



# **CITY OF LA VERNIA, TEXAS**

## **ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**



CITY OF LA VERNIA  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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CITY OF LA VERNIA  
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

ROBERT GREGORY

MAYOR PRO TEM

MARTIN POORE

CITY COUNCIL

DIANELL RECKER

JAY HENNETTE

AMANDA HUTCHINSON

JUSTIN OATES

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 Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Vernia, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of La Vernia's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Vernia, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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



Armstrong, Vaughan & Associates, P.C.  
January 4, 2021

## 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, 2020. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

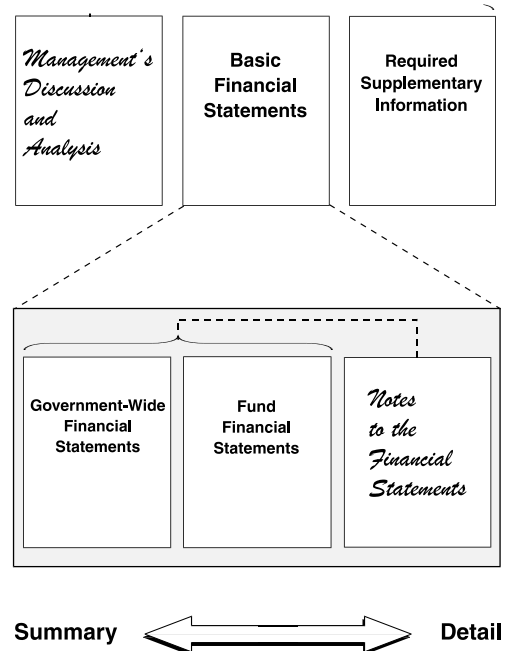
- The City’s total combined net position was \$6.3 million at September 30, 2020.
- During the year, the City’s governmental expenses were \$194 thousand less than the \$2.2 million generated in general and program revenues for governmental activities. The total cost of the City’s programs increased 14.6% from the prior year.
- The general fund reported an unassigned fund balance this year of \$1.6 million, a decrease of \$53 thousand.

### 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<br>• 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 \$6.3 million at September 30, 2020. (See Table A-1).

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

|                                  | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total               |                     | Percentage<br>Change<br>2020-2019 |
|----------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|-----------------------------------|
|                                  | 2020                       | 2019                | 2020                        | 2019                | 2020                | 2019                |                                   |
|                                  | <i>Assets:</i>             |                     |                             |                     |                     |                     |                                   |
| Current Assets                   | \$ 3,574,369               | \$ 3,473,387        | \$ 351,994                  | \$ 423,608          | \$ 3,926,363        | \$ 3,896,995        | 0.8                               |
| Other Assets                     | -                          | -                   | 236,258                     | 1,115,185           | 236,258             | 1,115,185           | (78.8)                            |
| Capital Assets (net)             | 1,003,100                  | 994,498             | 5,193,230                   | 4,548,983           | 6,196,330           | 5,543,481           | 11.8                              |
| <i>Total Assets</i>              | <u>4,577,469</u>           | <u>4,467,885</u>    | <u>5,781,482</u>            | <u>6,087,776</u>    | <u>10,358,951</u>   | <u>10,555,661</u>   | (1.9)                             |
| <i>Deferred Outflows</i>         | <u>94,908</u>              | <u>85,622</u>       | <u>-</u>                    | <u>-</u>            | <u>94,908</u>       | <u>85,622</u>       | 10.8                              |
| <i>Liabilities:</i>              |                            |                     |                             |                     |                     |                     |                                   |
| Current Liabilities              | 84,297                     | 110,940             | 382,138                     | 390,457             | 466,435             | 501,397             | (7.0)                             |
| Long-Term Liabilities            | 169,313                    | 176,082             | 3,399,999                   | 3,618,941           | 3,569,312           | 3,795,023           | (5.9)                             |
| <i>Total Liabilities</i>         | <u>253,610</u>             | <u>287,022</u>      | <u>3,782,137</u>            | <u>4,009,398</u>    | <u>4,035,747</u>    | <u>4,296,420</u>    | (6.1)                             |
| <i>Deferred Inflows</i>          | <u>85,580</u>              | <u>27,380</u>       | <u>-</u>                    | <u>-</u>            | <u>85,580</u>       | <u>27,380</u>       | 212.6                             |
| <i>Net Position:</i>             |                            |                     |                             |                     |                     |                     |                                   |
| Net Investment in Capital Assets | 1,003,100                  | 994,498             | 1,716,246                   | 1,637,509           | 2,719,346           | 2,632,007           | 3.3                               |
| Restricted                       | 1,873,635                  | 1,729,625           | 56,219                      | 143,821             | 1,929,854           | 1,873,446           | 3.0                               |
| Unrestricted                     | 1,456,452                  | 1,514,982           | 226,880                     | 297,048             | 1,683,332           | 1,812,030           | (7.1)                             |
| <i>Total Net Position</i>        | <u>\$ 4,333,187</u>        | <u>\$ 4,239,105</u> | <u>\$ 1,999,345</u>         | <u>\$ 2,078,378</u> | <u>\$ 6,332,532</u> | <u>\$ 6,317,483</u> | 0.2                               |

### Governmental Activities

- Sales tax continues to be the main funding source for governmental activities at \$1.5 million. Tax revenues overall decreased 10% from \$1.6 million.
- Governmental expenses increased 18% to \$1.2 million.
- Governmental net position increased by \$94 thousand.

### Business-Type Activities

Revenues of the City's utility business-type activities increased to \$1.1 million, while operating expenses increased 10% to \$1.3 million.

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

|  | Governmental     |                  | Business-Type    |                  | Total            |                  | Percentage   |
|--|------------------|------------------|------------------|------------------|------------------|------------------|--------------|
|  | Activities       |                  | Activities       |                  |                  |                  | Change       |
|  | 2020             | 2019             | 2020             | 2019             | 2020             | 2019             | 2020-2019    |
| <i>Program Revenues:</i>               |                  |                  |                  |                  |                  |                  |              |
| Charges for Services                   | \$ 311,977       | \$ 388,704       | \$ 1,130,048     | \$ 1,058,282     | \$ 1,442,025     | \$ 1,446,986     | (0.3)        |
| <i>Grants and Contributions:</i>       |                  |                  |                  |                  |                  |                  |              |
| Operating                              | 141,453          | 2,021            | -                | -                | 141,453          | 2,021            | 6899.2       |
| Capital                                | -                | 55,290           | -                | -                | -                | 55,290           | (100.0)      |
| <i>General Revenues:</i>               |                  |                  |                  |                  |                  |                  |              |
| Taxes                                  | 1,760,217        | 1,908,403        | -                | -                | 1,760,217        | 1,908,403        | (7.8)        |
| Interest Earnings                      | 11,260           | 8,956            | 4,546            | 11,338           | 15,806           | 20,294           | (22.1)       |
| Miscellaneous                          | 21,480           | 25,865           | -                | -                | 21,480           | 25,865           | (17.0)       |
| <b>TOTAL REVENUES</b>                  | <b>2,246,387</b> | <b>2,389,239</b> | <b>1,134,594</b> | <b>1,069,620</b> | <b>3,380,981</b> | <b>3,458,859</b> | <b>(2.3)</b> |
| <i>Program Expenses:</i>               |                  |                  |                  |                  |                  |                  |              |
| Code Enforcement                       | 92,056           | 97,053           | -                | -                | 92,056           | 97,053           | (5.1)        |
| General                                | 407,375          | 342,491          | -                | -                | 407,375          | 342,491          | 18.9         |
| Municipal Development                  | 333,858          | 59,790           | -                | -                | 333,858          | 59,790           | 458.4        |
| Municipal Court                        | 51,268           | 62,351           | -                | -                | 51,268           | 62,351           | (17.8)       |
| Police                                 | 949,465          | 881,031          | -                | -                | 949,465          | 881,031          | 7.8          |
| Public Works                           | 144,040          | 337,012          | -                | -                | 144,040          | 337,012          | (57.3)       |
| Parks                                  | 74,243           | 59,656           | -                | -                | 74,243           | 59,656           | 24.5         |
| Utility                                | -                | -                | 1,313,627        | 1,192,801        | 1,313,627        | 1,192,801        | 10.1         |
| Interest on Debt                       | -                | 852              | -                | -                | -                | 852              | (100.0)      |
| <b>TOTAL EXPENSES</b>                  | <b>2,052,305</b> | <b>1,840,236</b> | <b>1,313,627</b> | <b>1,192,801</b> | <b>3,365,932</b> | <b>3,033,037</b> | <b>11.0</b>  |
| Transfers                              | (100,000)        | -                | 100,000          | -                | -                | -                | -            |
| Increase (Decrease) in<br>Net Position | \$ 94,082        | \$ 549,003       | \$ (79,033)      | \$ (123,181)     | \$ 15,049        | \$ 425,822       | 96.5         |

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 |           | Percentage | Net Cost of |           | Percentage |
|-----------------------|---------------|-----------|------------|-------------|-----------|------------|
|                       | Services      |           | Change     | Services    |           | Change     |
|                       | 2020          | 2019      | 2020-2019  | 2020        | 2019      | 2020-2019  |
| Code Enforcement      | \$ 92,056     | \$ 97,053 | (5.1)      | \$ 44,567   | \$ 63,732 | (30.1)     |
| General               | 407,375       | 342,491   | 18.9       | 251,250     | 327,721   | (23.3)     |
| Municipal Development | 333,858       | 59,790    | 458.4      | 333,858     | 59,790    | 458.4      |
| Municipal Court       | 51,268        | 62,351    | (17.8)     | (4,501)     | (65,939)  | (93.2)     |
| Police                | 949,465       | 881,031   | 7.8        | 755,418     | 618,179   | 22.2       |
| Public Works          | 144,040       | 337,012   | (57.3)     | 144,040     | 337,012   | (57.3)     |
| Parks                 | 74,243        | 59,656    | 24.5       | 74,243      | 52,874    | 40.4       |
| Utility               | 1,313,627     | 1,192,801 | 10.1       | 183,579     | 134,519   | 36.5       |

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2.2 million, a decrease of 6% from the preceding year. The decrease was primarily related to a decrease in sales tax collections. Expenditures increased 18% to \$1.9 million.

