



# **CITY OF LA VERNIA, TEXAS**

## **ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2018**



CITY OF LA VERNIA  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

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CITY OF LA VERNIA  
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

ROBERT GREGORY

MAYOR PRO TEM

ELOI CORMIER

CITY COUNCIL

DIANELL RECKER

JAY HENNETTE

MARK DOEGE

MARTIN POORE

CITY ADMINISTRATOR

YVONNE GRIFFIN

ATTORNEY

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



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of La Vernia, as of and for the year ended September 30, 2018, 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, 2018, 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.

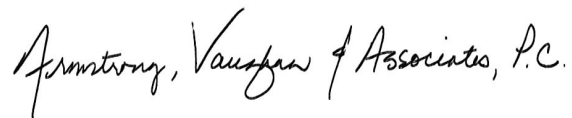
## ***Other Matters***

### *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.  
December 14, 2018

## 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, 2018. Please read it in conjunction with the City’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

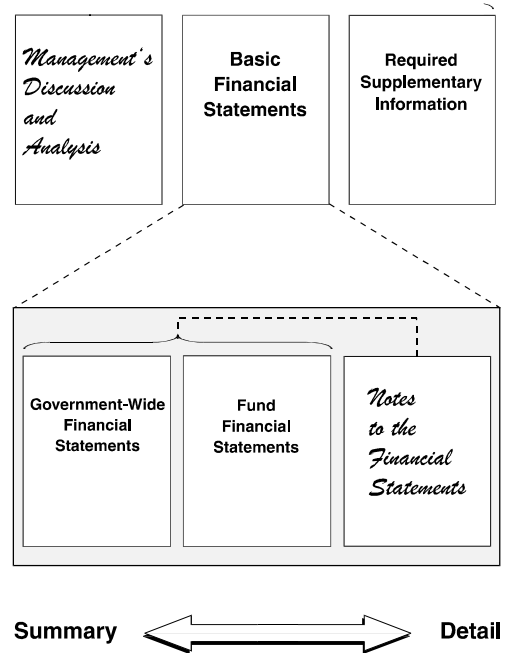
- The City’s total combined net position was \$5.9 million at September 30, 2018.
- During the year, the City’s governmental expenses were \$252 thousand less than the \$2.0 million generated in general and program revenues for governmental activities. The total cost of the City’s programs increased 19% from the prior year.
- The general fund reported an unassigned fund balance this year of \$1.3 million, an increase of \$119 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 • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

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

**Government-Wide Statements**

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

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

- Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.
- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, sanitation, municipal development, parks, and interest on long-term debt. Property taxes, sales taxes and charges for services finance most of these activities.

## **Fund Financial Statements**

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

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

The City has the following kinds of funds:

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was \$5.9 million at September 30, 2018. (See Table A-1).

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2018-2017
	2018	2017*	2018	2017	2018	2017	
<i>Assets:</i>							
Current Assets	\$ 2,829,872	\$ 2,596,981	\$ 498,476	\$ 683,260	\$ 3,328,348	\$ 3,280,241	1.5
Other Assets	-	-	2,036,008	2,137,163	2,036,008	2,137,163	(4.7)
Capital Assets (net)	1,061,916	1,098,628	3,840,290	3,953,987	4,902,206	5,052,615	(3.0)
<i>Total Assets</i>	<u>3,891,788</u>	<u>3,695,609</u>	<u>6,374,774</u>	<u>6,774,410</u>	<u>10,266,562</u>	<u>10,470,019</u>	(1.9)
<i>Deferred Outflows</i>	<u>1,446</u>	<u>34,312</u>	<u>-</u>	<u>-</u>	<u>1,446</u>	<u>34,312</u>	(95.8)
<i>Liabilities:</i>							
Current Liabilities	77,325	104,114	337,090	270,822	414,415	374,936	10.5
Long-Term Liabilities	125,729	162,889	3,836,125	4,012,610	3,961,854	4,175,499	(5.1)
<i>Total Liabilities</i>	<u>203,054</u>	<u>267,003</u>	<u>4,173,215</u>	<u>4,283,432</u>	<u>4,376,269</u>	<u>4,550,435</u>	(3.8)
<i>Deferred Inflows</i>	<u>33,347</u>	<u>7,903</u>	<u>-</u>	<u>-</u>	<u>33,347</u>	<u>7,903</u>	322.0
<i>Net Position:</i>							
Net Investment in Capital Assets	1,034,418	1,027,531	1,681,125	1,814,789	2,715,543	2,842,320	(4.5)
Restricted	1,439,376	1,320,252	143,564	143,293	1,582,940	1,463,545	8.2
Unrestricted	1,216,308	1,107,232	376,870	532,896	1,593,178	1,640,128	(2.9)
<i>Total Net Position</i>	<u>\$ 3,690,102</u>	<u>\$ 3,455,015</u>	<u>\$ 2,201,559</u>	<u>\$ 2,490,978</u>	<u>\$ 5,891,661</u>	<u>\$ 5,945,993</u>	(0.9)

\*2017 has not been restated to reflect the adoption of GASB Statement No. 75. See note A21.

### Governmental Activities

- Sales tax continues to be the main funding source for governmental activities at \$1.3 million. Tax revenues overall increased 4.5% to \$1.63 million.
- Governmental expenses increased 12% to \$1.75 million.
- Governmental net position decreased \$252 thousand.

### Business-Type Activities

Revenues of the City's utility business-type activities decreased to \$927 thousand, while operating expenses increased 30% to \$1.2 million.

