



CITY OF LA VERNIA, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2025**



CITY OF LA VERNIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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CITY OF LA VERNIA
PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR	MARTIN POORE
MAYOR PRO TEM	DIANELL RECKER
CITY COUNCIL	GARRETT RABEL
	KATIE EVANS
	JUSTIN OATES
	GARY GILBERT
CITY ADMINISTRATOR	LINDSEY WHEELER
ATTORNEY	DENTON, NAVARRO, RODRIGUEZ, BERNAL, SANTEE & ZECH, P.C.



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate fund remaining information of the City of La Vernia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of La Vernia, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

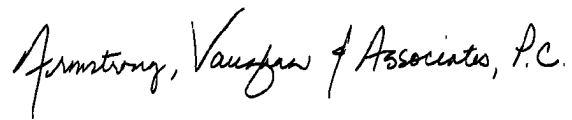
Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of La Vernia's basic financial statements. The supplementary information (as identified in the table of contents) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Armstrong, Vaughan & Associates, P.C.
January 26, 2026

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, 2025. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

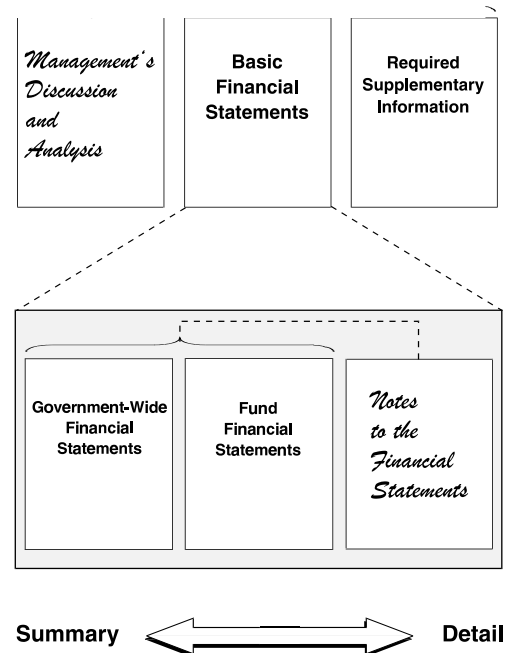
- The City's total combined net position was \$9.2 million at September 30, 2025, an increase of \$251 thousand from the year prior.
- During the year, the City's governmental expenses were \$445 thousand less than the \$4.2 million generated in general and program revenues for governmental activities. The total cost of the City's governmental programs increased 29% from the prior year. A significant portion of the increase was for street maintenance, professional inspections on a large school district permit and city-wide technology improvements.
- The general fund reported an unassigned fund balance this year of \$1.6 million, a decrease of \$309 thousand. The decrease was the result of significant planned capital purchases including a new police station.
- Utility charges for services were 31% higher than the prior year because of increase rates. Costs only increased 8%, helping to reduce the operating loss for the utility fund.

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-1, Required Components of the City's Annual Financial Report



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

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Fund Statements			
<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 \$9.2 million at September 30, 2025. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<i>Assets:</i>						
Current Assets	\$ 5,937,312	\$ 6,477,262	\$ (632,318)	\$ (277,088)	\$ 5,304,994	\$ 6,200,174
Other Assets	-	-	97,380	89,749	97,380	89,749
Capital Assets (net)	3,921,799	3,035,815	3,891,288	4,250,238	7,813,087	7,286,053
<i>Total Assets</i>	<u>9,859,111</u>	<u>9,513,077</u>	<u>3,356,350</u>	<u>4,062,899</u>	<u>13,215,461</u>	<u>13,575,976</u>
<i>Deferred Outflows</i>	<u>68,583</u>	<u>85,252</u>	<u>-</u>	<u>-</u>	<u>68,583</u>	<u>85,252</u>
<i>Liabilities:</i>						
Current Liabilities	272,051	269,833	400,758	445,077	672,809	714,910
Long-Term Liabilities	1,299,901	1,443,735	2,001,240	2,469,446	3,301,141	3,913,181
<i>Total Liabilities</i>	<u>1,571,952</u>	<u>1,713,568</u>	<u>2,401,998</u>	<u>2,914,523</u>	<u>3,973,950</u>	<u>4,628,091</u>
<i>Deferred Inflows</i>	<u>79,759</u>	<u>54,244</u>	<u>-</u>	<u>-</u>	<u>79,759</u>	<u>54,244</u>
<i>Net Position:</i>						
Net Investment in Capital Assets	3,875,041	2,940,167	1,699,675	1,548,151	5,574,716	4,488,318
Restricted	2,986,954	3,172,223	97,380	89,749	3,084,334	3,261,972
Unrestricted	1,413,988	1,718,127	(842,703)	(489,524)	571,285	1,228,603
<i>Total Net Position</i>	<u>\$ 8,275,983</u>	<u>\$ 7,830,517</u>	<u>\$ 954,352</u>	<u>\$ 1,148,376</u>	<u>\$ 9,230,335</u>	<u>\$ 8,978,893</u>

Governmental Activities

- Sales tax continues to be the main funding source for governmental activities at \$2.8 million. Tax revenues overall increased 11%.
- Charges for services decreased in 2025 because a large school district permit was received in 2024. Costs related to that permit are occurring in 2025 in code enforcement.
- Governmental expenses increased 29% to \$3.8 million, mostly in police and code enforcement. Public works also increased from a street maintenance project.
- Governmental net position increased by \$445 thousand.