### Budgetary Highlights

The City's actual expenditures in the general fund were \$51 thousand less than budgeted amounts, and fund balance decreased \$53 thousand more than anticipated. The Municipal Development District's revenues were \$72 thousand more than budgeted amounts, while expenditures were \$107 thousand more than budgeted amounts, leading to a net change in fund balance that was a decrease rather than an increase as expected.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2020, the City had invested \$11.6 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) The elevated storage tank project continues and engineering has begun on two new utility projects.

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

|                                | Governmental<br>Activities |               | Business-Type<br>Activities |                 | Total           |                 | Percentage<br>Change<br>2020-2019 |
|--------------------------------|----------------------------|---------------|-----------------------------|-----------------|-----------------|-----------------|-----------------------------------|
|                                | 2020                       | 2019          | 2020                        | 2019            | 2020            | 2019            |                                   |
| Land                           | \$ 209                     | \$ 209        | \$ 31                       | \$ 31           | \$ 240          | \$ 240          | 0.0                               |
| Buildings and Improvements     | 356                        | 356           | 14                          | 14              | 370             | 370             | 0.0                               |
| Equipment                      | 878                        | 752           | 397                         | 397             | 1,275           | 1,149           | 11.0                              |
| Infrastructure                 | 693                        | 693           | 8,960                       | 6,986           | 9,653           | 7,679           | 25.7                              |
| Construction in Progress       | -                          | -             | 83                          | 1,084           | 83              | 1,084           | (92.3)                            |
| Totals at Historical Cost      | 2,136                      | 2,010         | 9,485                       | 8,512           | 11,621          | 10,522          | 10.4                              |
| Total Accumulated Depreciation | (1,134)                    | (1,017)       | (4,292)                     | (3,964)         | (5,426)         | (4,981)         | 8.9                               |
| Net Capital Assets             | <u>\$ 1,002</u>            | <u>\$ 993</u> | <u>\$ 5,193</u>             | <u>\$ 4,548</u> | <u>\$ 6,195</u> | <u>\$ 5,541</u> | 11.8                              |

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 \$3.6 million in bonds outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

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

|                             | Governmental |      | Business-Type |          | Total    |          | Percentage |
|-----------------------------|--------------|------|---------------|----------|----------|----------|------------|
|                             | Activities   |      | Activities    |          |          |          | Change     |
|                             | 2020         | 2019 | 2020          | 2019     | 2020     | 2019     | 2020-2019  |
| Bonds and Loans Payable     | \$ -         | \$ - | \$ 3,619      | \$ 3,836 | \$ 3,619 | \$ 4,169 | (13.2)     |
| Total Bonds & Notes Payable | \$ -         | \$ - | \$ 3,619      | \$ 3,836 | \$ 3,619 | \$ 4,169 | (13.2)     |

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2021 budget, tax rates, and fees that will be charged. The economic outlook for Wilson County remains stable. No changes in services are expected and budget levels remain similar to the previous year for the City.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF LA VERNIA  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2020

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, 2020

|                                       | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                         |                            |                             |                     |
| Cash and Cash Equivalents             | \$ 2,842,638               | \$ 257,355                  | \$ 3,099,993        |
| Certificates of Deposit               | 328,813                    | -                           | 328,813             |
| Receivables (net of allowances):      |                            |                             |                     |
| Ad Valorem Taxes                      | 8,724                      | -                           | 8,724               |
| Other                                 | 382,923                    | 94,639                      | 477,562             |
| Prepaid Expenses                      | 11,271                     | -                           | 11,271              |
| Restricted Cash and Investments       | -                          | 236,258                     | 236,258             |
| Capital Assets (net)                  | 1,003,100                  | 5,193,230                   | 6,196,330           |
| <b>TOTAL ASSETS</b>                   | <u>4,577,469</u>           | <u>5,781,482</u>            | <u>10,358,951</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                            |                             |                     |
| Deferred Pension Related Outflows     | 89,181                     | -                           | 89,181              |
| Deferred OPEB Related Outflows        | 5,727                      | -                           | 5,727               |
| <b>TOTAL DEFERRED OUTFLOWS</b>        | <u>94,908</u>              | <u>-</u>                    | <u>94,908</u>       |
| <b>LIABILITIES</b>                    |                            |                             |                     |
| <i>Current Liabilities:</i>           |                            |                             |                     |
| Accounts Payable                      | 18,658                     | 50,671                      | 69,329              |
| Accrued Expenses                      | 30,234                     | -                           | 30,234              |
| Accrued Compensated Absences          | 35,405                     | 35                          | 35,440              |
| Customer Deposits                     | -                          | 77,719                      | 77,719              |
| Unearned Revenue                      | -                          | 18,870                      | 18,870              |
| Accrued Interest Payable              | -                          | 15,901                      | 15,901              |
| <i>Noncurrent Liabilities:</i>        |                            |                             |                     |
| Due within One Year                   | -                          | 218,942                     | 218,942             |
| Due in more than One Year             | -                          | 3,399,999                   | 3,399,999           |
| Net Pension Liability                 | 140,224                    | -                           | 140,224             |
| Total OPEB Liability                  | 29,089                     | -                           | 29,089              |
| <b>TOTAL LIABILITIES</b>              | <u>253,610</u>             | <u>3,782,137</u>            | <u>4,035,747</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                             |                     |
| Deferred Pension Related Inflows      | 83,280                     | -                           | 83,280              |
| Deferred OPEB Related Inflows         | 2,300                      | -                           | 2,300               |
| <b>TOTAL DEFERRED INFLOWS</b>         | <u>85,580</u>              | <u>-</u>                    | <u>85,580</u>       |
| <b>NET POSITION:</b>                  |                            |                             |                     |
| Net Investment in Capital Assets      | 1,003,100                  | 1,716,246                   | 2,719,346           |
| Restricted for:                       |                            |                             |                     |
| Street Repair                         | 552,021                    | -                           | 552,021             |
| Municipal Development District        | 1,304,580                  | -                           | 1,304,580           |
| Municipal Court                       | 17,034                     | -                           | 17,034              |
| Impact Fees                           | -                          | 56,219                      | 56,219              |
| Unrestricted                          | 1,456,452                  | 226,880                     | 1,683,332           |
| <b>TOTAL NET POSITION</b>             | <u>\$ 4,333,187</u>        | <u>\$ 1,999,345</u>         | <u>\$ 6,332,532</u> |

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

| <b>Functions and Programs</b>            | Expenses                   | Program Revenues           |  |  |
|--|----------------------------|----------------------------|--|--|
|  |                            | Charges for<br>Services    | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary Government:</b>               |                            |                            |  |  |
| <i>Governmental Activities:</i>          |                            |                            |  |  |
| Code Enforcement                         | \$ 92,056                  | \$ 47,489                  | \$ -                                     | \$ -                                   |
| General Government                       | 407,375                    | 15,802                     | 140,323                                  | -                                      |
| Municipal Development                    | 333,858                    | -                          | -  | -                                      |
| Municipal Court                          | 51,268                     | 55,769                     | -  | -                                      |
| Police                                   | 949,465                    | 192,917                    | 1,130                                    | -                                      |
| Public Works                             | 144,040                    | -                          | -  | -                                      |
| Parks                                    | 74,243                     | -                          | -  | -                                      |
| <i>Total Governmental Activities</i>     | <u>2,052,305</u>           | <u>311,977</u>             | <u>141,453</u>                           | <u>-</u>                               |
| <i>Business-Type Activities:</i>         |                            |                            |  |  |
| Water and Sewer Utility                  | 1,313,627                  | 1,130,048                  | -  | -                                      |
| <i>Total Business-Type Activities</i>    | <u>1,313,627</u>           | <u>1,130,048</u>           | <u>-</u>                                 | <u>-</u>                               |
| <b>Total Primary Government</b>          | <u><u>\$ 3,365,932</u></u> | <u><u>\$ 1,442,025</u></u> | <u><u>\$ 141,453</u></u>                 | <u><u>\$ -</u></u>                     |
| <b>General Revenues:</b>                 |                            |                            |  |  |
| Taxes                                    |                            |                            |  |  |
| Ad Valorem Taxes                         |                            |                            |  |  |
| Franchise Taxes                          |                            |                            |  |  |
| Sales Taxes                              |                            |                            |  |  |
| Interest and Investment Earnings         |                            |                            |  |  |
| Miscellaneous                            |                            |                            |  |  |
| <b>Total General Revenues</b>            |                            |                            |  |  |
| Transfers                                |                            |                            |  |  |
| Change in Net Position                   |                            |                            |  |  |
| <b>Net Position at Beginning of Year</b> |                            |                            |  |  |
| <b>Net Position at End of Year</b>       |                            |                            |  |  |

See accompanying notes to basic financial statements.