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

	Governmental		Business-Type		Total		Percentage Change 2018-2017
	Activities		Activities				
	2018	2017*	2018	2017	2018	2017	
<i>Program Revenues:</i>							
Charges for Services	\$ 334,270	\$ 284,500	\$ 925,024	\$ 978,310	\$ 1,259,294	\$ 1,262,810	(0.3)
<i>Grants and Contributions:</i>							
Operating	1,178	1,116	-	-	1,178	1,116	5.6
Capital	1,896	115,809	-	-	1,896	115,809	(98.4)
<i>General Revenues:</i>							
Taxes	1,627,001	1,556,485	-	-	1,627,001	1,556,485	4.5
Interest Earnings	4,144	4,851	1,751	1,290	5,895	6,141	(4.0)
Gain on Disposal of Assets	6,505	-	-	-	6,505	-	100.0
Miscellaneous	22,560	15,997	-	-	22,560	15,997	41.0
<b>TOTAL REVENUES</b>	<b>1,997,554</b>	<b>1,978,758</b>	<b>926,775</b>	<b>979,600</b>	<b>2,924,329</b>	<b>2,958,358</b>	<b>(1.2)</b>
<i>Program Expenses:</i>							
Code Enforcement	88,858	73,488	-	-	88,858	73,488	20.9
General	355,986	307,721	-	-	355,986	307,721	15.7
Municipal Development	36,259	71,674	-	-	36,259	71,674	(49.4)
Municipal Court	61,634	56,469	-	-	61,634	56,469	9.1
Police	741,218	640,594	-	-	741,218	640,594	15.7
Public Works	406,822	366,519	-	-	406,822	366,519	11.0
Parks	52,204	34,743	-	-	52,204	34,743	50.3
Utility	-	-	1,216,194	934,442	1,216,194	934,442	30.2
Interest on Debt	2,498	2,800	-	-	2,498	2,800	(10.8)
<b>TOTAL EXPENSES</b>	<b>1,745,479</b>	<b>1,554,008</b>	<b>1,216,194</b>	<b>934,442</b>	<b>2,961,673</b>	<b>2,488,450</b>	<b>19.0</b>
Increase (Decrease) in							
Net Position	\$ 252,075	\$ 424,750	\$ (289,419)	\$ 45,158	\$ (37,344)	\$ 469,908	107.9

\*2017 has not been restated to reflect the adoption of GASB Statement No. 75. See note A21.

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 Change 2018-2017	Net Cost of		Percentage Change 2018-2017
	Services			Services		
	2018	2017		2018	2017	
Code Enforcement	\$ 88,858	\$ 73,488	20.9	\$ 41,162	\$ 11,869	246.8
General	355,986	307,721	15.7	347,663	300,623	15.6
Municipal Development	36,259	71,674	(49.4)	36,259	71,674	(49.4)
Municipal Court	61,634	56,469	9.1	(54,885)	(11,725)	368.1
Police	741,218	640,594	15.7	578,308	442,230	30.8
Public Works	406,822	366,519	11.0	406,822	366,519	11.0
Parks	52,204	34,743	50.3	50,308	(31,407)	(260.2)
Utility	1,216,194	934,442	30.2	291,170	(43,868)	(763.7)

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$2.0 million, an increase of 2% from the preceding year. The increase was primarily related to an increase in sales tax collections. Expenditures increased 1% to \$1.8 million.

### Budgetary Highlights

The City's actual expenditures in the general fund were \$145 thousand less than budgeted amounts, and fund balance increased \$160 thousand more than anticipated. The Municipal Development District's revenues were \$30 thousand more than budgeted amounts, while expenditures were \$86 thousand less than budgeted amounts, leading to a net change in fund balance that was \$116 thousand more than anticipated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2018, the City had invested \$9.5 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) The well project was completed this year and engineering on the elevated storage tank has begun.

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

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
Land	\$ 209	\$ 209	\$ 31	\$ 31	\$ 240	\$ 240	0.0
Buildings and Improvements	356	356	14	14	370	370	0.0
Equipment	736	742	397	337	1,133	1,079	5.0
Infrastructure	539	540	6,986	6,269	7,525	6,809	10.5
Construction in Progress	136	132	97	713	233	845	(72.4)
Totals at Historical Cost	1,977	1,979	7,525	7,364	9,502	9,343	1.7
Total Accumulated Depreciation	(915)	(880)	(3,685)	(3,410)	(4,600)	(4,290)	7.2
Net Capital Assets	\$ 1,062	\$ 1,099	\$ 3,840	\$ 3,954	\$ 4,902	\$ 5,053	(3.0)

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

## Long Term Debt

At year-end, the City had \$4 million in bonds and capital leases outstanding as shown in Table A-5. In November 2017, the City refunded \$512 thousand of debt. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total		Percentage Change 2018-2017
	2018	2017	2018	2017	2018	2017	
Bonds and Loans Payable	\$ -	\$ 17	\$ 4,052	\$ 4,152	\$ 4,052	\$ 4,169	(2.8)
Capital Lease	27	54	-	-	27	54	(50.0)
Total Bonds & Notes Payable	<u>\$ 27</u>	<u>\$ 71</u>	<u>\$ 4,052</u>	<u>\$ 4,152</u>	<u>\$ 4,079</u>	<u>\$ 4,223</u>	<u>(3.4)</u>

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 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, 2018

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, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,121,229	\$ 413,842	\$ 2,535,071
Investments	402,980	-	402,980
Receivables (net of allowances):			
Ad Valorem Taxes	6,441	-	6,441
Other	272,374	74,600	346,974
Prepaid Expenses	26,848	10,034	36,882
Restricted Cash and Investments	-	2,036,008	2,036,008
Capital Assets (net)	1,061,916	3,840,290	4,902,206
<b>TOTAL ASSETS</b>	<b>3,891,788</b>	<b>6,374,774</b>	<b>10,266,562</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Related Outflows	33,269	-	33,269
Deferred OPEB Related Outflows	1,446	-	1,446
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>34,715</b>	<b>-</b>	<b>34,715</b>
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts Payable	1,548	19,968	21,516
Accrued Expenses	20,195	-	20,195
Accrued Compensated Absences	28,007	592	28,599
Customer Deposits	-	72,586	72,586
Unearned Revenue	-	10,344	10,344
Accrued Interest Payable	77	18,115	18,192
<i>Noncurrent Liabilities:</i>			
Due within One Year	27,498	215,485	242,983
Due in more than One Year	-	3,836,125	3,836,125
Net Pension Liability	105,059	-	105,059
Net OPEB Liability	20,670	-	20,670
<b>TOTAL LIABILITIES</b>	<b>203,054</b>	<b>4,173,215</b>	<b>4,376,269</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Related Inflows	33,347	-	33,347
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,034,418	1,681,125	2,715,543
Restricted for:			
Street Repair	329,055	-	329,055
Municipal Development District	1,096,205	-	1,096,205
Municipal Court	13,842	-	13,842
Impact Fees	-	143,564	143,564
Debt Service	274	-	274
Unrestricted	1,216,308	376,870	1,593,178
<b>TOTAL NET POSITION</b>	<b>\$ 3,690,102</b>	<b>\$ 2,201,559</b>	<b>\$ 5,891,661</b>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<b>Functions and Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Code Enforcement	\$ 88,858	\$ 47,696	\$ -	\$ -
General Government	355,986	8,173	150	-
Municipal Development	36,259	-	-	-
Municipal Court	61,634	116,519	-	-
Police	741,218	161,882	1,028	-
Public Works	406,822	-	-	-
Parks	52,204	-	-	1,896
Interest on Long-term Debt	2,498	-	-	-
<i>Total Governmental Activities</i>	<u>1,745,479</u>	<u>334,270</u>	<u>1,178</u>	<u>1,896</u>
<i>Business-Type Activities:</i>				
Water and Sewer Utility	1,216,194	925,024	-	-
<i>Total Business-Type Activities</i>	<u>1,216,194</u>	<u>925,024</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u><u>\$ 2,961,673</u></u>	<u><u>\$ 1,259,294</u></u>	<u><u>\$ 1,178</u></u>	<u><u>\$ 1,896</u></u>
<b>General Revenues:</b>				
Taxes				
Ad Valorem Taxes				
Franchise Taxes				
Sales Taxes				
Interest and Investment Earnings				
Gain on Disposal of Assets				
Miscellaneous				
<b>Total General Revenues</b>				
Change in Net Position				
<b>Net Position at Beginning of Year</b>				
Prior Period Adjustment				
<b>Net Position at End of Year</b>				