Business-Type Activities

Revenues of the City's utility business-type activities increased \$463 thousand due to an increase in charge rates. Operating costs increased 8%. The utility fund has borrowed funds from the general fund to pay its obligations, but the increased rates have helped reduce its operating deficit from \$496 thousand in 2024 to \$194 thousand in 2025.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<i>Program Revenues:</i>						
Charges for Services	\$ 567,923	\$ 863,144	\$ 1,962,571	\$ 1,499,138	\$ 2,530,494	\$ 2,362,282
Grants and Contributions:						
Operating	78,862	33,355	-	-	78,862	33,355
Capital	20,000	105	-	-	20,000	105
<i>General Revenues:</i>						
Taxes	3,353,841	3,014,299	-	-	3,353,841	3,014,299
Interest Earnings	118,019	126,530	445	1,012	118,464	127,542
Miscellaneous	91,459	79,203	-	-	91,459	79,203
TOTAL REVENUES	4,230,104	4,116,636	1,963,016	1,500,150	6,193,120	5,616,786
<i>Program Expenses:</i>						
Code Enforcement	358,118	65,535	-	-	358,118	65,535
General	612,778	584,260	-	-	612,778	584,260
Municipal Development	367,307	285,642	-	-	367,307	285,642
Municipal Court	47,830	58,038	-	-	47,830	58,038
Police	1,688,802	1,495,817	-	-	1,688,802	1,495,817
Public Works	503,971	246,441	-	-	503,971	246,441
Parks	171,490	162,891	-	-	171,490	162,891
Interest	34,342	31,817	-	-	34,342	31,817
Utility	-	-	2,157,040	1,996,597	2,157,040	1,996,597
TOTAL EXPENSES	3,784,638	2,930,441	2,157,040	1,996,597	5,941,678	4,927,038
 Increase (Decrease) in Net Position	 445,466	 1,186,195	 (194,024)	 (496,447)	 251,442	 689,748
 Beginning Net Position	 7,830,517	 6,644,322	 1,148,376	 1,644,823	 8,978,893	 8,289,145
Ending Net Position	<u>\$ 8,275,983</u>	<u>\$ 7,830,517</u>	<u>\$ 954,352</u>	<u>\$ 1,148,376</u>	<u>\$ 9,230,335</u>	<u>\$ 8,978,893</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$4.2 million, an increase of 3% from the preceding year. Property tax collections increased from a new levy for the 2024 drainage bonds. Sales tax also grew, which help offset the decrease in permit revenue. Expenditures increased from \$3.5 to \$4.8 million. The increase was largely related to the new police station, street maintenance and inspection costs for the school district permit.

Budgetary Highlights

The City's actual expenditures in the general fund were \$14 thousand less than budgeted amounts. The police exceeded its budget as the cost of outfitting the new police station was more than expected. General government exceeded the budget for technology updates and employee training. Revenues were \$27 thousand less than projected, primarily from ad valorem taxes and how those are now split with debt service. General fund balance decreased \$303 thousand as expected in the budget.

The Municipal Development District's revenues were \$160 thousand more than budgeted amounts (primarily from stronger than expected sales tax), while expenditures were \$425 thousand more than budgeted amounts. Expenditures exceeded the budget for capital projects and event costs. This led to a net decrease in fund balance of \$424 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2025, the City had invested \$15.8 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions for 2025 include a new police department building and a new pickleball court. (See Table A-3.)

Table A-3
City's Capital Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Land	\$ 209,198	\$ 209,198	\$ 31,158	\$ 31,158	\$ 240,356	\$ 240,356
Buildings and Improvements	1,374,574	399,934	14,000	14,000	1,388,574	413,934
Equipment	1,116,515	1,127,655	604,945	593,292	1,721,460	1,720,947
Infrastructure	2,631,358	2,523,515	9,471,572	9,471,572	12,102,930	11,995,087
Construction in Progress	268,743	234,891	79,350	25,300	348,093	260,191
Totals at Historical Cost	5,600,388	4,495,193	10,201,025	10,135,322	15,801,413	14,630,515
Total Accumulated Depreciation	(1,678,589)	(1,459,378)	(6,309,737)	(5,885,084)	(7,988,326)	(7,344,462)
Net Capital Assets	<u>\$ 3,921,799</u>	<u>\$ 3,035,815</u>	<u>\$ 3,891,288</u>	<u>\$ 4,250,238</u>	<u>\$ 7,813,087</u>	<u>\$ 7,286,053</u>

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

Long Term Debt

At year-end, the City had \$3.3 million in bonds outstanding as shown in Table A-4. No new debt was issued but the City chose to pay off the 2017 bonds in the utility fund early to save on interest. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-4
City's Long-Term Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
Bonds and Loans Payable	\$ 1,210,000	\$ 1,250,000	\$ 2,106,627	\$ 2,603,269	\$ 3,316,627	\$ 3,853,269
Total Bonds & Notes Payable	<u>\$ 1,210,000</u>	<u>\$ 1,250,000</u>	<u>\$ 2,106,627</u>	<u>\$ 2,603,269</u>	<u>\$ 3,316,627</u>	<u>\$ 3,853,269</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budget for 2026 is based on a property tax rate increase from 0.178093 to 0.272538. The additional revenue will be used to help supplement the general fund budget so that investments in streets and parks can continue. The 2026 budget also includes 5% cost of living adjustment to remain competitive with other governments in the area. Drainage improvements are expected to continue from the 2024 bonds.