| <u>Net (Expense) Revenue and Changes in Position</u> |                                     |                     |
|--|-------------------------------------|---------------------|
| <u>Primary Government</u>                            |                                     |                     |
| <u>Governmental<br/>Activities</u>                   | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
| \$ (44,567)  |                                     | \$ (44,567)         |
| (251,250)  |                                     | (251,250)           |
| (333,858)  |                                     | (333,858)           |
| 4,501  |                                     | 4,501               |
| (755,418)  |                                     | (755,418)           |
| (144,040)  |                                     | (144,040)           |
| (74,243)   |                                     | (74,243)            |
| <u>(1,598,875)</u>                                   |                                     | <u>(1,598,875)</u>  |
|  | \$ (183,579)                        | (183,579)           |
|  | <u>(183,579)</u>                    | <u>(183,579)</u>    |
| <u>(1,598,875)</u>                                   | <u>(183,579)</u>                    | <u>(1,782,454)</u>  |
| 228,858  | -                                   | 228,858             |
| 65,120   | -                                   | 65,120              |
| 1,466,239  | -                                   | 1,466,239           |
| 11,260   | 4,546                               | 15,806              |
| 21,480   | -                                   | 21,480              |
| <u>1,792,957</u>                                     | <u>4,546</u>                        | <u>1,797,503</u>    |
| <u>(100,000)</u>                                     | <u>100,000</u>                      | <u>-</u>            |
| 94,082   | (79,033)                            | 15,049              |
| <u>4,239,105</u>                                     | <u>2,078,378</u>                    | <u>6,317,483</u>    |
| <u>\$ 4,333,187</u>                                  | <u>\$ 1,999,345</u>                 | <u>\$ 6,332,532</u> |

CITY OF LA VERNIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

|   | Major Funds         |                       |                                      |
|---|---------------------|-----------------------|--------------------------------------|
|   | General<br>Fund     | Street<br>Maintenance | Municipal<br>Development<br>District |
| <b>ASSETS</b>   |                     |                       |                                      |
| Cash and Cash Equivalents   | \$ 1,372,274        | \$ 516,630            | \$ 908,616                           |
| Certificates of Deposit   | -                   | -                     | 328,813                              |
| Receivables (net of allowances<br>for uncollectibles):                              |                     |                       |                                      |
| Property Taxes  | 8,724               | -                     | -                                    |
| Other Receivables   | 275,223             | 35,391                | 69,234                               |
| Prepaid Items   | 11,271              | -                     | -                                    |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,667,492</b> | <b>\$ 552,021</b>     | <b>\$ 1,306,663</b>                  |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES &amp; FUND BALANCES</b>           |                     |                       |                                      |
| <i>Liabilities</i>  |                     |                       |                                      |
| Accounts Payable  | \$ 16,575           | \$ -                  | \$ 2,083                             |
| Accrued Expenditures  | 30,234              | -                     | -                                    |
| <i>Total Liabilities</i>  | <u>46,809</u>       | <u>-</u>              | <u>2,083</u>                         |
| <i>Deferred Inflows of Resources</i>  |                     |                       |                                      |
| Unavailable Property Tax Revenues   | 8,663               | -                     | -                                    |
| <i>Total Deferred Inflows of Resources</i>  | <u>8,663</u>        | <u>-</u>              | <u>-</u>                             |
| <i>Fund Balances:</i>   |                     |                       |                                      |
| Nonspendable Prepaid Items  | 11,271              | -                     | -                                    |
| Restricted for:   |                     |                       |                                      |
| Street Repair   | -                   | 552,021               | -                                    |
| Municipal Court   | -                   | -                     | -                                    |
| Tourism Development   | -                   | -                     | 1,304,580                            |
| Unassigned  | 1,600,749           | -                     | -                                    |
| <i>Total Fund Balances</i>  | <u>1,612,020</u>    | <u>552,021</u>        | <u>1,304,580</u>                     |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES<br/>&amp; FUND BALANCES</b> | <b>\$ 1,667,492</b> | <b>\$ 552,021</b>     | <b>\$ 1,306,663</b>                  |

See accompanying notes to basic financial statements.

| <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------|---|
| \$ 45,117                           | \$ 2,842,637                            |
| -                                   | 328,813                                 |
| -                                   | 8,724                                   |
| 3,075                               | 382,923                                 |
| -                                   | 11,271                                  |
| <u>\$ 48,192</u>                    | <u>\$ 3,574,368</u>                     |

|          |               |
|----------|---------------|
| \$ -     | \$ 18,658     |
| -        | 30,234        |
| <u>-</u> | <u>48,892</u> |

|          |              |
|----------|--------------|
| -        | 8,663        |
| <u>-</u> | <u>8,663</u> |

|               |                  |
|---------------|------------------|
| -             | 11,271           |
| -             | 552,021          |
| 17,034        | 17,034           |
| 31,158        | 31,158           |
| -             | 1,304,580        |
| -             | 1,600,749        |
| <u>48,192</u> | <u>3,516,813</u> |

|                  |                     |
|------------------|---------------------|
| <u>\$ 48,192</u> | <u>\$ 3,574,368</u> |
|------------------|---------------------|



CITY OF LA VERNIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 3,516,813

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

Capital Assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds. 1,003,100

Other long-term assets are not available to pay for current-period expenditures  
and, therefore, are deferred in the funds. 8,664

Accrued vacation leave payable is not due and payable in the current period  
and, therefore, not reported in the funds. (35,405)

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             | (140,224)       |           |
| Pension Related Deferred Outflows | 89,181          |           |
| Pension Related Deferred Inflows  | <u>(83,280)</u> | (134,323) |

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           | (29,089)       |          |
| OPEB Related Deferred Outflows | 5,727          |          |
| OPEB Related Deferred Inflows  | <u>(2,300)</u> | (25,662) |

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 4,333,187

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, 2020

|  | Major Funds         |                       |                                      |
|--|---------------------|-----------------------|--------------------------------------|
|  | General<br>Fund     | Street<br>Maintenance | Municipal<br>Development<br>District |
| <b>REVENUES</b>  |                     |                       |                                      |
| Ad Valorem Taxes   | \$ 225,778          | \$ -                  | \$ -                                 |
| Franchise Fees and Hotel Taxes                               | 65,120              | -                     | -                                    |
| Sales Taxes  | 876,872             | 172,204               | 386,090                              |
| Fines and Penalties  | 54,116              | -                     | -                                    |
| Licenses and Permits   | 47,489              | -                     | -                                    |
| Interest Income  | 5,959               | 917                   | 4,680                                |
| Intergovernmental  | 58,426              | -                     | -                                    |
| Miscellaneous  | 33,349              | -                     | 4,420                                |
| Police Services for School District                          | 192,527             | -                     | -                                    |
| <b>TOTAL REVENUES</b>  | <b>1,559,636</b>    | <b>173,121</b>        | <b>395,190</b>                       |
| <b>EXPENDITURES</b>  |                     |                       |                                      |
| <i>Current:</i>  |                     |                       |                                      |
| Code Enforcement   | 80,673              | -                     | -                                    |
| General Government   | 341,479             | -                     | -                                    |
| Municipal Court  | 49,794              | -                     | -                                    |
| Police   | 875,018             | -                     | -                                    |
| Public Works   | 105,480             | -                     | -                                    |
| Parks  | 73,494              | -                     | -                                    |
| Municipal Development  | -                   | -                     | 286,189                              |
| Capital Outlay   | 125,514             | -                     | -                                    |
| <b>TOTAL EXPENDITURES</b>                                    | <b>1,651,452</b>    | <b>-</b>              | <b>286,189</b>                       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (91,816)            | 173,121               | 109,001                              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                       |                                      |
| Transfer In  | 39,082              | -                     | -                                    |
| Transfer Out   | -                   | -                     | (139,082)                            |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>              | <b>39,082</b>       | <b>-</b>              | <b>(139,082)</b>                     |
| Net Change in Fund Balance                                   | (52,734)            | 173,121               | (30,081)                             |
| Fund Balances at Beginning of Year                           | 1,664,754           | 378,900               | 1,334,661                            |
| Fund Balances at End of Year                                 | <b>\$ 1,612,020</b> | <b>\$ 552,021</b>     | <b>\$ 1,304,580</b>                  |

See accompanying notes to basic financial statements.



| Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------|--------------------------------|
| \$ -                       | \$ 225,778                     |
| 30,741                     | 95,861                         |
| -                          | 1,435,166                      |
| 1,654                      | 55,770                         |
| -                          | 47,489                         |
| 33                         | 11,589                         |
| -                          | 58,426                         |
| -                          | 37,769                         |
| -                          | 192,527                        |
| 32,428                     | 2,160,375                      |
| -                          | 80,673                         |
| -                          | 341,479                        |
| 300                        | 50,094                         |
| -                          | 875,018                        |
| -                          | 105,480                        |
| -                          | 73,494                         |
| -                          | 286,189                        |
| -                          | 125,514                        |
| 300                        | 1,937,941                      |
| 32,128                     | 222,434                        |
| -                          | 39,082                         |
| -                          | (139,082)                      |
| -                          | (100,000)                      |
| 32,128                     | 122,434                        |
| 16,064                     | 3,394,379                      |
| \$ 48,192                  | \$ 3,516,813                   |



CITY OF LA VERNIA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

|  |    |         |
|--|----|---------|
| NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS | \$ | 122,434 |
|--|----|---------|

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

|  |  |       |
|--|--|-------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation. |  | 8,602 |
|--|--|-------|

|   |  |       |
|---|--|-------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in those revenues from the prior year. |  | 3,080 |
|---|--|-------|

|   |          |          |
|---|----------|----------|
| Governmental funds report required contributions to employee pensions and other post employment benefits (oheb) as expenditures. However, in the Statement of Activities these benefits are recorded based on the actuarially determined cost of the plans. This is the amount that the actuarially determined expense exceeded (or was exceeded by) the contributions. |          |          |
| Pension Plan  | (39,031) |          |
| OPEB Plan   | (3,112)  | (42,143) |

|   |       |       |
|---|-------|-------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. |       |       |
| Change in Compensated Absences  | 2,109 | 2,109 |

|  |    |        |
|--|----|--------|
| CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES | \$ | 94,082 |
|--|----|--------|