See accompanying notes to basic financial statements.

<u>Net (Expense) Revenue and Changes in Position</u>		
<u>Primary Government</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (41,162)		\$ (41,162)
(347,663)		(347,663)
(36,259)		(36,259)
54,885		54,885
(578,308)		(578,308)
(406,822)		(406,822)
(50,308)		(50,308)
(2,498)		(2,498)
<u>(1,408,135)</u>		<u>(1,408,135)</u>
	\$ (291,170)	(291,170)
	<u>(291,170)</u>	<u>(291,170)</u>
<u>(1,408,135)</u>	<u>(291,170)</u>	<u>(1,699,305)</u>
214,269	-	214,269
63,785	-	63,785
1,348,947	-	1,348,947
4,144	1,751	5,895
6,505	-	6,505
22,560	-	22,560
<u>1,660,210</u>	<u>1,751</u>	<u>1,661,961</u>
252,075	(289,419)	(37,344)
3,455,015	2,490,978	5,945,993
<u>(16,988)</u>	<u>-</u>	<u>(16,988)</u>
<u>\$ 3,690,102</u>	<u>\$ 2,201,559</u>	<u>\$ 5,891,661</u>

CITY OF LA VERNIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	Major Funds		
	General Fund	Street Maintenance	Municipal Development District
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,166,975	\$ 300,938	\$ 639,533
Certificates of Deposit	-	-	402,980
Receivables (net of allowances for uncollectibles):			
Property Taxes	5,977	-	-
Other Receivables	190,192	28,117	54,065
Prepaid Items	26,848	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,389,992</b>	<b>\$ 329,055</b>	<b>\$ 1,096,578</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>			
<i>Liabilities</i>			
Accounts Payable	\$ 1,121	\$ -	\$ 373
Accrued Expenditures	20,195	-	-
<i>Total Liabilities</i>	<u>21,316</u>	<u>-</u>	<u>373</u>
<i>Deferred Inflows of Resources</i>			
Unavailable Property Tax Revenues	4,783	-	-
<i>Total Deferred Inflows of Resources</i>	<u>4,783</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable Prepaid Items	26,848	-	-
Restricted for:			
Street Repair	-	329,055	-
Municipal Court	-	-	-
Municipal Development	-	-	1,096,205
Unassigned	1,337,045	-	-
<i>Total Fund Balances</i>	<u>1,363,893</u>	<u>329,055</u>	<u>1,096,205</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b>\$ 1,389,992</b>	<b>\$ 329,055</b>	<b>\$ 1,096,578</b>

See accompanying notes to basic financial statements.

<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 13,783	\$ 2,121,229
-	402,980
464	6,441
-	272,374
-	26,848
<u>\$ 14,247</u>	<u>\$ 2,829,872</u>

\$ 54	\$ 1,548
-	20,195
<u>54</u>	<u>21,743</u>

<u>351</u>	<u>5,134</u>
<u>351</u>	<u>5,134</u>

-	26,848
-	329,055
13,842	13,842
-	1,096,205
-	1,337,045
<u>13,842</u>	<u>2,802,995</u>

<u>\$ 14,247</u>	<u>\$ 2,829,872</u>
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CITY OF LA VERNIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 2,802,995

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. 1,061,916

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 5,134

Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds. (28,007)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds. (27,498)

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	(105,059)	
Pension Related Deferred Outflows	33,269	
Pension Related Deferred Inflows	<u>(33,347)</u>	(105,137)

Net OPEB liabilities (and related deferred outflows of resources) do not provide or consume current financial resources and are not reported in the funds.

Net OPEB Liability	(20,670)	
OPEB Related Deferred Outflows	<u>1,446</u>	(19,224)

Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds. (77)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 3,690,102

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, 2018

	Major Funds		
	General Fund	Street Maintenance	Municipal Development District
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 197,348	\$ -	\$ -
Franchise Fees	63,785	-	-
Sales Taxes	861,385	167,721	319,841
Fines and Penalties	110,722	-	-
Licenses and Permits	47,696	-	-
Interest Income	238	263	3,617
Intergovernmental	2,924	-	-
Miscellaneous	28,136	-	6,858
Police Services for School District	157,483	-	-
<b>TOTAL REVENUES</b>	<u>1,469,717</u>	<u>167,984</u>	<u>330,316</u>
<b>EXPENDITURES</b>			
<i>Current:</i>			
Code Enforcement	55,473	-	-
General Government	333,597	-	-
Municipal Court	61,055	-	-
Police	714,137	-	-
Public Works	104,788	262,862	-
Parks	52,204	-	-
Municipal Development	-	-	69,647
Capital Outlay	89,596	-	-
<i>Debt Service:</i>			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,410,850</u>	<u>262,862</u>	<u>69,647</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,867</u>	<u>(94,878)</u>	<u>260,669</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the Sale of Assets	36,499	-	-
Transfer In	32,176	-	-
Transfer Out	(7,962)	-	(32,176)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>60,713</u>	<u>-</u>	<u>(32,176)</u>
Net Change in Fund Balance	119,580	(94,878)	228,493
Fund Balances at Beginning of Year	<u>1,244,313</u>	<u>423,933</u>	<u>867,712</u>
Fund Balances at End of Year	<u>\$ 1,363,893</u>	<u>\$ 329,055</u>	<u>\$ 1,096,205</u>

See accompanying notes to basic financial statements.