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
SEPTEMBER 30, 2025

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, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,609,009	\$ 1,203	\$ 4,610,212
Receivables (net of allowances):			
Ad Valorem Taxes	15,081	-	15,081
Other	486,933	187,205	674,138
Prepaid Items	5,563	-	5,563
Restricted Cash - Impact Fees	-	97,380	97,380
Internal Balances	820,726	(820,726)	-
Capital Assets (net)	3,921,799	3,891,288	7,813,087
TOTAL ASSETS	9,859,111	3,356,350	13,215,461
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	58,711	-	58,711
Deferred OPEB Related Outflows	9,872	-	9,872
TOTAL DEFERRED OUTFLOWS	68,583	-	68,583
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	31,403	55,552	86,955
Accrued Wages	44,279	4,089	48,368
Accrued Interest Payable	7,796	7,893	15,689
Accrued Compensated Absences	123,573	17,796	141,369
Customer Deposits	-	102,794	102,794
Unearned Revenue	-	22,261	22,261
<i>Noncurrent Liabilities:</i>			
Due within One Year	65,000	190,373	255,373
Due in more than One Year	1,216,182	2,001,240	3,217,422
Net Pension Liability	48,602	-	48,602
Total OPEB Liability	35,117	-	35,117
TOTAL LIABILITIES	1,571,952	2,401,998	3,973,950
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Related Inflows	63,909	-	63,909
Deferred OPEB Related Inflows	15,850	-	15,850
TOTAL DEFERRED INFLOWS	79,759	-	79,759
NET POSITION:			
Net Investment in Capital Assets	3,875,041	1,699,675	5,574,716
Restricted for:			
Street Repair	693,368	-	693,368
Municipal Development District	1,993,152	-	1,993,152
Municipal Court	21,267	-	21,267
Police	1,920	-	1,920
Tourism	277,247	-	277,247
Impact Fees	-	97,380	97,380
Unrestricted	1,413,988	(842,703)	571,285
TOTAL NET POSITION	\$ 8,275,983	\$ 954,352	\$ 9,230,335

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Code Enforcement	\$ 358,118	\$ 78,527	\$ -	\$ -
General Government	612,778	45,369	-	20,000
Municipal Development	367,307	-	-	-
Municipal Court	47,830	101,221	-	-
Police	1,688,802	342,806	78,862	-
Public Works	503,971	-	-	-
Parks	171,490	-	-	-
Interest	34,342	-	-	-
Total Governmental Activities	3,784,638	567,923	78,862	20,000
Business-Type Activities:				
Water and Sewer Utility	2,157,040	1,962,571	-	-
Total Business-Type Activities	2,157,040	1,962,571	-	-
Total Primary Government	\$ 5,941,678	\$ 2,530,494	\$ 78,862	\$ 20,000

General Revenues:

Taxes
Ad Valorem Taxes
Franchise Taxes
Sales Taxes
Interest and Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Position
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (279,591)		\$ (279,591)
(547,409)		(547,409)
(367,307)		(367,307)
53,391		53,391
(1,267,134)		(1,267,134)
(503,971)		(503,971)
(171,490)		(171,490)
(34,342)		(34,342)
<u>(3,117,853)</u>		<u>(3,117,853)</u>
	\$ (194,469)	(194,469)
	<u>(194,469)</u>	<u>(194,469)</u>
<u>(3,117,853)</u>	<u>(194,469)</u>	<u>(3,312,322)</u>
458,847	-	458,847
91,365	-	91,365
2,803,629	-	2,803,629
118,019	445	118,464
91,459	-	91,459
<u>3,563,319</u>	<u>445</u>	<u>3,563,764</u>
445,466	(194,024)	251,442
<u>7,830,517</u>	<u>1,148,376</u>	<u>8,978,893</u>
<u>\$ 8,275,983</u>	<u>\$ 954,352</u>	<u>\$ 9,230,335</u>

CITY OF LA VERNIA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Street Maintenance	Municipal Development District
ASSETS			
Cash and Cash Equivalents	\$ 805,428	\$ 636,883	\$ 1,635,421
Receivables (net of allowances for uncollectibles):			
Property Taxes	15,081	-	-
Other Receivables	316,194	56,485	110,672
Due From Other Funds	820,726	-	250,000
Prepaid Items	5,563	-	-
TOTAL ASSETS	<u><u>\$ 1,962,992</u></u>	<u><u>\$ 693,368</u></u>	<u><u>\$ 1,996,093</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
<i>Liabilities</i>			
Accounts Payable	\$ 31,403	\$ -	\$ -
Accrued Wages	41,338	-	2,941
Due To Other Funds	250,000	-	-
<i>Total Liabilities</i>	<u>322,741</u>	<u>-</u>	<u>2,941</u>
<i>Deferred Inflows of Resources</i>			
Unavailable Property Tax Revenues	15,046	-	-
<i>Total Deferred Inflows of Resources</i>	<u>15,046</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Nonspendable Prepaid Items	5,563	-	-
Restricted for:			
Street Repair	-	693,368	-
Municipal Court	-	-	-
Police	-	-	-
Tourism Development	-	-	-
Municipal Development	-	-	1,993,152
Drainage Improvements	-	-	-
Unassigned	1,619,642	-	-
<i>Total Fund Balances</i>	<u>1,625,205</u>	<u>693,368</u>	<u>1,993,152</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 1,962,992</u></u>	<u><u>\$ 693,368</u></u>	<u><u>\$ 1,996,093</u></u>

See accompanying notes to basic financial statements.