CITY OF LA VERNIA  
STATEMENT OF NET POSITION  
PROPRIETARY UTILITY FUND  
SEPTEMBER 30, 2020

**ASSETS**

*Current Assets:*

|  |    |         |
|--|----|---------|
| Cash and Cash Equivalents                              | \$ | 257,355 |
| Receivables (net of allowances<br>for uncollectibles): |    | 94,639  |

*Other Assets:*

|                                      |  |                  |
|--------------------------------------|--|------------------|
| Restricted Cash and Investments      |  | 236,258          |
| Capital Assets (net of depreciation) |  | 5,193,230        |
| <b>TOTAL ASSETS</b>                  |  | <b>5,781,482</b> |

**LIABILITIES**

*Current Liabilities:*

|                              |  |        |
|------------------------------|--|--------|
| Accounts Payable             |  | 50,671 |
| Accrued Compensated Absences |  | 35     |
| Customer Deposits            |  | 77,719 |
| Unearned Revenue             |  | 18,870 |
| Accrued Interest Payable     |  | 15,901 |

*Noncurrent Liabilities:*

|                           |  |                  |
|---------------------------|--|------------------|
| Due within One Year       |  | 218,942          |
| Due in more than One Year |  | 3,399,999        |
| <b>TOTAL LIABILITIES</b>  |  | <b>3,782,137</b> |

**NET POSITION:**

|                                  |           |                  |
|----------------------------------|-----------|------------------|
| Net Investment in Capital Assets |           | 1,716,246        |
| Restricted Impact Fees           |           | 56,219           |
| Unrestricted                     |           | 226,880          |
| <b>TOTAL NET POSITION</b>        | <b>\$</b> | <b>1,999,345</b> |

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, 2020

|   |                                |
|---|--------------------------------|
| <b>OPERATING REVENUES</b>                     |                                |
| Water Charges                                 | \$ 596,092                     |
| Sewer Charges                                 | 217,825                        |
| Garbage Charges                               | 281,728                        |
| Connection and Impact Fees                    | 3,588                          |
| Miscellaneous Income                          | 30,815                         |
| <b>TOTAL OPERATING REVENUES</b>               | <u>1,130,048</u>               |
| <br><b>OPERATING EXPENSES</b>                 |                                |
| Personnel                                     | 200,260                        |
| Water Purchase                                | 82,378                         |
| Garbage Collection                            | 255,546                        |
| Utilities                                     | 81,178                         |
| Office and Administrative                     | 50,303                         |
| Repairs and Chemicals                         | 102,382                        |
| Treatment Plant Contract                      | 102,556                        |
| Depreciation                                  | 328,270                        |
| <b>TOTAL OPERATING EXPENSES</b>               | <u>1,202,873</u>               |
| <br><b>OPERATING INCOME (LOSS)</b>            | <br><u>(72,825)</u>            |
| <br><b>NONOPERATING REVENUES (EXPENSES)</b>   |                                |
| Interest Income                               | 4,546                          |
| Interest Expense                              | (110,754)                      |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> | <u>(106,208)</u>               |
| <br>Transfer In                               | <br>100,000                    |
| <br><b>CHANGE IN NET POSITION</b>             | <br><u>(79,033)</u>            |
| <br><b>NET POSITION AT BEGINNING OF YEAR</b>  | <br><u>2,078,378</u>           |
| <br><b>NET POSITION AT END OF YEAR</b>        | <br><u><u>\$ 1,999,345</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, 2020

|   |               |
|---|---------------|
| <b>Cash Flows From Operating Activities:</b>                                |               |
| Cash Received From Customers  | \$ 1,145,775  |
| Cash Paid to Suppliers for Goods and Services                               | (691,019)     |
| Cash Paid to Employees  | (202,864)     |
| <b>Net Cash Provided (Used) by Operating Activities</b>                     | 251,892       |
| <br><b>Cash Flows From Capital and Related Financing Activities:</b>        |               |
| Transfer from Governmental Activities                                       | 100,000       |
| Purchases of Capital Assets   | (972,517)     |
| Principal Payments  | (200,318)     |
| Interest Paid   | (128,966)     |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b> | (1,201,801)   |
| <br><b>Cash Flows From Investing Activities:</b>                            |               |
| Investment Interest Received  | 4,546         |
| <b>Net Cash Provided (Used) by Investing Activities</b>                     | 4,546         |
| <br><b>Net Increase (Decrease) in Cash and Cash Equivalents</b>             | <br>(945,363) |
| <br><b>Cash and Cash Equivalents at Beginning of Year</b>                   |               |
| Cash and Cash Equivalents   | 323,791       |
| Restricted Cash   | 1,115,185     |
|   | 1,438,976     |
| <br><b>Cash and Cash Equivalents at End of Year</b>                         |               |
| Cash and Cash Equivalents   | 257,355       |
| Restricted Cash   | 236,258       |
|   | \$ 493,613    |

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, 2020

**Reconciliation of Operating Income to Net Cash**

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

|  |                   |
|--|-------------------|
| Operating Income (Loss)                                    | \$ (72,825)       |
| Adjustments to Reconcile Operating Income to Net Cash      |                   |
| Provided (Used) by Operating Activities:                   |                   |
| Depreciation   | 328,270           |
| (Increase) Decrease in Operating Assets:                   |                   |
| Accounts Receivable (net)                                  | 5,178             |
| Prepaid Expenses   | 280               |
| Increase (Decrease) in Current Liabilities:                |                   |
| Accounts Payable   | (16,956)          |
| Accrued Expenses   | (1,666)           |
| Accrued Compensated Absences                               | (938)             |
| Customer Deposits  | 3,876             |
| Unearned Revenue   | 6,673             |
| <b>Total Adjustments to Reconcile Operating Activities</b> | <b>324,717</b>    |
| <br>   |                   |
| <b>Net Cash Provided (Used) by</b>                         |                   |
| <b>Operating Activities</b>                                | <b>\$ 251,892</b> |

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**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, 2020, 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, 2020

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

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

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

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

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

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

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

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

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

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

The government reports the following major governmental funds:

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

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

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

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

5. INVESTMENTS

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

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2019 and past due after January 31, 2020. 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 \$2,181 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, 2020

**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, 2020

**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, 2020

**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, 2020

**NOTE B -- DEPOSITS AND INVESTMENTS**

Deposits

The City holds deposits at two institutions. At September 30, 2020, the City's deposits (including certificates of deposit) were fully collateralized by a combination of FDIC and pledged securities by the City's depositories. In the fund statements, restricted cash is presented only if the restriction is narrower than the purpose of the fund. As of September 30, 2020, \$180,039 and \$56,219 in the utility fund were restricted for construction from bond proceeds and impact fees, respectively.

Investments

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

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

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

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

Public Funds Investment Pools

As of September 30, 2020, the held \$1,119,191 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.

At September 30, 2020, the City’s investments were in TexPool and Lone Star Investment Pool, which are public funds investment pools where all securities held to maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

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.



CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

Public Funds Investment Pools

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, 2019, upon which the fiscal 2020 levy was based, was \$114,927,116 (i.e., market value less exemptions). The estimated market value was \$162,397,600, making the taxable value 71% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2020, was \$0.1999 per \$100 of assessed value, which means that the City has a tax margin of \$2.3001 for each \$100 value and could increase its annual tax levy by approximately \$2,643,439 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE D -- OTHER RECEIVABLES**

Other receivables for the City as of September 30, 2020 are as follows:

|                                      | General Fund      | Street<br>Maintenance | Municipal<br>Development | Total<br>Nonmajor<br>Funds | Utility          |
|--------------------------------------|-------------------|-----------------------|--------------------------|----------------------------|------------------|
| Sales Tax                            | \$ 181,538        | \$ 35,391             | \$ 69,234                | \$ -                       | \$ -             |
| Franchise Taxes                      | 17,381            | -                     | -                        | -                          | -                |
| Police Services                      | 8,046             | -                     | -                        | -                          | -                |
| Other                                | 7,230             | -                     | -                        | 3,075                      | -                |
| Grant Receivable                     | 61,028            | -                     | -                        | -                          | -                |
| Utility Services                     | -                 | -                     | -                        | -                          | 102,291          |
| Allowance for Uncollectible Accounts | -                 | -                     | -                        | -                          | (7,652)          |
| Total Other Receivables              | <u>\$ 275,223</u> | <u>\$ 35,391</u>      | <u>\$ 69,234</u>         | <u>\$ 3,075</u>            | <u>\$ 94,639</u> |

**NOTE E -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, was as follows:

| <u>Governmental Activities</u>   | Balance<br>10/1/2019 | Additions        | Disposals/<br>Transfers | Balance<br>9/30/2020 |
|----------------------------------|----------------------|------------------|-------------------------|----------------------|
| Land                             | \$ 209,198           | \$ -             | \$ -                    | \$ 209,198           |
| Buildings and Improvements       | 356,269              | -                | -                       | 356,269              |
| Vehicles and Equipment           | 752,486              | 125,514          | -                       | 878,000              |
| Infrastructure                   | 693,260              | -                | -                       | 693,260              |
|                                  | <u>2,011,213</u>     | <u>125,514</u>   | <u>-</u>                | <u>2,136,727</u>     |
| Less Accumulated Depreciation    |                      |                  |                         |                      |
| Buildings and Improvements       | (129,764)            | (10,561)         | -                       | (140,325)            |
| Equipment                        | (610,150)            | (71,165)         | -                       | (681,315)            |
| Infrastructure                   | (276,801)            | (35,186)         | -                       | (311,987)            |
|                                  | <u>(1,016,715)</u>   | <u>(116,912)</u> | <u>-</u>                | <u>(1,133,627)</u>   |
| Governmental Capital Assets, Net | <u>\$ 994,498</u>    | <u>\$ 8,602</u>  | <u>\$ -</u>             | <u>\$ 1,003,100</u>  |