<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 18,370	\$ 215,718
-	63,785
-	1,348,947
5,797	116,519
-	47,696
26	4,144
-	2,924
284	35,278
-	157,483
<u>24,477</u>	<u>1,992,494</u>
-	55,473
-	333,597
708	61,763
-	714,137
-	367,650
-	52,204
-	69,647
-	89,596
43,599	43,599
2,722	2,722
<u>47,029</u>	<u>1,790,388</u>
<u>(22,552)</u>	<u>202,106</u>
-	36,499
7,962	40,138
-	(40,138)
<u>7,962</u>	<u>36,499</u>
(14,590)	238,605
<u>28,432</u>	<u>2,564,390</u>
<u>\$ 13,842</u>	<u>\$ 2,802,995</u>



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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	238,605
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.</p>		(6,718)
<p>Governmental funds report proceeds from the sale of capital assets as an other financing source. However, on the statement of activities, these proceeds are reduced by the net book value of the capital asset disposed. This amount represents the net book value of capital assets disposed.</p>		(29,994)
<p>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.</p>		(1,448)
<p>The issuance of long-term debt (e.g. bonds, notes payable, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>		
Principal Payments	43,599	43,599
<p>Governmental funds report required contributions to employee pensions and other post employment benefits (opeb) 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.</p>		
Pension Plan	3,846	
OPEB Plan	(2,236)	1,610
<p>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.</p>		
Change in Compensated Absences	6,197	
Change in Accrued Interest	224	6,421
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	252,075

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
STATEMENT OF NET POSITION  
PROPRIETARY UTILITY FUND  
SEPTEMBER 30, 2018

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$	413,842
Receivables (net of allowances for uncollectibles):		74,600
Prepaid Expenses		10,034

*Other Assets:*

Restricted Cash and Investments		2,036,008
Capital Assets (net of depreciation)		3,840,290
<b>TOTAL ASSETS</b>		<b>6,374,774</b>

**LIABILITIES**

*Current Liabilities:*

Accounts Payable		19,968
Accrued Compensated Absences		592
Customer Deposits		72,586
Unearned Revenue		10,344
Accrued Interest Payable		18,115

*Noncurrent Liabilities:*

Due within One Year		215,485
Due in more than One Year		3,836,125
<b>TOTAL LIABILITIES</b>		<b>4,173,215</b>

**NET POSITION:**

Net Investment in Capital Assets		1,681,125
Restricted Impact Fees		143,564
Unrestricted		376,870
<b>TOTAL NET POSITION</b>		<b>\$ 2,201,559</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, 2018

<b>OPERATING REVENUES</b>	
Water Charges	\$ 448,275
Sewer Charges	175,973
Garbage Charges	263,342
Connection and Impact Fees	7,251
Miscellaneous Income	30,183
<b>TOTAL OPERATING REVENUES</b>	<u>925,024</u>
 <b>OPERATING EXPENSES</b>	
Personnel	140,260
Water Purchase	112,006
Garbage Collection	237,133
Utilities	73,255
Office and Administrative	51,741
Repairs and Chemicals	73,455
Treatment Plant Contract	85,436
Depreciation	275,297
<b>TOTAL OPERATING EXPENSES</b>	<u>1,048,583</u>
 <b>OPERATING INCOME (LOSS)</b>	 <u>(123,559)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	1,751
Interest Expense	(141,624)
Bond Issue Costs	(25,987)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(165,860)</u>
 <b>CHANGE IN NET POSITION</b>	 (289,419)
 <b>NET POSITION AT BEGINNING OF YEAR</b>	 <u>2,490,978</u>
 <b>NET POSITION AT END OF YEAR</b>	 <u>\$ 2,201,559</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, 2018

<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 932,700
Cash Paid to Suppliers for Goods and Services	(640,407)
Cash Paid to Employees	(143,456)
<b>Net Cash Provided (Used) by Operating Activities</b>	148,837
 <b>Cash Flows From Capital and Related Financing Activities:</b>	
Purchases of Capital Assets	(161,600)
Proceeds from Sale of Refunding Bonds	564,000
Payment to Refunding Escrow Agent	(539,513)
Bond Issue Costs	(25,987)
Principal Payments	(134,433)
Interest Paid	(133,999)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	(431,532)
 <b>Cash Flows From Noncapital Financing Activities:</b>	
Short-term Loans to Other Funds	250,734
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	250,734
 <b>Cash Flows From Investing Activities:</b>	
Investment Interest Received	1,751
<b>Net Cash Provided (Used) by Investing Activities</b>	1,751
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	 (30,210)
 <b>Cash and Cash Equivalents at Beginning of Year</b>	
Cash and Cash Equivalents	342,897
Restricted Cash	2,137,163
	2,480,060
 <b>Cash and Cash Equivalents at End of Year</b>	
Cash and Cash Equivalents	413,842
Restricted Cash	2,036,008
	\$ 2,449,850

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, 2018

**Reconciliation of Operating Income to Net Cash**

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

Operating Income (Loss)	\$ (123,559)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	275,297
(Increase) Decrease in Operating Assets:	
Accounts Receivable (net)	10,189
Prepaid Expenses	(5,194)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(2,187)
Accrued Expenses	(393)
Accrued Compensated Absences	(2,803)
Customer Deposits	4,137
Unearned Revenue	(6,650)
<b>Total Adjustments to Reconcile Operating Activities</b>	<b>272,396</b>
 <b>Net Cash Provided (Used) by</b>	
<b>Operating Activities</b>	<b>\$ 148,837</b>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

**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, 2018, 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, 2018

**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, 2018

**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, 2018

**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, 2017 and past due after January 31, 2018. 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 \$4,374 and \$517 for the general fund and debt service funds, respectively.

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

7. PREPAID ITEMS

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

8. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2018

**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, 2018

**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, 2018

**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, 2018

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

21. ADOPTION OF GASB STATEMENT NO. 75

As of October 1, 2017, the City adopted Governmental Accounting Standards Board Statement No 75 to record the total other postemployment benefit liability on the statement of net position. This required a prior period adjustment to governmental activities of \$16,988.

**NOTE B -- DEPOSITS AND INVESTMENTS**

Deposits

The City holds deposits at two institutions. At September 30, 2018, 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, 2018, \$1,892,444 and \$143,564 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.