2024 Drainage Bonds	Total Nonmajor Funds	Total Governmental Funds
\$ 1,234,424	\$ 296,852	\$ 4,609,008
-	-	15,081
-	3,582	486,933
-	-	1,070,726
-	-	5,563
<u>\$ 1,234,424</u>	<u>\$ 300,434</u>	<u>\$ 6,187,311</u>

\$ -	\$ -	\$ 31,403
-	-	44,279
-	-	250,000
-	-	325,682

-	-	15,046
-	-	15,046

-	-	5,563
-	-	693,368
-	21,267	21,267
-	1,920	1,920
-	277,247	277,247
-	-	1,993,152
1,234,424	-	1,234,424
-	-	1,619,642
<u>1,234,424</u>	<u>300,434</u>	<u>5,846,583</u>

<u>\$ 1,234,424</u>	<u>\$ 300,434</u>	<u>\$ 6,187,311</u>
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CITY OF LA VERNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	5,846,583
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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.		3,921,799
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		15,047
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Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the funds.		(123,573)
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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	(48,602)		
Pension Related Deferred Outflows	58,711		
Pension Related Deferred Inflows	<u>(63,909)</u>		(53,800)

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

Total OPEB Liability	(35,117)		
OPEB Related Deferred Outflows	9,872		
OPEB Related Deferred Inflows	<u>(15,850)</u>		(41,095)

Long-term debt is not due and payable in the current period and therefore not reported in the governmental funds

Bonds Payable	(1,210,000)		
Unamortized Bond Premiums	(71,182)		
Accrued Interest	<u>(7,796)</u>		<u>(1,288,978)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>8,275,983</u></u>
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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, 2025

	General Fund	Street Maintenance	Municipal Development District
REVENUES			
Ad Valorem Taxes	\$ 342,982	\$ -	\$ -
Franchise Fees and Hotel Taxes	91,365	-	-
Sales Taxes	1,732,118	340,577	666,173
Fines and Penalties	96,359	-	-
Licenses and Permits	78,527	-	-
Interest Income	44,100	13,841	15,326
Grants and Donations	1,651	-	-
Miscellaneous	72,266	-	67,111
Police Services for School District	336,326	-	-
TOTAL REVENUES	<u>2,795,694</u>	<u>354,418</u>	<u>748,610</u>
EXPENDITURES			
<i>Current:</i>			
Code Enforcement	358,466	-	-
General Government	567,566	-	-
Municipal Court	48,009	-	-
Police	1,471,148	-	-
Public Works	183,047	185,963	-
Parks	172,968	-	-
Municipal Development	-	-	362,723
Capital Outlay	362,350	-	750,295
<i>Debt Service:</i>			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>3,163,554</u>	<u>185,963</u>	<u>1,113,018</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(367,860)</u>	<u>168,455</u>	<u>(364,408)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Property	5,000	-	-
Transfer In	60,000	-	-
Transfer Out	-	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>65,000</u>	<u>-</u>	<u>(60,000)</u>
Net Change in Fund Balance	(302,860)	168,455	(424,408)
Fund Balances at Beginning of Year	<u>1,928,065</u>	<u>524,913</u>	<u>2,417,560</u>
Fund Balances at End of Year	<u>\$ 1,625,205</u>	<u>\$ 693,368</u>	<u>\$ 1,993,152</u>

See accompanying notes to basic financial statements.

2024 Drainage Bonds	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ 112,259	\$ 455,241
-	64,761	156,126
-	-	2,738,868
-	4,861	101,220
-	-	78,527
43,495	1,262	118,024
-	96,141	97,792
-	-	139,377
-	-	336,326
<u>43,495</u>	<u>279,284</u>	<u>4,221,501</u>
-	-	358,466
-	-	567,566
-	200	48,209
-	76,641	1,547,789
-	-	369,010
-	-	172,968
-	-	362,723
48,501	19,500	1,180,646
-	40,000	40,000
-	72,259	72,259
<u>48,501</u>	<u>208,600</u>	<u>4,719,636</u>
<u>(5,006)</u>	<u>70,684</u>	<u>(498,135)</u>
-	-	5,000
-	-	60,000
-	-	(60,000)
<u>-</u>	<u>-</u>	<u>5,000</u>
(5,006)	70,684	(493,135)
<u>1,239,430</u>	<u>229,750</u>	<u>6,339,718</u>
<u>\$ 1,234,424</u>	<u>\$ 300,434</u>	<u>\$ 5,846,583</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, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(493,135)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchases of Capital Assets	1,148,703	
Depreciation	<u>(262,719)</u>	885,984

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in those revenues from the prior year.		3,605
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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.

Pension Plan	25,427	
OPEB Plan	<u>(2,673)</u>	22,754

The issuance of long-term debt provides current financial resources for governmental funds and the repayment of that debt consumes current financial resources. However, the statement of activities does not report these transactions. In addition, interest on the statement of activities is recorded as it accrues as opposed to when due and payable on the governmental fund statements.

Principal Payments	40,000	
Amortization of Premiums	13,896	
Accrued Interest	<u>24,021</u>	77,917

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Compensated Absences		<u>(51,659)</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>445,466</u></u>
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CITY OF LA VERNIA
STATEMENT OF NET POSITION
PROPRIETARY UTILITY FUND
SEPTEMBER 30, 2025

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,203
Receivables (net of allowances for uncollectibles):	<u>187,205</u>
<i>Total Current Assets</i>	<u>188,408</u>

Other Assets:

Restricted Cash - Impact Fees	97,380
Capital Assets (net of depreciation)	<u>3,891,288</u>
<i>Total Other Assets</i>	<u>3,988,668</u>

TOTAL ASSETS

4,177,076

LIABILITIES

Current Liabilities:

Accounts Payable	55,552
Accrued Wages	4,089
Accrued Interest Payable	7,893
Accrued Compensated Absences	17,796
Customer Deposits	102,794
Due to Other Funds	820,726
Unearned Revenue	22,261
Long-Term Debt - Current Portion	<u>190,373</u>
<i>Total Current Liabilities</i>	<u>1,221,484</u>

Noncurrent Liabilities:

Long-Term Debt - Net of Current Portion	<u>2,001,240</u>
TOTAL LIABILITIES	<u>3,222,724</u>

NET POSITION:

Net Investment in Capital Assets	1,699,675
Restricted Impact Fees	97,380
Unrestricted (Deficit)	<u>(842,703)</u>
TOTAL NET POSITION	<u>\$ 954,352</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY UTILITY FUND
FOR THE YEAR SEPTEMBER 30, 2025

OPERATING REVENUES

Water Charges	\$ 1,061,089
Sewer Charges	327,197
Garbage Charges	506,342
Connection and Impact Fees	25,079
Other Charges	42,864
TOTAL OPERATING REVENUES	<u>1,962,571</u>

OPERATING EXPENSES

Personnel	221,815
Water Purchase	94,975
Garbage Collection	414,685
Utilities	98,239
Office and Administrative	53,687
Repairs and Chemicals	583,232
Treatment Plant Contract	167,641
Depreciation	446,888
TOTAL OPERATING EXPENSES	<u>2,081,162</u>

OPERATING INCOME (LOSS)	<u>(118,591)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest Income	445
Interest Expense	<u>(75,878)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(75,433)</u>

CHANGE IN NET POSITION	(194,024)
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NET POSITION AT BEGINNING OF YEAR	<u>1,148,376</u>
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NET POSITION AT END OF YEAR	<u><u>\$ 954,352</u></u>
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CITY OF LA VERNIA
STATEMENT OF CASH FLOWS - PROPRIETARY UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 1,916,058
Cash Paid to Suppliers for Goods and Services	(1,425,142)
Cash Paid to Employees	(214,273)
Net Cash Provided (Used) by Operating Activities	<u>276,643</u>
Cash Flows From Capital and Related Financing Activities:	
Purchases of Capital Assets	(87,938)
Principal Payments	(496,642)
Interest Paid	(91,129)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(675,709)</u>
Cash Flows From Noncapital Financing Activities:	
Short-term cash advances from other funds	407,455
Net Cash Provided (Used) by Noncapital Financing Activities	<u>407,455</u>
Cash Flows From Investing Activities:	
Investment Interest Received	445
Net Cash Provided (Used) by Investing Activities	<u>445</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,834
Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents	-
Restricted Cash	89,749
	<u>89,749</u>
Cash and Cash Equivalents at End of Year	
Cash and Cash Equivalents	1,203
Restricted Cash	97,380
	<u>\$ 98,583</u>

See accompanying notes to basic financial statements.

CITY OF LA VERNIA
STATEMENT OF CASH FLOWS - PROPRIETARY UTILITY FUND (CONT.)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (118,591)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	446,888
(Increase) Decrease in Operating Assets:	
Accounts Receivable (net)	(51,022)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(12,683)
Accrued Wages	834
Accrued Compensated Absences	6,708
Customer Deposits	3,180
Unearned Revenue	1,329
Total Adjustments to Reconcile Operating Activities	<u>395,234</u>

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

\$ 276,643

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025, 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, 2025

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, Municipal Development District and 2024 Drainage Bonds 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, 2025

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.

2024 Drainage Bonds is used to account for bonds issued for capital improvements in the City.

The City has the following nonmajor funds: Court Security, Court Technology, Grant Fund, Hotel Tax, Debt Service and Police Forfeiture.

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

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

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

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City. Cash is only reported as restricted if it has a restriction narrower than the purpose of the fund that it is recorded in.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

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

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City reports investments in local government pools at net asset value and certificates of deposit at amortized cost. Local government investment pools are reported as part of cash and cash equivalents.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2024 and past due after January 31, 2025. 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 credit losses, which the City currently estimates to be \$2,661 for the general fund.

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 credit losses.

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, 2025

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	10 to 40 years
Streets and Infrastructure	10 to 30 years
Utility system in service	10 to 30 years
Machinery and equipment	3 to 20 years

10. COMPENSATED ABSENCES

Employees earn vacation and sick leave at varying rates depending on length of service. Accrued vacation leave must be taken within the employment year (based on anniversary date). No sick leave days are paid when an employee leaves City employment. 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 based on an estimate of the absences that are more likely than not to be taken as time off or paid out. The City uses the first in first out flows assumption in determining the liability.

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, 2025

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, 2025

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. The City has established minimum fund balance policy of 35% of on-going expenditures in the general fund and 25% of on-going expenditures in all other funds. In addition, a maximum fund balance of 60% was set for the general fund.

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, 2025

NOTE B -- DEPOSITS AND INVESTMENTS

Deposits

The City holds deposits at two institutions. At September 30, 2025, the City's deposits (including certificates of deposit) were fully collateralized by a combination of FDIC and pledged securities by the City's depositories.

Investments

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

Public Funds Investment Pools

As of September 30, 2025, the City held \$2,272,066 in TexPool, a local government investment pool. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

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

a. Credit Risk

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE B -- DEPOSITS AND INVESTMENTS (CONT.)