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

|   |                   |
|---|-------------------|
| General   | \$ 28,228         |
| Police  | 51,806            |
| Public Works  | 36,878            |
| Total Depreciation Expense -<br>Governmental Activities | <u>\$ 116,912</u> |

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

| <u>Business-Type Activities</u>   | Balance<br>10/1/2019 | Additions         | Disposals/<br>Transfers | Balance<br>9/30/2020 |
|-----------------------------------|----------------------|-------------------|-------------------------|----------------------|
| Land                              | \$ 31,158            | \$ -              | \$ -                    | \$ 31,158            |
| Buildings and Improvements        | 14,000               | -                 | -                       | 14,000               |
| Vehicles and Equipment            | 397,189              | -                 | -                       | 397,189              |
| Infrastructure                    | 6,986,476            | 189,824           | 1,783,747               | 8,960,047            |
| Construction in Progress          | 1,084,004            | 782,693           | (1,783,747)             | 82,950               |
|                                   | <u>8,512,827</u>     | <u>972,517</u>    | <u>-</u>                | <u>9,485,344</u>     |
| Less Accumulated Depreciation     |                      |                   |                         |                      |
| Buildings and Improvements        | (10,604)             | (925)             | -                       | (11,529)             |
| Equipment                         | (203,427)            | (25,871)          | -                       | (229,298)            |
| Infrastructure                    | (3,749,813)          | (301,474)         | -                       | (4,051,287)          |
|                                   | <u>(3,963,844)</u>   | <u>(328,270)</u>  | <u>-</u>                | <u>(4,292,114)</u>   |
| Business-Type Capital Assets, Net | <u>\$ 4,548,983</u>  | <u>\$ 644,247</u> | <u>\$ -</u>             | <u>\$ 5,193,230</u>  |

Land and Construction in Progress are not depreciated.

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

Changes in long-term debt for the year ending September 30, 2020 were as follows:

|                       | Balance<br>10/1/2019 | Additions        | Reductions          | Balance<br>9/30/2020 |
|-----------------------|----------------------|------------------|---------------------|----------------------|
| Bonds                 | \$ 3,836,125         | \$ -             | \$ (217,184)        | \$ 3,618,941         |
| Net Pension Liability | 154,118              | 42,653           | (56,547)            | 140,224              |
| Total OPEB Liability  | 21,964               | 2,927            | 4,198               | 29,089               |
| <i>Totals</i>         | <u>\$ 4,012,207</u>  | <u>\$ 45,580</u> | <u>\$ (269,533)</u> | <u>\$ 3,788,254</u>  |

Long-term debt and obligations payable at September 30, 2020, 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%.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

*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 refunding resulted in present value savings of \$36,234. The bonds mature March 1, 2030 and bear interest at rates ranging from 1.295% to 2.84%.

*Changes in Long-Term Liabilities*

|   | Balance<br>10/1/2019 | Additions   | Reductions          | Balance<br>9/30/2020 | Due Within<br>One Year |
|---|----------------------|-------------|---------------------|----------------------|------------------------|
| <b>Business-Type Activities</b>                           |                      |             |                     |                      |                        |
| <i>Private Placements<br/>and Direct Borrowings:</i>      |                      |             |                     |                      |                        |
| San Antonio River Authority<br>Refunding, 2017            | 335,000              | -           | (31,038)            | 303,962              | 32,428                 |
|   | 543,000              | -           | (44,000)            | 499,000              | 45,000                 |
| <i>Total Private Placements<br/>and Direct Borrowings</i> | 878,000              | -           | (75,038)            | 802,962              | 77,428                 |
| <i>Public Offerings:</i>                                  |                      |             |                     |                      |                        |
| Certificates of Obligation, 2016                          | 2,780,000            | -           | (125,000)           | 2,655,000            | 125,000                |
| <i>Total Public Offerings</i>                             | 2,780,000            | -           | (125,000)           | 2,655,000            | 125,000                |
| Unamortized Premiums                                      | 178,125              | -           | (17,146)            | 160,979              | 16,514                 |
| <i>Total Business-Type Activities</i>                     | 3,836,125            | -           | (217,184)           | 3,618,941            | 218,942                |
| <b>Total Primary Government</b>                           | <b>\$ 3,836,125</b>  | <b>\$ -</b> | <b>\$ (217,184)</b> | <b>\$ 3,618,941</b>  | <b>\$ 218,942</b>      |

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2020, including interest payments, are as follows:

| Year Ending<br>September 30, | Business-Type Activities                   |                        |                   |
|------------------------------|--|------------------------|-------------------|
|                              | Private Placements and Direct<br>Principal | Borrowings<br>Interest | Total             |
| 2021                         | \$ 77,428                                  | \$ 24,766              | \$ 102,194        |
| 2022                         | 79,881                                     | 22,524                 | 102,405           |
| 2023                         | 82,400                                     | 20,132                 | 102,532           |
| 2024                         | 84,985                                     | 17,584                 | 102,569           |
| 2025                         | 87,642                                     | 14,870                 | 102,512           |
| 2026-2030                    | 390,626                                    | 29,711                 | 420,337           |
|                              | <b>\$ 802,962</b>                          | <b>\$ 129,587</b>      | <b>\$ 932,549</b> |

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

The annual requirements to amortize all public offerings long-term debt and obligations outstanding as of September 30, 2020, including interest payments, are as follows:

| Year Ending<br>September 30, | Business-Type Activities |            |              |
|------------------------------|--------------------------|------------|--------------|
|                              | Public Offerings         |            |              |
|                              | Principal                | Interest   | Total        |
| 2021                         | \$ 125,000               | \$ 97,950  | \$ 222,950   |
| 2022                         | 130,000                  | 94,200     | 224,200      |
| 2023                         | 135,000                  | 90,300     | 225,300      |
| 2024                         | 140,000                  | 86,250     | 226,250      |
| 2025                         | 145,000                  | 82,050     | 227,050      |
| 2026-2030                    | 795,000                  | 333,100    | 1,128,100    |
| 2031-2035                    | 970,000                  | 162,400    | 1,132,400    |
| 2036                         | 215,000                  | 8,600      | 223,600      |
|                              | \$ 2,655,000             | \$ 954,850 | \$ 3,609,850 |

The City has 2 bond series 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 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.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, 2020

**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, 2019 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    | 16 |
| Active employees   | 21 |
|  | 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 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

For the year ending September 30, 2020, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.44% and 5.93% in calendar years 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended September 30, 2020 were \$51,415 which equaled required contributions.

**Net Pension Liability**

The City’s Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**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<br/>Expected Real<br/>Rate of Return<br/>(Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Global Equity         | 30.00%                   | 5.30%  |
| Core Fixed Income     | 10.00%                   | 1.25%  |
| Non-Core Fixed Income | 20.00%                   | 4.14%  |
| Real Return           | 10.00%                   | 3.85%  |
| Real Estate           | 10.00%                   | 4.00%  |
| Absolute Return       | 10.00%                   | 3.48%  |
| Private Equity        | 10.00%                   | 7.75%  |
|                       | <u>100.00%</u>           |  |

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**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, 2019:

|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability |
|--|----------------------------|--------------------------------|--------------------------|
| Balance at December 31, 2018                                     | \$ 582,314                 | \$ 428,196                     | \$ 154,118               |
| Changes for the year:  |                            |                                |                          |
| Service Cost   | 108,497                    | -                              | 108,497                  |
| Interest   | 43,381                     | -                              | 43,381                   |
| Change of Benefit Terms  | 28,198                     | -                              | 28,198                   |
| Difference Between Expected and<br>Actual Experience             | (43,164)                   | -                              | (43,164)                 |
| Changes of Assumptions   | 2,883                      | -                              | 2,883                    |
| Contributions - Employer   | -                          | 30,972                         | (30,972)                 |
| Contributions - Employee   | -                          | 56,656                         | (56,656)                 |
| Net Investment Income  | -                          | 66,446                         | (66,446)                 |
| Benefit Payments, Including Refunds<br>of Employee Contributions | (44,149)                   | (44,149)                       | -                        |
| Administrative Expense   | -                          | (374)                          | 374                      |
| Other Changes  | -                          | (11)                           | 11                       |
| Net Changes  | <u>95,646</u>              | <u>109,540</u>                 | <u>(13,894)</u>          |
| Balance at December 31, 2019                                     | <u>\$ 677,960</u>          | <u>\$ 537,736</u>              | <u>\$ 140,224</u>        |

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

|                               | 5.75%      | 6.75%      | 7.75%     |
|-------------------------------|------------|------------|-----------|
| Net Pension Liability (Asset) | \$ 228,191 | \$ 140,224 | \$ 66,096 |



CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**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, 2020, the City recognized pension expense of \$51,415. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Economic Experience  | \$ 18,843                            | \$ 44,167                           |
| Changes in Actuarial Assumptions                             | 6,481                                | -                                   |
| Differences Between Projected and Actual Investment Earnings | 21,416                               | 39,113                              |
| Contributions Subsequent to the Measurement Date             | 42,441                               | -                                   |
|  | \$ 89,181                            | \$ 83,280                           |

Deferred outflows of resources in the amount of \$42,441 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, 2020. 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, |             |
|--------------------------------------|-------------|
| 2020                                 | \$ (7,718)  |
| 2021                                 | (7,743)     |
| 2022                                 | (3,774)     |
| 2023                                 | (12,549)    |
| 2024                                 | (4,756)     |
| Thereafter                           | -           |
|                                      | \$ (36,540) |

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**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, 2019, 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   | 21 |
|  | 25 |
|  | 25 |

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 10.50% Including Inflation   |
| Discount Rate                       | 2.75% (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                        |

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

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

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

|                                      | Total SDBF<br>Contribution<br>Rate | Retiree Portion of<br>SDBF Contribution<br>Rate |
|--------------------------------------|------------------------------------|---|
| For the Plan Year Ended December 31, |                                    |   |
| 2018                                 | 0.14%                              | 0.02%   |
| 2019                                 | 0.16%                              | 0.02%   |
| 2020                                 | 0.15%                              | 0.02%   |