The City had no investments at September 30, 2018 other than certificates of deposit.

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2018

**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, 2017, upon which the fiscal 2018 levy was based, was \$108,623,814 (i.e., market value less exemptions). The estimated market value was \$145,823,701, making the taxable value 74% 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, 2018, 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 \$2,498,456 based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

**NOTE D -- OTHER RECEIVABLES**

Other receivables for the City as of September 30, 2018 are as follows:

	General Fund	Street Maintenance	Municipal Development	Utility
Sales Tax	\$ 144,961	\$ 28,117	\$ 54,065	\$ -
Franchise Taxes	17,381	-	-	-
Police Services	18,316	-	-	-
Other	7,638	-	-	750
Grant Receivable	1,896	-	-	-
Utility Services	-	-	-	81,502
Allowance for Uncollectible Accounts	-	-	-	(7,652)
Total Other Receivables	<u>\$ 190,192</u>	<u>\$ 28,117</u>	<u>\$ 54,065</u>	<u>\$ 74,600</u>



CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

**NOTE E -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018, was as follows:

<u>Governmental Activities</u>	Balance 10/1/2017	Additions	Disposals/ Transfers	Balance 9/30/2018
Land	\$ 209,198	\$ -	\$ -	\$ 209,198
Buildings and Improvements	356,269	-	-	356,269
Vehicles and Equipment	741,834	85,460	(91,606)	735,688
Infrastructure	539,220	-	-	539,220
Construction in Progress	132,301	4,136	-	136,437
	<u>1,978,822</u>	<u>89,596</u>	<u>(91,606)</u>	<u>1,976,812</u>
Less Accumulated Depreciation				
Buildings and Improvements	(108,642)	(10,561)	-	(119,203)
Equipment	(551,528)	(60,359)	61,612	(550,275)
Infrastructure	(220,024)	(25,394)	-	(245,418)
	<u>(880,194)</u>	<u>(96,314)</u>	<u>61,612</u>	<u>(914,896)</u>
Governmental Capital Assets, Net	<u>\$ 1,098,628</u>	<u>\$ (6,718)</u>	<u>\$ (29,994)</u>	<u>\$ 1,061,916</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

Code Enforcement	\$ 68
General	18,130
Police	38,478
Public Works	<u>39,638</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 96,314</u>

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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

<u>Business-Type Activities</u>	Balance 10/1/2017	Additions	Disposals/ Transfers	Balance 9/30/2018
Land	\$ 31,158	\$ -	\$ -	\$ 31,158
Buildings and Improvements	14,000	-	-	14,000
Vehicles and Equipment	336,631	60,558	-	397,189
Infrastructure	6,269,070	4,170	713,236	6,986,476
Construction in Progress	713,235	96,872	(713,236)	96,871
	<u>7,364,094</u>	<u>161,600</u>	<u>-</u>	<u>7,525,694</u>
Less Accumulated Depreciation				
Buildings and Improvements	(8,754)	(925)	-	(9,679)
Equipment	(154,680)	(22,688)	-	(177,368)
Infrastructure	(3,246,673)	(251,684)	-	(3,498,357)
	<u>(3,410,107)</u>	<u>(275,297)</u>	<u>-</u>	<u>(3,685,404)</u>
Business-Type Capital Assets, Net	<u>\$ 3,953,987</u>	<u>\$ (113,697)</u>	<u>\$ -</u>	<u>\$ 3,840,290</u>

Land and Construction in Progress are not depreciated.

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

Long-term debt and obligations payable at September 30, 2018, 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 2011*

In May 2011, the City issued these bonds to construct a new water well. The face value of the bonds was \$750,000, which has an interest rate of 4.69% and matures March 2030. In November 2017, the City advanced refunded \$512 thousand of the remaining debt. The amount is still outstanding but has been removed from these statements as the City's responsibility for these obligations has been relieved.

*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, 2018

**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 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
<i>Governmental Activities</i>					
Certificates of Obligation, 2003	\$ 17,000	\$ -	\$ (17,000)	\$ -	\$ -
Capital Lease 2016	54,097	-	(26,599)	27,498	27,498
<i>Total Governmental Activities</i>	<u>71,097</u>	<u>-</u>	<u>(43,599)</u>	<u>27,498</u>	<u>27,498</u>
<i>Business-Type Activities</i>					
San Antonio River Authority	393,140	-	(28,433)	364,707	29,707
Certificates of Obligation, 2011	580,000	-	(545,000)	35,000	35,000
Certificates of Obligation, 2016	2,965,000	-	(60,000)	2,905,000	125,000
Refunding, 2017	-	564,000	(13,000)	551,000	8,000
Unamortized Premiums	213,883	-	(17,980)	195,903	17,778
<i>Total Business-Type Activities</i>	<u>4,152,023</u>	<u>564,000</u>	<u>(664,413)</u>	<u>4,051,610</u>	<u>215,485</u>
 Total Primary Government	 <u>\$4,223,120</u>	 <u>\$ 564,000</u>	 <u>\$ (708,012)</u>	 <u>\$4,079,108</u>	 <u>\$ 242,983</u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2018, including interest payments, are as follows:

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 197,707	\$ 134,859	\$ 332,566
2020	200,038	128,566	328,604
2021	202,428	122,716	325,144
2022	209,881	116,724	326,605
2023	217,399	110,433	327,832
2024-2028	1,199,254	445,485	1,644,739
2029-2033	1,004,000	238,481	1,242,481
2034-2036	625,000	50,600	675,600
	<u>\$3,855,707</u>	<u>\$1,347,864</u>	<u>\$5,203,571</u>

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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

In August 2016, the City entered into a lease agreement for the purchase of two police vehicles. The lease requires annual payments of \$28,427 through September 2019. The vehicles are included in property and equipment for a cost of \$79,984 and accumulated depreciation of \$23,995 as of September 30, 2018. Minimum future lease payments are as follows:

Year Ending September 30,	Lease Payments
2019	\$ 28,427
Less: Amount Representing Interest	(929)
Net	\$ 27,498

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

Texas Municipal Retirement System

**Plan Description**

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

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

CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2018

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

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	15
Active employees	17
	34
	34

**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, 2018, employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.44% and 2.68% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$24,229 which equaled required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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

