Accrued Wages	39,631	36,397
Unearned Grant Revenue	-	176,919
<i>Total Liabilities</i>	54,766	233,745
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	8,173	7,407
<i>Total Deferred Inflows of Resources</i>	8,173	7,407
 <i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	15,107	42,289
Unassigned	1,217,274	1,796,591
<i>Total Fund Balances</i>	1,232,381	1,838,880
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b>\$ 1,295,320</b>	<b>\$ 2,080,032</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 254,051	\$ 247,071
Franchise Fees	76,538	66,737
Sales Taxes	1,284,234	1,196,051
Fines and Penalties	73,158	82,340
Licenses and Permits	210,580	77,497
Interest Income	7,880	1,465
Grants and Donations	940	39,116
Miscellaneous	39,467	42,191
Police Services for School District	124,134	169,715
<b>TOTAL REVENUES</b>	<b>2,070,982</b>	<b>1,922,183</b>
<b>EXPENDITURES</b>		
<i>Current:</i>		
Code Enforcement	152,919	121,663
General Government	398,499	377,765
Municipal Court	54,606	72,610
Police	950,506	910,405
Public Works	139,962	109,545
Parks	118,601	76,751
Capital Outlay	926,495	14,804
<b>TOTAL EXPENDITURES</b>	<b>2,741,588</b>	<b>1,683,543</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(670,606)</b>	<b>238,640</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sales of Capital Assets	25,025	-
Transfer In	39,082	139,082
Transfer Out	-	(150,862)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>64,107</b>	<b>(11,780)</b>
Net Change in Fund Balance	(606,499)	226,860
Fund Balances at Beginning of Year	1,838,880	1,612,020
Fund Balances at End of Year	<b>\$ 1,232,381</b>	<b>\$ 1,838,880</b>

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 STREET MAINTENANCE FUND  
 SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 588,156	\$ 743,199
Other Receivables	46,174	44,301
<b>TOTAL ASSETS</b>	<b>\$ 634,330</b>	<b>\$ 787,500</b>
 <b>LIABILITIES &amp; FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	-	-
 <i>Fund Balance:</i>		
Restricted for Street Maintenance	634,330	787,500
<i>Total Fund Balance</i>	634,330	787,500
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 634,330</b>	<b>\$ 787,500</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 STREET MAINTENANCE FUND  
 FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>REVENUES</b>		
Sales Taxes	\$ 252,528	\$ 234,523
Interest Income	2,085	955
<b>TOTAL REVENUES</b>	254,613	235,478
 <b>EXPENDITURES</b>		
Capital Outlay	407,783	-
<b>TOTAL EXPENDITURES</b>	407,783	-
 Net Change in Fund Balance	(153,170)	235,478
 Fund Balances at Beginning of Year	787,500	552,022
 Fund Balances at End of Year	\$ 634,330	\$ 787,500

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 MUNICIPAL DEVELOPMENT DISTRICT  
 SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,614,058	1,277,645
Certificates of Deposit	161,985	160,540
Other Receivables	90,185	86,693
Prepaid Items	495	-
<b>TOTAL ASSETS</b>	<b>\$ 1,866,723</b>	<b>\$ 1,524,878</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 6,919	\$ 373
Accrued Wages	742	-
<i>Total Liabilities</i>	7,661	373
 <i>Fund Balances:</i>		
Nonspendable Prepaid Items	495	-
Restricted for Municipal Development	1,858,567	1,524,505
<i>Total Fund Balances</i>	1,859,062	1,524,505
 <b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	 <b>\$ 1,866,723</b>	 <b>\$ 1,524,878</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 MUNICIPAL DEVELOPMENT DISTRICT  
 FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>REVENUES</b>		
Sales Tax	\$ 493,957	\$ 461,203
Interest Income	5,129	8,478
Miscellaneous Income	39,739	172
<b>TOTAL REVENUES</b>	538,825	469,853
 <b>EXPENDITURES</b>		
Personnel	72,196	68,866
Operations	92,990	41,980
<b>TOTAL EXPENDITURES</b>	165,186	110,846
 Excess of Revenues Over Expenditures	373,639	359,007
 <b>OTHER FINANCING USES</b>		
Transfer Out	(39,082)	(139,082)
 Net Change in Fund Balance	334,557	219,925
 Fund Balances at Beginning of Year	1,524,505	1,304,580
 Fund Balances at End of Year	\$ 1,859,062	\$ 1,524,505