The following presents the TOL of the City, calculated using the discount rate of 2.75% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (1.75%) and 1-percentage point higher (3.75%) than the current rate:

|                              | Discount Rate<br>1.75% | Discount Rate<br>2.75% | Discount Rate<br>3.75% |
|------------------------------|------------------------|------------------------|------------------------|
| Total OPEB Liability (Asset) | \$ 34,928              | \$ 29,089              | \$ 24,516              |

The City's Total OPEB Liability (TOL), as of December 31, 2019 was calculated as follows:

|  | Total OPEB<br>Liability |
|--|-------------------------|
| Balance at December 31, 2018                         | \$ 21,964               |
| Changes for the year:                                |                         |
| Service Cost   | 2,077                   |
| Interest   | 850                     |
| Change of Benefit Terms                              | -                       |
| Difference Between Expected and<br>Actual Experience | (765)                   |
| Changes of Assumptions or Other<br>Inputs            | 5,152                   |
| Benefit Payments                                     | (189)                   |
| Net Changes  | 7,125                   |
| Balance at December 31, 2019                         | \$ 29,089               |

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, 2020

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$3,330. Also as of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in Actuarial Assumptions                    | \$ 5,580                             | \$ 1,176                            |
| Contributions Subsequent to the<br>Measurement Date | -                                    | 1,124                               |
| Contributions Subsequent to the<br>Measurement Date | 147                                  | -                                   |
|   | \$ 5,727                             | \$ 2,300                            |

Deferred outflows of resources in the amount of \$147 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, 2020. 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, |            |          |
|--------------------------------------|------------|----------|
|                                      | 2020       | \$ 403   |
|                                      | 2021       | 403      |
|                                      | 2022       | 403      |
|                                      | 2023       | 403      |
|                                      | 2024       | 403      |
|                                      | Thereafter | 1,265    |
|                                      |            | \$ 3,280 |

**NOTE I -- INTERFUND TRANSFERS**

The Municipal Development Fund transferred \$39,082 to the General Fund in support of administrative overhead. In addition, the Municipal Development Fund transferred \$100,000 to the utility fund for a public works project.

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**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<br>Date | Entity   | Original<br>Issue | Estimated<br>Outstanding | Maturity |
|------------------|--|-------------------|--------------------------|----------|
| 2006             | Southwest Winners Foundation, Inc.                   | \$ 9,470,000      | \$ 5,705,000             | 2031     |
| 2009             | Winfrey Academy Charter Schools                      | 8,305,000         | 7,195,000                | 2038     |
| 2008             | COSMOS Foundation, Inc.                              | 30,075,000        | 25,740,000               | 2038     |
| 2008             | Amigos Por Vida for Life Housing and Education Corp. | 10,350,000        | 8,455,000                | 2037     |
| 2011             | Life School of Dallas                                | 38,880,000        | 33,930,000               | 2041     |
| 2015             | Meridian World School                                | 29,640,000        | 27,750,000               | 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.



## 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, 2020

|                                     | Budget Amounts |            | Actual<br>Amounts | Variance                   |
|-------------------------------------|----------------|------------|-------------------|----------------------------|
|                                     | Original       | Final      |                   | Favorable<br>(Unfavorable) |
| <b>REVENUES</b>                     |                |            |                   |                            |
| Ad Valorem Taxes                    | \$ 239,129     | \$ 239,129 | \$ 225,778        | \$ (13,351)                |
| Franchise Fees                      | 70,000         | 70,000     | 65,120            | (4,880)                    |
| Sales Taxes                         | 896,000        | 896,000    | 876,872           | (19,128)                   |
| Fines and Penalties                 | 120,800        | 120,800    | 54,116            | (66,684)                   |
| Licenses and Permits                | 54,300         | 54,300     | 47,489            | (6,811)                    |
| Interest Income                     | 2,000          | 2,000      | 5,959             | 3,959                      |
| Intergovernmental                   | 1,030          | 1,030      | 58,426            | 57,396                     |
| Miscellaneous                       | 40,200         | 40,200     | 33,349            | (6,851)                    |
| Police Services for School District | 240,260        | 240,260    | 192,527           | (47,733)                   |
| <b>TOTAL REVENUES</b>               | 1,663,719      | 1,663,719  | 1,559,636         | (104,083)                  |
| <b>EXPENDITURES</b>                 |                |            |                   |                            |
| <i>Code Enforcement</i>             |                |            |                   |                            |
| Personnel                           | 20,659         | 20,659     | 11,536            | 9,123                      |
| Operations                          | 81,690         | 81,690     | 69,136            | 12,554                     |
| <i>Total Code Enforcement</i>       | 102,349        | 102,349    | 80,672            | 21,677                     |
| <i>General Government</i>           |                |            |                   |                            |
| Personnel                           | 189,973        | 189,973    | 183,526           | 6,447                      |
| Operations                          | 184,619        | 184,619    | 157,953           | 26,666                     |
| <i>Total General Government</i>     | 374,592        | 374,592    | 341,479           | 33,113                     |
| <i>Municipal Court</i>              |                |            |                   |                            |
| Personnel                           | 53,343         | 53,343     | 40,523            | 12,820                     |
| Operations                          | 11,400         | 11,400     | 9,271             | 2,129                      |
| <i>Total Municipal Court</i>        | 64,743         | 64,743     | 49,794            | 14,949                     |
| <i>Police Department</i>            |                |            |                   |                            |
| Personnel                           | 672,754        | 672,754    | 675,225           | (2,471)                    |
| Operations                          | 187,885        | 187,885    | 199,793           | (11,908)                   |
| Capital Outlay                      | 77,015         | 77,015     | 77,015            | -                          |
| <i>Total Police Department</i>      | 937,654        | 937,654    | 952,033           | (14,379)                   |
| <i>Public Works</i>                 |                |            |                   |                            |
| Personnel                           | 80,505         | 80,505     | 54,725            | 25,780                     |
| Operations                          | 68,427         | 68,427     | 50,755            | 17,672                     |
| <i>Total Public Works</i>           | \$ 148,932     | \$ 148,932 | \$ 105,480        | \$ 43,452                  |



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, 2020

|  | Budget Amounts      |                     | Actual<br>Amounts   | Variance                   |
|--|---------------------|---------------------|---------------------|----------------------------|
|  | Original            | Final               |                     | Favorable<br>(Unfavorable) |
| <i>Parks</i>   |                     |                     |                     |                            |
| Personnel  | \$ 47,931           | \$ 47,931           | \$ 48,479           | \$ (548)                   |
| Operations   | 26,600              | 26,600              | 25,015              | 1,585                      |
| Capital Outlay   | -                   | -                   | 48,500              | (48,500)                   |
| <i>Total Parks</i>   | 74,531              | 74,531              | 121,994             | (47,463)                   |
| <b>TOTAL EXPENDITURES</b>                                    | <b>1,702,801</b>    | <b>1,702,801</b>    | <b>1,651,452</b>    | <b>51,349</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (39,082)            | (39,082)            | (91,816)            | (52,734)                   |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                    |                     |                     |                     |                            |
| Transfer In  | 39,082              | 39,082              | 39,082              | -                          |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>              | <b>39,082</b>       | <b>39,082</b>       | <b>39,082</b>       | <b>-</b>                   |
| Net Change in Fund Balance                                   | -                   | -                   | (52,734)            | (52,734)                   |
| <b>BEGINNING FUND BALANCE</b>                                | <b>1,664,754</b>    | <b>1,664,754</b>    | <b>1,664,754</b>    | <b>-</b>                   |
| <b>ENDING FUND BALANCE</b>                                   | <b>\$ 1,664,754</b> | <b>\$ 1,664,754</b> | <b>\$ 1,612,020</b> | <b>\$ (52,734)</b>         |

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, 2020

|   | Budget Amounts      |                     | Actual<br>Amounts   | Variance                   |
|---|---------------------|---------------------|---------------------|----------------------------|
|   | Original            | Final               |                     | Favorable<br>(Unfavorable) |
| <b>REVENUES</b>                         |                     |                     |                     |                            |
| Sales Tax                               | \$ 310,000          | \$ 311,880          | \$ 386,091          | \$ 74,211                  |
| Interest Income                         | 180                 | 3,000               | 4,680               | 1,680                      |
| Miscellaneous Income                    | 7,500               | 7,500               | 4,420               | (3,080)                    |
| <b>TOTAL REVENUES</b>                   | <u>317,680</u>      | <u>322,380</u>      | <u>395,191</u>      | <u>72,811</u>              |
| <b>EXPENDITURES</b>                     |                     |                     |                     |                            |
| Personnel                               | 44,292              | 45,319              | 50,635              | (5,316)                    |
| Operations                              | 133,560             | 133,560             | 235,554             | (101,994)                  |
| <b>TOTAL EXPENDITURES</b>               | <u>177,852</u>      | <u>178,879</u>      | <u>286,189</u>      | <u>(107,310)</u>           |
| Excess of Revenues Over<br>Expenditures | <u>139,828</u>      | <u>143,501</u>      | <u>109,002</u>      | <u>(34,499)</u>            |
| <b>OTHER FINANCING USES</b>             |                     |                     |                     |                            |
| Transfer Out                            | <u>(39,083)</u>     | <u>(39,083)</u>     | <u>(139,083)</u>    | <u>100,000</u>             |
| <b>Net Change in Fund Balance</b>       | 100,745             | 104,418             | (30,081)            | (134,499)                  |
| Fund Balances at Beginning of Year      | <u>1,334,661</u>    | <u>1,334,661</u>    | <u>1,334,661</u>    | <u>-</u>                   |
| Fund Balances at End of Year            | <u>\$ 1,435,406</u> | <u>\$ 1,439,079</u> | <u>\$ 1,304,580</u> | <u>\$ (134,499)</u>        |