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

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
	<u>100.00%</u>	

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

**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, 2017:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 453,066	\$ 317,675	\$ 135,391
Changes for the year:			
Service Cost	42,472	-	42,472
Interest	30,518	-	30,518
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(10,600)	-	(10,600)
Changes of Assumptions	-	-	-
Contributions - Employer	-	16,427	(16,427)
Contributions - Employee	-	32,422	(32,422)
Net Investment Income	-	44,113	(44,113)
Benefit Payments, Including Refunds of Employee Contributions	(44,361)	(44,361)	-
Administrative Expense	-	(228)	228
Other Changes	-	(12)	12
Net Changes	18,029	48,361	(30,332)
Balance at December 31, 2017	\$ 471,095	\$ 366,036	\$ 105,059

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

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	\$ 168,459	\$ 105,059	\$ 52,393

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

**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, 2018, the City recognized pension expense of \$20,384. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 152	\$ 15,180
Changes in Actuarial Assumptions	8,032	-
Differences Between Projected and Actual Investment Earnings	7,057	18,167
Contributions Subsequent to the Measurement Date	18,028	-
	\$ 33,269	\$ 33,347

Deferred outflows of resources in the amount of \$18,028 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, 2018. 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,	
2018	\$ (2,027)
2019	(2,548)
2020	(5,817)
2021	(5,842)
2022	(1,872)
Thereafter	-
	\$ (18,106)



CITY OF LA VERNIA  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2018

**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, 2017, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	2
Active employees	17
	21
	21

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014. The assumptions are summarized below:

Inflation	2.50% per year
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.31% (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	RP2000 Combined Mortality Table with blue collar adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	Same as service with a 3 year set-forward and subject to the 3% floor.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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

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

	Total SDBF Contribution Rate	Retiree Portion of SDBF Contribution Rate
For the Plan Year Ended December 31,		
2017	0.12%	0.02%
2018	0.14%	0.02%

The following presents the TOL of the City, calculated using the discount rate of 3.31% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower (2.31%) and 1-percentage point higher (4.31%) than the current rate:

	Discount Rate 2.31%	Discount Rate 3.31%	Discount Rate 4.31%
Net Pension Liability (Asset)	\$ 24,538	\$ 20,670	\$ 17,554

The City's Total OPEB Liability (TOL), as of December 31, 2017 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2016	\$ 16,987
Changes for the year:	
Service Cost	1,621
Interest	671
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	1,499
Benefit Payments	(108)
Net Changes	3,683
Balance at December 31, 2017	\$ 20,670

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, 2018

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$1,275. Also as of September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 1,327	\$ -
Contributions Subsequent to the Measurement Date	119	-
Actual Investment Earnings	-	-
	\$ 1,446	\$ -

Deferred outflows of resources in the amount of \$119 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, 2017. 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,		
	2018	\$ 172
	2019	172
	2020	172
	2021	172
	2022	172
	Thereafter	467
		\$ 1,327

**NOTE I -- INTERFUND TRANSFERS**

The Municipal Development Fund transferred \$32,176 to the General Fund in support of administrative overhead. The General Fund also transferred \$7,962 to debt service to supplement property tax revenue.

**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.

CITY OF LA VERNIA  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2018

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

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

Issuance Date	Entity	Original Issue	Estimated Outstanding	Maturity
2006	Southwest Winners Foundation, Inc.	\$ 9,470,000	\$ 6,780,000	2031
2009	Winfrey Academy Charter Schools	8,305,000	7,635,000	2038
2008	COSMOS Foundation, Inc.	30,075,000	27,640,000	2038
2008	Amigos Por Vida for Life Housing and Education Corp.	10,350,000	8,930,000	2037
2011	Life School of Dallas	38,880,000	35,180,000	2041
2015	Meridian World School	29,640,000	29,340,000	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. Annual contributions for the year ended September 30, 2018 were \$32,941 for property and casualty coverage.

## REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Municipal Development District
- Schedule of Changes – Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan
- 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, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 212,965	\$ 212,965	\$ 197,348	\$ (15,617)
Franchise Fees	65,000	65,000	63,785	(1,215)
Sales Taxes	849,334	849,334	861,385	12,051
Fines and Penalties	42,420	52,010	110,722	58,712
Licenses and Permits	65,800	65,800	47,696	(18,104)
Interest Income	600	600	238	(362)
Intergovernmental	1,000	1,030	2,924	1,894
Miscellaneous	23,500	24,100	28,136	4,036
Police Services for School District	186,000	186,000	157,483	(28,517)
<b>TOTAL REVENUES</b>	<u>1,446,619</u>	<u>1,456,839</u>	<u>1,469,717</u>	<u>12,878</u>
<b>EXPENDITURES</b>				
<i>Code Enforcement</i>				
Personnel	18,813	18,813	12,881	5,932
Operations	82,726	58,726	42,592	16,134
<i>Total Code Enforcement</i>	<u>101,539</u>	<u>77,539</u>	<u>55,473</u>	<u>22,066</u>
<i>General Government</i>				
Personnel	177,752	173,172	170,878	2,294
Operations	220,379	178,409	162,719	15,690
<i>Total General Government</i>	<u>398,131</u>	<u>351,581</u>	<u>333,597</u>	<u>17,984</u>
<i>Municipal Court</i>				
Personnel	53,805	54,298	53,471	827
Operations	10,250	10,325	7,584	2,741
<i>Total Municipal Court</i>	<u>64,055</u>	<u>64,623</u>	<u>61,055</u>	<u>3,568</u>
<i>Police Department</i>				
Personnel	496,583	496,583	484,110	12,473
Operations	201,390	226,390	230,027	(3,637)
Capital Outlay	-	33,000	34,860	(1,860)
<i>Total Police Department</i>	<u>697,973</u>	<u>755,973</u>	<u>748,997</u>	<u>6,976</u>
<i>Public Works</i>				
Personnel	83,700	69,700	51,873	17,827
Operations	100,395	62,395	52,915	9,480
Capital Outlay	-	112,000	50,600	61,400
<i>Total Public Works</i>	<u>\$ 184,095</u>	<u>\$ 244,095</u>	<u>\$ 155,388</u>	<u>\$ 88,707</u>