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Wilson County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. The total taxable value as of January 1, 2024, upon which the fiscal 2025 levy was based, was \$263 million (i.e., market value less exemptions). The tax rate to finance general governmental services for the year ended September 30, 2025, was \$0.178093 per \$100 of assessed value. In general, the City may not increase the maintenance and operations portion of the property tax rate (that funds the General Fund) more than 3.5% annually (based on a three year average) without an election.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2025 are as follows:

	General Fund	Street Maintenance	Municipal Development	Total Nonmajor Funds	Utility
Sales Tax	\$ 287,145	\$ 56,485	\$ 110,672	\$ -	\$ -
Franchise Taxes	19,844	-	-	-	-
Police Services	3,861	-	-	-	-
Other	5,344	-	-	3,582	-
Utility Services	-	-	-	-	194,856
Allowance for Credit Losses	-	-	-	-	(7,651)
Total Other Receivables	<u>\$ 316,194</u>	<u>\$ 56,485</u>	<u>\$ 110,672</u>	<u>\$ 3,582</u>	<u>\$ 187,205</u>

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

<i>Business-Type Activities</i>	Balance 10/1/2024	Additions	Disposals/ Transfers	Balance 9/30/2025
Land	\$ 31,158	\$ -	\$ -	\$ 31,158
Buildings and Improvements	14,000	-	-	14,000
Vehicles and Equipment	593,292	33,888	(22,235)	604,945
Infrastructure	9,471,572	-	-	9,471,572
Construction in Progress	25,300	54,050	-	79,350
	<u>10,135,322</u>	<u>87,938</u>	<u>(22,235)</u>	<u>10,201,025</u>
Less Accumulated Depreciation				
Buildings and Improvements	(13,954)	(25)	-	(13,979)
Equipment	(323,157)	(68,761)	22,235	(369,683)
Infrastructure	<u>(5,547,973)</u>	<u>(378,102)</u>	<u>-</u>	<u>(5,926,075)</u>
	<u>(5,885,084)</u>	<u>(446,888)</u>	<u>22,235</u>	<u>(6,309,737)</u>
Business-Type Capital Assets, Net	<u>\$ 4,250,238</u>	<u>\$ (358,950)</u>	<u>\$ -</u>	<u>\$ 3,891,288</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE E -- CAPITAL ASSETS (Continued)

<i>Governmental Activities</i>	Balance 10/1/2024	Additions	Disposals/ Transfers	Balance 9/30/2025
Land	\$ 209,198	\$ -	\$ -	\$ 209,198
Buildings and Improvements	399,934	974,640	-	1,374,574
Vehicles and Equipment	1,127,655	32,368	(43,508)	1,116,515
Infrastructure	2,523,515	107,843	-	2,631,358
Construction in Progress	234,891	33,852	-	268,743
	<u>4,495,193</u>	<u>1,148,703</u>	<u>(43,508)</u>	<u>5,600,388</u>
Less Accumulated Depreciation				
Buildings and Improvements	(185,165)	(15,413)	-	(200,578)
Equipment	(715,513)	(127,617)	43,508	(799,622)
Infrastructure	<u>(558,700)</u>	<u>(119,689)</u>	<u>-</u>	<u>(678,389)</u>
	<u>(1,459,378)</u>	<u>(262,719)</u>	<u>43,508</u>	<u>(1,678,589)</u>
Governmental Capital Assets, Net	<u>\$ 3,035,815</u>	<u>\$ 885,984</u>	<u>\$ -</u>	<u>\$ 3,921,799</u>

Land and Construction in Progress are not depreciated.

Depreciation expense was charged to the governmental functions as follows:

General	\$ 49,791
Police	101,553
Public Works	<u>111,375</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 262,719</u>

NOTE F -- LONG-TERM DEBT

Changes in long-term debt for the year ending September 30, 2025 were as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025
Bonds and Notes	\$ 4,037,166	\$ -	\$ (564,371)	\$ 3,472,795
Net Pension Liability	118,477	246,874	(316,749)	48,602
Total OPEB Liability	30,180	8,240	(3,303)	35,117
Compensated Absences	83,005	58,364	-	141,369
Totals	<u>\$ 4,268,828</u>	<u>\$ 313,478</u>	<u>\$ (884,423)</u>	<u>\$ 3,697,883</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE F -- LONG-TERM DEBT (Continued)

Long-term debt and obligations payable at September 30, 2025, comprise the following individual issues:

Note Payable – San Antonio River Authority (SARA)

In April 2004, the City borrowed money from SARA to improve the wastewater treatment plant. The loan was for \$600,000 with an interest rate of 4.48%. The loan requires annual installments of \$46,046, maturing in June 2024. The loan is supported by a pledge of income and fees from the utility fund.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016

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

General Obligation Refunding Bonds, Series 2017

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

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2024

In January 2024, the City authorized \$1,250,000 in certificates for drainage improvements. The debt service on the new bonds will be paid from property tax revenues. The bonds mature serially through February, 2039 and bear interest at rates ranging from 2.7 to 3.3%.