CITY OF LA VERNIA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2020

**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 SIX CALENDER YEARS

|  | Total Pension Liability     |                   |                   |                   |                   |                   |
|--|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2014                        | 2015              | 2016              | 2017              | 2018              | 2019              |
| Service Cost   | \$ 30,199                   | \$ 39,505         | \$ 40,465         | \$ 42,472         | \$ 67,609         | \$ 108,497        |
| Interest (on the Total Pension Liability)                              | 22,134                      | 24,686            | 28,107            | 30,518            | 33,415            | 43,381            |
| Changes of Benefit Terms   | -                           | -                 | 5,235             | -                 | -                 | 28,198            |
| Difference between Expected and Actual Experience                      | 340                         | (3,519)           | (6,327)           | (10,600)          | 29,933            | (43,164)          |
| Change of Assumptions  | -                           | 13,921            | -                 | -                 | -                 | 2,883             |
| Benefit Payments, Including Refunds of Employee Contributions          | (19,304)                    | (22,438)          | (10,693)          | (44,361)          | (19,738)          | (44,149)          |
| Net Change in Total Pension Liability                                  | 33,369                      | 52,155            | 56,787            | 18,029            | 111,219           | 95,646            |
| Total Pension Liability - Beginning                                    | 310,755                     | 344,124           | 396,279           | 453,066           | 471,095           | 582,314           |
| Total Pension Liability - Ending                                       | <u>\$ 344,124</u>           | <u>\$ 396,279</u> | <u>\$ 453,066</u> | <u>\$ 471,095</u> | <u>\$ 582,314</u> | <u>\$ 677,960</u> |
|  | Plan Fiduciary Net Position |                   |                   |                   |                   |                   |
|  | 2014                        | 2015              | 2016              | 2017              | 2018              | 2019              |
| Contributions - Employer   | \$ 14,042                   | \$ 16,604         | \$ 15,213         | \$ 16,427         | \$ 31,359         | \$ 30,972         |
| Contributions - Employee   | 27,720                      | 31,604            | 31,175            | 32,422            | 61,748            | 56,656            |
| Net Investment Income  | 11,700                      | 352               | 17,891            | 44,113            | (10,986)          | 66,446            |
| Benefit Payments, Including Refunds of Employee Contributions          | (19,304)                    | (22,438)          | (10,693)          | (44,361)          | (19,738)          | (44,149)          |
| Administrative Expense   | (122)                       | (214)             | (202)             | (228)             | (212)             | (374)             |
| Other  | (10)                        | (10)              | (11)              | (12)              | (11)              | (11)              |
| Net Change in Plan Fiduciary Net Position                              | 34,026                      | 25,898            | 53,373            | 48,361            | 62,160            | 109,540           |
| Plan Fiduciary Net Position - Beginning                                | 204,378                     | 238,404           | 264,302           | 317,675           | 366,036           | 428,196           |
| Plan Fiduciary Net Position - Ending                                   | <u>\$ 238,404</u>           | <u>\$ 264,302</u> | <u>\$ 317,675</u> | <u>\$ 366,036</u> | <u>\$ 428,196</u> | <u>\$ 537,736</u> |
| Net Pension Liability (Asset) - Ending                                 | \$ 105,720                  | \$ 131,977        | \$ 135,391        | \$ 105,059        | \$ 154,118        | \$ 140,224        |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 69.28%                      | 66.70%            | 70.12%            | 77.70%            | 73.53%            | 79.32%            |
| Covered Payroll  | \$ 554,405                  | \$ 632,086        | \$ 623,503        | \$ 540,360        | \$ 833,655        | \$ 944,273        |
| Net Pension Liability as a Percentage of Covered Payroll               | 19.07%                      | 20.88%            | 21.71%            | 19.44%            | 18.49%            | 14.85%            |

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

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

| Fiscal Year Ending<br>September 30, | Actuarially<br>Determined<br>Contribution<br>(ARC) | Contributions<br>in Relation<br>to ARC | Contribution<br>Deficiency<br>(Excess) | Covered<br>Employee<br>Payroll | Contributions<br>As Percent<br>of Covered<br>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%  |

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 THREE 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<br>and Actual Experience                    | -                    | (573)            | (765)            |
| Changes in Assumptions or<br>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> |
| <br>Covered Employee Payroll  | <br>\$ 540,360       | <br>\$ 833,655   | <br>\$ 944,273   |
| <br>Total OPEB Liability as a Percentage<br>of Covered Employee Payroll | <br>3.83%            | <br>2.63%        | <br>3.08%        |

Notes to Schedule of Contributions

Changes in Benefits: None

Changes in Assumptions: None

**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.

## 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, 2020 AND 2019

|   | 2020             | 2019             |
|---|------------------|------------------|
| <b>ASSETS</b>   |                  |                  |
| Cash and Cash Equivalents   | \$ 1,372,274     | \$ 1,418,660     |
| Receivables (net of allowances for uncollectibles):                                 |                  |                  |
| Property Taxes  | 8,724            | 7,236            |
| Other Receivables   | 275,223          | 276,338          |
| Prepaid Items   | 11,271           | 41,156           |
| <br><b>TOTAL ASSETS</b>   | <br>\$ 1,667,492 | <br>\$ 1,743,390 |
| <br><b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES &amp; FUND BALANCES</b>       |                  |                  |
| <i>Liabilities:</i>   |                  |                  |
| Accounts Payable  | \$ 16,575        | \$ 17,223        |
| Accrued Expenditures  | 30,234           | 55,830           |
| <i>Total Liabilities</i>  | 46,809           | 73,053           |
| <br><i>Deferred Inflows of Resources</i>  |                  |                  |
| Unavailable Property Tax Revenues   | 8,663            | 5,583            |
| <i>Total Deferred Inflows of Resources</i>  | 8,663            | 5,583            |
| <br><i>Fund Balances:</i>   |                  |                  |
| Nonspendable:   |                  |                  |
| Prepaid Items   | 11,271           | 41,156           |
| Unassigned  | 1,600,749        | 1,623,598        |
| <i>Total Fund Balances</i>  | 1,612,020        | 1,664,754        |
| <br><b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES &amp; FUND BALANCES</b> | <br>\$ 1,667,492 | <br>\$ 1,743,390 |



CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

|  | 2020         | 2019         |
|--|--------------|--------------|
| <b>REVENUES</b>  |              |              |
| Ad Valorem Taxes   | \$ 225,778   | \$ 220,872   |
| Franchise Fees   | 65,120       | 64,701       |
| Sales Taxes  | 876,872      | 1,055,815    |
| Fines and Penalties  | 54,116       | 122,455      |
| Licenses and Permits   | 47,489       | 33,321       |
| Interest Income  | 5,959        | 2,254        |
| Intergovernmental  | 58,426       | 56,372       |
| Miscellaneous  | 33,349       | 40,628       |
| Police Services for School District                          | 192,527      | 202,357      |
| <b>TOTAL REVENUES</b>  | 1,559,636    | 1,798,775    |
| <b>EXPENDITURES</b>  |              |              |
| <i>Current:</i>  |              |              |
| Code Enforcement   | 80,673       | 58,449       |
| General Government   | 341,479      | 322,527      |
| Municipal Court  | 49,794       | 56,711       |
| Police   | 875,018      | 837,633      |
| Public Works   | 105,480      | 137,837      |
| Parks  | 73,494       | 59,656       |
| Municipal Development  | -            | 1,356        |
| Capital Outlay   | 125,514      | 34,400       |
| <i>Debt Service:</i>   |              |              |
| Principal Payments   | -            | 27,498       |
| Interest and Fiscal Charges                                  | -            | 929          |
| <b>TOTAL EXPENDITURES</b>                                    | 1,651,452    | 1,536,996    |
| Excess (Deficiency) of Revenues Over<br>(Under) Expenditures | (91,816)     | 261,779      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |              |              |
| Transfer In  | 39,082       | 39,082       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | 39,082       | 39,082       |
| Net Change in Fund Balance                                   | (52,734)     | 300,861      |
| Fund Balances at Beginning of Year                           | 1,664,754    | 1,363,893    |
| Fund Balances at End of Year                                 | \$ 1,612,020 | \$ 1,664,754 |

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 STREET MAINTENANCE FUND  
 SEPTEMBER 30, 2020 AND 2019

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| <b>ASSETS</b>                               |                   |                   |
| Cash and Cash Equivalents                   | \$ 516,630        | \$ 346,632        |
| Other Receivables                           | 35,391            | 32,268            |
| <b>TOTAL ASSETS</b>                         | <b>\$ 552,021</b> | <b>\$ 378,900</b> |
| <br><b>LIABILITIES &amp; FUND BALANCE</b>   |                   |                   |
| <i>Liabilities:</i>                         |                   |                   |
| Accounts Payable                            | \$ -              | \$ -              |
| <i>Total Liabilities</i>                    | -                 | -                 |
| <br><i>Fund Balance:</i>                    |                   |                   |
| Restricted for Street Maintenance           | 552,021           | 378,900           |
| <i>Total Fund Balance</i>                   | 552,021           | 378,900           |
| <b>TOTAL LIABILITIES &amp; FUND BALANCE</b> | <b>\$ 552,021</b> | <b>\$ 378,900</b> |

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 STREET MAINTENANCE FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

|  | 2020       | 2019       |
|--|------------|------------|
| <b>REVENUES</b>                        |            |            |
| Sales Taxes                            | \$ 172,204 | \$ 207,615 |
| Interest Income                        | 917        | 669        |
| <b>TOTAL REVENUES</b>                  | 173,121    | 208,284    |
| <br><b>EXPENDITURES</b>                |            |            |
| <i>Current:</i>                        |            |            |
| Public Works                           | -          | 158,439    |
| <b>TOTAL EXPENDITURES</b>              | -          | 158,439    |
| <br>Net Change in Fund Balance         | 173,121    | 49,845     |
| <br>Fund Balances at Beginning of Year | 378,900    | 329,055    |
| <br>Fund Balances at End of Year       | \$ 552,021 | \$ 378,900 |