CITY OF LA VERNIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<i>Parks</i>				
Personnel	\$ 37,700	\$ 38,000	\$ 37,788	\$ 212
Operations	21,900	18,900	14,416	4,484
Capital Outlay	-	5,000	4,136	864
<i>Total Parks</i>	59,600	61,900	56,340	5,560
<b>TOTAL EXPENDITURES</b>	<u>1,505,393</u>	<u>1,555,711</u>	<u>1,410,850</u>	<u>144,861</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,774)</u>	<u>(98,872)</u>	<u>58,867</u>	<u>157,739</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Assets	-	-	36,499	36,499
Transfer In	58,774	58,774	32,176	(26,598)
Transfer Out	-	-	(7,962)	(7,962)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>58,774</u>	<u>58,774</u>	<u>60,713</u>	<u>1,939</u>
Net Change in Fund Balance	-	(40,098)	119,580	159,678
<b>BEGINNING FUND BALANCE</b>	<u>1,244,313</u>	<u>1,244,313</u>	<u>1,244,313</u>	<u>-</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,244,313</u>	<u>\$ 1,204,215</u>	<u>\$ 1,363,893</u>	<u>\$ 159,678</u>

CITY OF LA VERNIA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
 BUDGET AND ACTUAL – MUNICIPAL DEVELOPMENT DISTRICT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Sales Tax	\$ 168,615	\$ 300,000	\$ 319,841	\$ 19,841
Interest Income	50	150	3,617	3,467
Miscellaneous Income	-	-	6,858	6,858
<b>TOTAL REVENUES</b>	<u>168,665</u>	<u>300,150</u>	<u>330,316</u>	<u>30,166</u>
<b>EXPENDITURES</b>				
Personnel	-	16,148	10,774	5,374
Operations	91,000	139,000	58,873	80,127
<b>TOTAL EXPENDITURES</b>	<u>91,000</u>	<u>155,148</u>	<u>69,647</u>	<u>85,501</u>
Excess of Revenues Over Expenditures	<u>77,665</u>	<u>145,002</u>	<u>260,669</u>	<u>115,667</u>
<b>OTHER FINANCING USES</b>				
Transfer Out	<u>(32,176)</u>	<u>(32,176)</u>	<u>(32,176)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	45,489	112,826	228,493	115,667
Fund Balances at Beginning of Year	<u>867,712</u>	<u>867,712</u>	<u>867,712</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 913,201</u>	<u>\$ 980,538</u>	<u>\$ 1,096,205</u>	<u>\$ 115,667</u>



CITY OF LA VERNIA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2018

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

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

The City does not use encumbrances.

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

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

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 FIVE FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution (ARC)	Contributions in Relation to ARC	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As Percent of Covered Payroll
2014	\$ 12,852	\$ 12,852	-	\$ 494,024	2.60%
2015	15,785	15,785	-	554,405	2.85%
2016	17,500	17,500	-	632,086	2.77%
2017	16,862	16,862	-	623,503	2.70%
2018	24,229	24,229	-	797,021	3.04%

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 CALENDER YEARS

Total OPEB Liability	2017
Service Cost	\$ 1,621
Interest	671
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	1,499
Benefit Payments	(108)
Net Change in Total OPEB Liability	3,683
Total OPEB Liability - Beginning	16,987
Total OPEB Liability - Ending	\$ 20,670
 Covered Employee Payroll	 \$ 540,360
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 3.83%

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, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,166,975	\$ 1,264,087
Receivables (net of allowances for uncollectibles):		
Property Taxes	5,977	6,106
Other Receivables	190,192	244,556
Prepaid Items	26,848	9,884
<b>TOTAL ASSETS</b>	<b>\$ 1,389,992</b>	<b>\$ 1,524,633</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 1,121	\$ 7,305
Accrued Expenditures	20,195	16,175
Due to Other Funds	-	250,734
<i>Total Liabilities</i>	21,316	274,214
 <i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	4,783	6,106
<i>Total Deferred Inflows of Resources</i>	4,783	6,106
 <i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	26,848	9,884
Unassigned	1,337,045	1,234,429
<i>Total Fund Balances</i>	1,363,893	1,244,313
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b>\$ 1,389,992</b>	<b>\$ 1,524,633</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 GENERAL FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>REVENUES</b>		
Ad Valorem Taxes	\$ 197,348	\$ 190,231
Franchise Fees	63,785	61,729
Sales Taxes	861,385	812,541
Fines and Penalties	110,722	65,107
Licenses and Permits	47,696	61,619
Interest Income	238	813
Intergovernmental	2,924	116,786
Miscellaneous	28,136	23,703
Police Services for School District	157,483	147,081
<b>TOTAL REVENUES</b>	1,469,717	1,479,610
<b>EXPENDITURES</b>		
<i>Current:</i>		
Code Enforcement	55,473	73,165
General Government	333,597	291,224
Municipal Court	61,055	53,517
Police	714,137	586,428
Public Works	104,788	99,592
Parks	52,204	34,743
Capital Outlay	89,596	267,468
<b>TOTAL EXPENDITURES</b>	1,410,850	1,406,137
Excess (Deficiency) of Revenues Over (Under) Expenditures	58,867	73,473
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from the Sale of Capital Assets	36,499	-
Transfer In	32,176	30,068
Transfer Out	(7,962)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	60,713	30,068
Net Change in Fund Balance	119,580	103,541
Fund Balances at Beginning of Year	1,244,313	1,140,772
Fund Balances at End of Year	\$ 1,363,893	\$ 1,244,313

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 STREET MAINTENANCE FUND  
 SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 300,938	\$ 397,114
Other Receivables	28,117	26,819
<b>TOTAL ASSETS</b>	<b>\$ 329,055</b>	<b>\$ 423,933</b>
 <b>LIABILITIES &amp; FUND BALANCE</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	-	-
 <i>Fund Balance:</i>		
Restricted for Street Maintenance	329,055	423,933
<i>Total Fund Balance</i>	329,055	423,933
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 329,055</b>	<b>\$ 423,933</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, 2018 AND 2017

	2018	2017
<b>REVENUES</b>		
Sales Taxes	\$ 167,721	\$ 159,366
Interest Income	263	177
<b>TOTAL REVENUES</b>	167,984	159,543
 <b>EXPENDITURES</b>		
<i>Current:</i>		
Public Works	262,862	234,106
<b>TOTAL EXPENDITURES</b>	262,862	234,106
 Net Change in Fund Balance	(94,878)	(74,563)
 Fund Balances at Beginning of Year	423,933	498,496
 Fund Balances at End of Year	\$ 329,055	\$ 423,933