Changes in Bonds and Notes:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Governmental Activities					
<i>Public Offerings:</i>					
Certificates of Obligation, 2024	\$ 1,250,000	\$ -	\$ (40,000)	\$ 1,210,000	\$ 65,000
Unamortized Premiums	85,078	-	(13,896)	71,182	-
<i>Total Governmental Activities</i>	<u>1,335,078</u>	<u>-</u>	<u>(53,896)</u>	<u>1,281,182</u>	<u>65,000</u>
Business-Type Activities					
<i>Private Placements and Direct Borrowings:</i>					
San Antonio River Authority	165,269	-	(38,642)	126,627	40,373
Refunding, 2017	313,000	-	(313,000)	-	-
<i>Public Offerings:</i>					
Certificates of Obligation, 2016	2,125,000	-	(145,000)	1,980,000	150,000
Unamortized Premiums	98,819	-	(13,833)	84,986	-
<i>Total Business-Type Activities</i>	<u>2,702,088</u>	<u>-</u>	<u>(510,475)</u>	<u>2,191,613</u>	<u>190,373</u>
 Total Primary Government	<u>\$4,037,166</u>	<u>\$ -</u>	<u>\$ (564,371)</u>	<u>\$3,472,795</u>	<u>\$ 255,373</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE F -- LONG-TERM DEBT (Continued)

The annual requirements to service long-term debt and obligations outstanding as of September 30, 2025, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Public Offerings		Total
	Principal	Interest	
2026	\$ 65,000	\$ 46,775	\$ 111,775
2027	70,000	44,400	114,400
2028	70,000	41,600	111,600
2029	75,000	38,700	113,700
2030	80,000	35,600	115,600
2031-2035	435,000	127,900	562,900
2036-2039	415,000	33,900	448,900
	<u>\$ 1,210,000</u>	<u>\$ 368,875</u>	<u>\$ 1,578,875</u>

Year Ending September 30,	Business-Type Activities				
	Private Placements and Direct Borrowings		Public Offerings		Total
	Principal	Interest	Principal	Interest	
2026	\$ 40,373	\$ 5,673	\$ 150,000	\$ 77,700	\$ 273,746
2027	42,182	3,864	150,000	73,200	269,246
2028	44,072	1,974	160,000	67,200	273,246
2029	-	-	165,000	60,800	225,800
2030	-	-	170,000	54,200	224,200
2031-2035	-	-	970,000	162,400	1,132,400
2036	-	-	215,000	8,600	223,600
	<u>\$ 126,627</u>	<u>\$ 11,511</u>	<u>\$ 1,980,000</u>	<u>\$ 504,100</u>	<u>\$ 2,622,238</u>

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description

The City participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.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.

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	20
Active employees	25
	<hr/>
	51
	<hr/>

Contributions

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- DEFINED BENEFIT PENSION PLAN (Continued)

For the year ending September 30, 2025, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year and the City match is at 1.5 to 1. The contribution rates for the City were 4.97% and 4.84% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$76,461 which equaled required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall Payroll Growth	3.60% to 11.85%
Investment Rate of Return*	6.75%

* Presented net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor..

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
	<u>100.00%</u>	

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.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2024:

Changes in Net Pension Liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2023	\$ 1,184,659	\$ 1,066,182	\$ 118,477
Changes for the year:			
Service Cost	162,337	-	162,337
Interest	83,810	-	83,810
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(31,460)	-	(31,460)
Changes of Assumptions	-	-	-
Contributions - Employer	-	72,621	(72,621)
Contributions - Employee	-	102,282	(102,282)
Net Investment Income	-	110,386	(110,386)
Benefit Payments, Including Refunds of Employee Contributions	(48,405)	(48,405)	-
Administrative Expense	-	(710)	710
Other Changes	-	(17)	17
Net Changes	166,282	236,157	(69,875)

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)	\$ 255,302	\$ 48,602	\$ (119,219)

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.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE G -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2025, the City recognized pension expense of \$50,592. Also as of September 30, 2025, 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	\$ -	\$ 44,002
Changes in Actuarial Assumptions	-	3,674
Differences Between Projected and Actual Investment Earnings	-	16,233
Contributions Subsequent to the Measurement Date	58,711	-
	<u>\$ 58,711</u>	<u>\$ 63,909</u>

Deferred outflows of resources in the amount of \$58,711 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, 2025. 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,

2025	\$ (15,665)
2026	(5,721)
2027	(29,059)
2028	(13,464)
2029	-
Thereafter	-
	<u>\$ (63,909)</u>

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

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, 2024, the valuation and measurement date, consisted of:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	25
	<hr/>
	32
	<hr/>

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 201 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. These assumptions are summarized below:

Inflation	2.50% per year
Salary Increases	3.50% to 11.85% Including Inflation
Discount Rate	4.08% (Based on Bond Buyer "20-Bond GO Index")
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. the rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

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,		
2025	0.21%	0.08%
2024	0.25%	0.10%

The following presents the TOL of the City, calculated using the discount rate of 4.08% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 3.08%	Discount Rate 4.08%	Discount Rate 5.08%
Total OPEB Liability (Asset)	\$ 41,731	\$ 35,117	\$ 29,967

The City's Total OPEB Liability (TOL), as of December 31, 2024 was calculated as follows:

	Total OPEB Liability
Balance at December 31, 2023	\$ 30,180
Changes for the year:	
Service Cost	3,215
Interest	1,171
Change of Benefit Terms	-
Difference Between Expected and Actual Experience	3,854
Changes of Assumptions or Other Inputs	(1,842)
Benefit Payments	(1,461)
Net Changes	4,937
Balance at December 31, 2024	\$ 35,117

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, 2025

NOTE H -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

For the year ended September 30, 2025, the City recognized OPEB expense of \$3,400. Also as of September 30, 2025, 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	\$ 5,240	\$ 11,140
Difference in Expected and Actual Experience	4,262	4,710
Contributions Subsequent to the Measurement Date	370	-
	<u>\$ 9,872</u>	<u>\$ 15,850</u>

Deferred outflows of resources in the amount of \$370 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, 2025. 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,	
2025	(1,035)
2026	(1,081)
2027	(916)
2028	(1,312)
2029	(1,443)
Thereafter	(561)
	<u>\$ (6,348)</u>

NOTE I -- INTERFUND TRANSACTIONS

The Municipal Development Fund transferred \$60,000 to the General Fund in support of administrative overhead.