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 MUNICIPAL DEVELOPMENT DISTRICT  
 SEPTEMBER 30, 2020 AND 2019

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>ASSETS</b>                                    |                     |                     |
| Cash and Cash Equivalents                        | \$ 908,616          | \$ 868,868          |
| Certificates of Deposit                          | 328,813             | 404,585             |
| Other Receivables                                | 69,234              | 61,581              |
| <b>TOTAL ASSETS</b>                              | <b>\$ 1,306,663</b> | <b>\$ 1,335,034</b> |
| <b>LIABILITIES AND FUND BALANCES</b>             |                     |                     |
| <i>Liabilities:</i>                              |                     |                     |
| Accounts Payable                                 | 2,083               | \$ 373              |
| <i>Total Liabilities</i>                         | <i>2,083</i>        | <i>373</i>          |
| <i>Fund Balances:</i>                            |                     |                     |
| Restricted for Municipal Development             | 1,304,580           | 1,334,661           |
| <i>Total Fund Balances</i>                       | <i>1,304,580</i>    | <i>1,334,661</i>    |
| <b>TOTAL LIABILITIES &amp;<br/>FUND BALANCES</b> | <b>\$ 1,306,663</b> | <b>\$ 1,335,034</b> |

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 MUNICIPAL DEVELOPMENT DISTRICT  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

|  | 2020         | 2019         |
|--|--------------|--------------|
| <b>REVENUES</b>                          |              |              |
| Sales Tax                                | \$ 386,090   | \$ 358,184   |
| Interest Income                          | 4,680        | 6,005        |
| Miscellaneous Income                     | 4,420        | 10,089       |
| <b>TOTAL REVENUES</b>                    | 395,190      | 374,278      |
| <br><b>EXPENDITURES</b>                  |              |              |
| Personnel                                | 50,635       | 41,795       |
| Operations                               | 235,554      | 54,945       |
| <b>TOTAL EXPENDITURES</b>                | 286,189      | 96,740       |
| <br>Excess of Revenues Over Expenditures | 109,001      | 277,538      |
| <br><b>OTHER FINANCING USES</b>          |              |              |
| Transfer Out                             | (139,082)    | (39,082)     |
| <br>Net Change in Fund Balance           | (30,081)     | 238,456      |
| <br>Fund Balances at Beginning of Year   | 1,334,661    | 1,096,205    |
| <br>Fund Balances at End of Year         | \$ 1,304,580 | \$ 1,334,661 |

CITY OF LA VERNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2020

|   | Court<br>Security | Court<br>Technology | Hotel            | Forfeiture      | Total            |
|---|-------------------|---------------------|------------------|-----------------|------------------|
| <b>ASSETS</b>   |                   |                     |                  |                 |                  |
| Cash and Cash Equivalents   | \$ 1,537          | \$ 14,324           | \$ 28,083        | \$ 1,173        | \$ 45,117        |
| Accounts Receivable   | -                 | -                   | 3,075            | -               | 3,075            |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,537</b>   | <b>\$ 14,324</b>    | <b>\$ 31,158</b> | <b>\$ 1,173</b> | <b>\$ 48,192</b> |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES &amp; FUND BALANCES</b> |                   |                     |                  |                 |                  |
| <i>Liabilities:</i>   |                   |                     |                  |                 |                  |
| Accounts Payable  | \$ -              | \$ -                | \$ -             | \$ -            | \$ -             |
| <i>Total Liabilities</i>  | -                 | -                   | -                | -               | -                |
| <i>Fund Balances:</i>   |                   |                     |                  |                 |                  |
| Restricted for Court  | 1,537             | 14,324              | -                | 1,173           | 17,034           |
| Restricted for Tourism Development  | -                 | -                   | 31,158           | -               | 31,158           |
| <i>Total Fund Balances</i>  | 1,537             | 14,324              | 31,158           | 1,173           | 48,192           |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS &amp; FUND BALANCES</b>        | <b>\$ 1,537</b>   | <b>\$ 14,324</b>    | <b>\$ 31,158</b> | <b>\$ 1,173</b> | <b>\$ 48,192</b> |

CITY OF LA VERNIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

|                                    | Court<br>Security | Court<br>Technology | Hotel<br>Tax     | Police<br>Forfeiture | Total            |
|------------------------------------|-------------------|---------------------|------------------|----------------------|------------------|
| <b>REVENUES</b>                    |                   |                     |                  |                      |                  |
| Hotel Taxes                        | \$ -              | \$ -                | \$ 30,741        | \$ -                 | \$ 30,741        |
| Fines and Penalties                | 708               | 946                 | -                | -                    | 1,654            |
| Interest Income                    | 3                 | 30                  | -                | -                    | 33               |
| <b>TOTAL REVENUES</b>              | <u>711</u>        | <u>976</u>          | <u>30,741</u>    | <u>-</u>             | <u>32,428</u>    |
| <b>EXPENDITURES</b>                |                   |                     |                  |                      |                  |
| <i>Current:</i>                    |                   |                     |                  |                      |                  |
| Municipal Court                    | 300               | -                   | -                | -                    | 300              |
| <b>TOTAL EXPENDITURES</b>          | <u>300</u>        | <u>-</u>            | <u>-</u>         | <u>-</u>             | <u>300</u>       |
| Net Change in Fund Balance         | 411               | 976                 | 30,741           | -                    | 32,128           |
| Fund Balances at Beginning of Year | <u>1,126</u>      | <u>13,348</u>       | <u>417</u>       | <u>1,173</u>         | <u>16,064</u>    |
| Fund Balances at End of Year       | <u>\$ 1,537</u>   | <u>\$ 14,324</u>    | <u>\$ 31,158</u> | <u>\$ 1,173</u>      | <u>\$ 48,192</u> |

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF NET POSITION  
 PROPRIETARY UTILITY FUND  
 SEPTEMBER 30, 2020 AND 2019

|  | 2020         | 2019         |
|--|--------------|--------------|
| <b>ASSETS</b>  |              |              |
| <i>Current Assets:</i>                                 |              |              |
| Cash and Cash Equivalents                              | \$ 257,355   | \$ 323,791   |
| Receivables (net of allowances<br>for uncollectibles): | 94,639       | 99,817       |
| <i>Other Assets:</i>                                   |              |              |
| Restricted Cash and Investments                        | 236,258      | 1,115,185    |
| Capital Assets (net of depreciation)                   | 5,193,230    | 4,548,983    |
| <b>TOTAL ASSETS</b>                                    | 5,781,482    | 6,087,776    |
| <br><b>LIABILITIES</b>                                 |              |              |
| <i>Current Liabilities:</i>                            |              |              |
| Accounts Payable                                       | 50,671       | 69,293       |
| Accrued Compensated Absences                           | 35           | 973          |
| Customer Deposits                                      | 77,719       | 73,843       |
| Unearned Revenue                                       | 18,870       | 12,197       |
| Accrued Interest Payable                               | 15,901       | 16,967       |
| <i>Noncurrent Liabilities:</i>                         |              |              |
| Due within One Year                                    | 218,942      | 217,184      |
| Due in more than One Year                              | 3,399,999    | 3,618,941    |
| <b>TOTAL LIABILITIES</b>                               | 3,782,137    | 4,009,398    |
| <br><b>NET POSITION</b>                                |              |              |
| Net Investment in Capital Assets                       | 1,716,246    | 1,637,509    |
| Restricted for Impact Fees                             | 56,219       | 143,821      |
| Unrestricted   | 226,880      | 297,048      |
| <b>TOTAL NET POSITION</b>                              | \$ 1,999,345 | \$ 2,078,378 |



CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY UTILITY FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019

|   | 2020         | 2019         |
|---|--------------|--------------|
| <b>OPERATING REVENUES</b>                     |              |              |
| Water Charges                                 | \$ 596,092   | \$ 539,068   |
| Sewer Charges                                 | 217,825      | 200,997      |
| Garbage Charges                               | 281,728      | 283,008      |
| Connection and Impact Fees                    | 3,588        | 4,824        |
| Miscellaneous Income                          | 30,815       | 30,385       |
| <b>TOTAL OPERATING REVENUES</b>               | 1,130,048    | 1,058,282    |
| <b>OPERATING EXPENSES</b>                     |              |              |
| Personnel                                     | 200,260      | 160,151      |
| Water Purchase                                | 82,378       | 86,309       |
| Garbage Collection                            | 255,546      | 252,133      |
| Utilities                                     | 81,178       | 70,807       |
| Office and Administrative                     | 50,303       | 46,166       |
| Repairs and Chemicals                         | 102,382      | 97,061       |
| Treatment Plant Contract                      | 102,556      | 85,401       |
| Depreciation                                  | 328,270      | 278,440      |
| <b>TOTAL OPERATING EXPENSES</b>               | 1,202,873    | 1,076,468    |
| <b>OPERATING INCOME (LOSS)</b>                | (72,825)     | (18,186)     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |              |              |
| Interest Income                               | 4,546        | 11,338       |
| Interest Expense                              | (110,754)    | (116,333)    |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b> | (106,208)    | (104,995)    |
| Transfers In                                  | 100,000      | -            |
| <b>CHANGE IN NET POSITION</b>                 | (79,033)     | (123,181)    |
| <b>NET POSITION AT BEGINNING OF YEAR</b>      | 2,078,378    | 2,201,559    |
| <b>NET POSITION AT END OF YEAR</b>            | \$ 1,999,345 | \$ 2,078,378 |