CITY OF LA VERNIA  
 COMPARATIVE BALANCE SHEETS  
 MUNICIPAL DEVELOPMENT DISTRICT  
 SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 639,533	\$ 418,778
Certificates of Deposit	402,980	399,752
Other Receivables	54,065	51,712
 <b>TOTAL ASSETS</b>	 \$ 1,096,578	 \$ 870,242
 <b>LIABILITIES AND FUND BALANCES</b>		
<i>Liabilities:</i>		
Accounts Payable	\$ 373	\$ 2,530
<i>Total Liabilities</i>	373	2,530
 <i>Fund Balances:</i>		
Restricted for Municipal Development	1,096,205	867,712
<i>Total Fund Balances</i>	1,096,205	867,712
 <b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	 \$ 1,096,578	 \$ 870,242

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 MUNICIPAL DEVELOPMENT DISTRICT  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>REVENUES</b>		
Sales Tax	\$ 319,841	\$ 308,896
Interest Income	3,617	3,825
Miscellaneous Income	6,858	41
<b>TOTAL REVENUES</b>	330,316	312,762
 <b>EXPENDITURES</b>		
Personnel	10,774	11,998
Operations	58,873	60,544
<b>TOTAL EXPENDITURES</b>	69,647	72,542
 Excess of Revenues Over Expenditures	260,669	240,220
 <b>OTHER FINANCING USES</b>		
Transfer Out	(32,176)	(30,068)
 Net Change in Fund Balance	228,493	210,152
 Fund Balances at Beginning of Year	867,712	657,560
 Fund Balances at End of Year	\$ 1,096,205	\$ 867,712

CITY OF LA VERNIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	Debt Service	Court Security	Court Technology	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ (113)	\$ 3,905	\$ 9,991	\$ 13,783
Receivables (net of allowances for uncollectibles):				
Property Taxes	464	-	-	464
<b>TOTAL ASSETS</b>	<b>\$ 351</b>	<b>\$ 3,905</b>	<b>\$ 9,991</b>	<b>\$ 14,247</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>				
<i>Liabilities:</i>				
Accounts Payable	\$ -	\$ 54	\$ -	\$ 54
<i>Total Liabilities</i>	-	54	-	54
<i>Deferred Inflows of Resources</i>				
Unavailable Property Tax Revenues	351	-	-	351
<i>Total Deferred Inflows of Resources</i>	351	-	-	351
<i>Fund Balances:</i>				
Restricted for Municipal Court	-	3,851	9,991	13,842
<i>Total Fund Balances</i>	-	3,851	9,991	13,842
<b>TOTAL LIABILITIES, DEFERRED INFLOWS &amp; FUND BALANCES</b>	<b>\$ 351</b>	<b>\$ 3,905</b>	<b>\$ 9,991</b>	<b>\$ 14,247</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, 2018

	<u>Debt Service</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Total</u>
<b>REVENUES</b>				
Ad Valorem Taxes	18,370	\$ -	\$ -	\$ 18,370
Fines and Penalties	-	2,485	3,312	5,797
Miscellaneous Income	284	-	-	284
Interest Income	17	2	7	26
<b>TOTAL REVENUES</b>	<u>18,671</u>	<u>2,487</u>	<u>3,319</u>	<u>24,477</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Municipal Court	-	708	-	708
<i>Debt Service:</i>				
Principal	43,599	-	-	43,599
Interest and Fiscal Charges	2,722	-	-	2,722
<b>TOTAL EXPENDITURES</b>	<u>46,321</u>	<u>708</u>	<u>-</u>	<u>47,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,650)	1,779	3,319	(22,552)
<b>OTHER FINANCING SOURCE</b>				
Transfer In	7,962	-	-	7,962
Net Change in Fund Balance	(19,688)	1,779	3,319	(14,590)
Fund Balances at Beginning of Year	<u>19,688</u>	<u>2,072</u>	<u>6,672</u>	<u>28,432</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 3,851</u>	<u>\$ 9,991</u>	<u>\$ 13,842</u>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF NET POSITION  
 PROPRIETARY UTILITY FUND  
 SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 413,842	\$ 342,897
Receivables (net of allowances for uncollectibles):	74,600	84,789
Prepaid Expenses	10,034	4,840
Due from Other Funds	-	250,734
<i>Other Assets:</i>		
Restricted Cash and Investments	2,036,008	2,137,163
Capital Assets (net of depreciation)	3,840,290	3,953,987
<b>TOTAL ASSETS</b>	<b>6,374,774</b>	<b>6,774,410</b>
 <b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts Payable	19,968	22,155
Accrued Expenses	-	393
Accrued Compensated Absences	592	3,395
Customer Deposits	72,586	68,449
Unearned Revenue	10,344	16,994
Accrued Interest Payable	18,115	20,023
<i>Noncurrent Liabilities:</i>		
Due within One Year	215,485	139,413
Due in more than One Year	3,836,125	4,012,610
<b>TOTAL LIABILITIES</b>	<b>4,173,215</b>	<b>4,283,432</b>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	1,681,125	1,814,789
Restricted for Impact Fees	143,564	143,038
Unrestricted	376,870	533,151
<b>TOTAL NET POSITION</b>	<b>\$ 2,201,559</b>	<b>\$ 2,490,978</b>

CITY OF LA VERNIA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY UTILITY FUND  
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<b>OPERATING REVENUES</b>		
Water Charges	\$ 448,275	\$ 485,017
Sewer Charges	175,973	179,614
Garbage Charges	263,342	261,559
Connection and Impact Fees	7,251	15,291
Miscellaneous Income	30,183	36,829
<b>TOTAL OPERATING REVENUES</b>	925,024	978,310
<b>OPERATING EXPENSES</b>		
Personnel	140,260	105,800
Water Purchase	112,006	87,352
Garbage Collection	237,133	234,851
Utilities	73,255	68,563
Office and Administrative	51,741	42,660
Repairs and Chemicals	73,455	79,522
Treatment Plant Contract	85,436	88,216
Depreciation	275,297	180,494
<b>TOTAL OPERATING EXPENSES</b>	1,048,583	887,458
<b>OPERATING INCOME (LOSS)</b>	(123,559)	90,852
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	1,751	1,290
Interest Expense	(141,624)	(46,984)
Bond Issue Costs	(25,987)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	(165,860)	(45,694)
<b>CHANGE IN NET POSITION</b>	(289,419)	45,158
<b>NET POSITION AT BEGINNING OF YEAR</b>	2,490,978	2,445,820
<b>NET POSITION AT END OF YEAR</b>	\$ 2,201,559	\$ 2,490,978