CITY OF LA VERNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2022

	<u>Court Security</u>	<u>Court Technology</u>	<u>Hotel</u>	<u>Forfeiture</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,558	\$ 12,914	\$ 77,798	\$ 12,008	\$ 105,278
Accounts Receivable	-	-	3,637	-	3,637
Prepaid Items	-	-	23,663	-	23,663
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 2,558</u>	<u>\$ 12,914</u>	<u>\$ 105,098</u>	<u>\$ 12,008</u>	<u>\$ 132,578</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>					
<i>Liabilities:</i>					
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>					
Nonspendable Prepaid Items	-	-	23,663	-	23,663
Restricted for Court/Police	2,558	12,914	-	12,008	27,480
Restricted for Tourism Development	-	-	81,435	-	81,435
<i>Total Fund Balances</i>	<u>2,558</u>	<u>12,914</u>	<u>105,098</u>	<u>12,008</u>	<u>132,578</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; FUND BALANCES</b>	<u>\$ 2,558</u>	<u>\$ 12,914</u>	<u>\$ 105,098</u>	<u>\$ 12,008</u>	<u>\$ 132,578</u>

CITY OF LA VERNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2022

	Court Security	Court Technology	Hotel Tax	Police Forfeiture	Total
<b>REVENUES</b>					
Hotel Taxes	\$ -	\$ -	\$ 35,739	\$ -	\$ 35,739
Fines and Penalties	884	796	-	10,821	12,501
Interest Income	4	29	160	12	205
<b>TOTAL REVENUES</b>	<u>888</u>	<u>825</u>	<u>35,899</u>	<u>10,833</u>	<u>48,445</u>
<b>EXPENDITURES</b>					
<i>Current:</i>					
Municipal Court	135	-	-	-	135
<b>TOTAL EXPENDITURES</b>	<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135</u>
Net Change in Fund Balance	753	825	35,899	10,833	48,310
Fund Balances at Beginning of Year	<u>1,805</u>	<u>12,089</u>	<u>69,199</u>	<u>1,175</u>	<u>84,268</u>
Fund Balances at End of Year	<u>\$ 2,558</u>	<u>\$ 12,914</u>	<u>\$ 105,098</u>	<u>\$ 12,008</u>	<u>\$ 132,578</u>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF NET POSITION  
 PROPRIETARY UTILITY FUND  
 SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 225,970	\$ 29,330
Receivables (net of allowances for uncollectibles):	115,817	100,980
Prepaid Expenses	1,232	8,638
<i>Total Current Assets</i>	<u>343,019</u>	<u>138,948</u>
 <i>Other Assets:</i>		
Restricted Cash - Impact Fees	78,964	63,194
Capital Assets (net of depreciation)	4,952,375	5,281,822
<i>Total Other Assets</i>	<u>5,031,339</u>	<u>5,345,016</u>
 <b>TOTAL ASSETS</b>	 <u>5,374,358</u>	 <u>5,483,964</u>
 <b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	28,456	-
Accrued Wages	4,602	1,888
Accrued Compensated Absences	3,455	4,431
Accrued Interest Payable	10,977	15,901
Customer Deposits	94,832	82,171
Unearned Revenue	20,161	17,222
Current Portion of Long-term Debt	217,399	225,762
<i>Total Current Liabilities</i>	<u>379,882</u>	<u>347,375</u>
 <i>Noncurrent Liabilities:</i>		
Long-Term Debt, net of current portion	2,956,838	3,174,237
<b>TOTAL LIABILITIES</b>	<u>3,336,720</u>	<u>3,521,612</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	1,778,138	1,881,823
Restricted for Impact Fees	78,940	63,169
Unrestricted	180,560	17,360
<b>TOTAL NET POSITION</b>	<u>\$ 2,037,638</u>	<u>\$ 1,962,352</u>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY UTILITY FUND  
 FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
<b>OPERATING REVENUES</b>		
Water Charges	\$ 740,720	\$ 666,635
Sewer Charges	225,018	217,323
Garbage Charges	322,900	290,350
Connection and Impact Fees	66,148	20,598
Miscellaneous Income	37,820	46,369
<b>TOTAL OPERATING REVENUES</b>	<b>1,392,606</b>	<b>1,241,275</b>
<b>OPERATING EXPENSES</b>		
Personnel	170,876	210,584
Water Purchase	58,823	78,363
Garbage Collection	291,944	263,762
Utilities	93,745	84,853
Office and Administrative	50,193	42,794
Repairs and Chemicals	155,386	120,889
Treatment Plant Contract	90,681	131,977
Depreciation	422,547	389,853
<b>TOTAL OPERATING EXPENSES</b>	<b>1,334,195</b>	<b>1,323,075</b>
<b>OPERATING INCOME (LOSS)</b>	<b>58,411</b>	<b>(81,800)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Capital Grants	112,485	-
Interest Income	709	547
Interest Expense	(96,319)	(106,602)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>16,875</b>	<b>(106,055)</b>
Transfers In	-	150,862
<b>CHANGE IN NET POSITION</b>	<b>75,286</b>	<b>(36,993)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>1,962,352</b>	<b>1,999,345</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 2,037,638</b>	<b>\$ 1,962,352</b>