As of September 30, 2025, the Utility Fund owed \$820,726 to the General Fund for short-term pool cash loans. The City expects to repay the amount with increased utility rates over time.

In 2025, the General Fund borrowed \$250,000 from the Municipal Development District for the renovations of a police station. The loan agreement requires annual payments of \$16,667 for 15 years beginning in 2026.

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE J -- TEXAS HIGHER EDUCATION AUTHORITY

In September 2006, the City created a nonprofit corporation under Section 53.35(b) of The Texas Education code. The creation of this nonprofit corporation established a Higher Education Authority (the Authority) for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the city is not liable for any expenses incurred in establishing or administering the Higher Education Authority. The Texas Higher Education Authority is not consolidated into the financial statements of City of La Vernia because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. The Authority has no outstanding bonds as of the date of this report.

NOTE K -- ABATEMENTS FOR ECONOMIC DEVELOPMENT

The City entered into an agreement on March 31, 2018 with a hotel in the community in accordance with Article III, Section 52-a of the Texas Constitution and Chapter 380 of the Texas Local Government Code to promote state or local economic development and to stimulate business and commercial activity in the City. Ongoing commitments of the City include a 75% annual property tax abatement and rebate of 50% of annual occupancy taxes collected for each calendar year from 2019 through 2028 with no obligation for a refund for any calendar year after 2028. The percentages abated gradually decrease over the life of the agreement to 5% in the final year. During the year ended September 30, 2025, the City abated \$3,468 in property taxes and no occupancy taxes.

In September 2021, the MDD sold land to an entity to construct a business. The land was sold in exchange for a forgivable note of \$110,000. If certain performance metrics are achieved, the loan will be forgiven in four annual amounts of \$27,500. Management fully expects to forgive the entire loan and thus has not recorded a receivable on these financial statements. As of September 30, 2025, \$55,000 of the loan has been forgiven.

NOTE L -- RISK MANAGEMENT

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

CITY OF LA VERNIA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE M -- 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.

Commitments

The City has engaged an engineer for well improvements for a total of \$115,000. As of September 30, 2025, \$86,250 had been incurred, leaving an estimated commitment of \$28,750.

The City has engaged an engineer for drainage improvements for a total of \$79,500. As of September 30, 2025, \$17,294 has been incurred, leaving an estimated commitment of \$62,206.

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, 2025

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
REVENUES				
Ad Valorem Taxes	\$ 480,553	\$ 394,128	\$ 342,982	\$ (51,146)
Franchise Fees	78,000	78,000	91,365	13,365
Sales Taxes	1,667,209	1,667,209	1,732,118	64,909
Fines and Penalties	88,495	108,495	96,359	(12,136)
Licenses and Permits	131,000	131,000	78,527	(52,473)
Interest Income	30,000	30,000	44,100	14,100
Grants and Donations	950	950	1,651	701
Miscellaneous	66,075	69,225	72,266	3,041
Police Services for School District	343,624	343,624	336,326	(7,298)
TOTAL REVENUES	<u>2,885,906</u>	<u>2,822,631</u>	<u>2,795,694</u>	<u>(26,937)</u>
EXPENDITURES				
<i>Code Enforcement</i>				
Personnel	17,956	18,376	24,299	(5,923)
Operations	156,425	332,366	334,167	(1,801)
<i>General Government</i>				
Personnel	258,773	251,273	242,303	8,970
Operations	311,192	299,958	337,948	(37,990)
<i>Municipal Court</i>				
Personnel	30,063	30,383	33,376	(2,993)
Operations	20,200	14,430	14,633	(203)
<i>Police Department</i>				
Personnel	1,277,659	1,274,659	1,156,667	117,992
Operations	335,250	513,554	646,853	(133,299)
<i>Public Works</i>				
Personnel	108,764	107,764	96,602	11,162
Operations	118,301	152,551	103,737	48,814
<i>Parks</i>				
Personnel	124,297	123,797	116,719	7,078
Operations	49,037	58,237	56,250	1,987
TOTAL EXPENDITURES	<u>2,807,917</u>	<u>3,177,348</u>	<u>3,163,554</u>	<u>13,794</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>77,989</u>	<u>(354,717)</u>	<u>(367,860)</u>	<u>(13,143)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Property	-	-	5,000	5,000
Transfer In	51,769	51,769	60,000	8,231
TOTAL OTHER FINANCING SOURCES (USES)	<u>51,769</u>	<u>51,769</u>	<u>65,000</u>	<u>13,231</u>
Net Change in Fund Balance	129,758	(302,948)	(302,860)	88
BEGINNING FUND BALANCE	<u>1,928,065</u>	<u>1,928,065</u>	<u>1,928,065</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 2,057,823</u>	<u>\$ 1,625,117</u>	<u>\$ 1,625,205</u>	<u>\$ 88</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, 2025

	Budget Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
REVENUES				
Sales Tax	\$ 551,050	\$ 551,050	\$ 666,173	\$ 115,123
Interest Income	12,500	12,500	15,326	2,826
Grants and Donations	25,000	25,000	67,111	42,111
TOTAL REVENUES	<u>588,550</u>	<u>588,550</u>	<u>748,610</u>	<u>160,060</u>
EXPENDITURES				
Personnel	77,553	62,790	83,544	(20,754)
Operations	450,997	374,696	279,179	95,517
Capital Outlay	-	250,000	750,295	(500,295)
TOTAL EXPENDITURES	<u>528,550</u>	<u>687,486</u>	<u>1,113,018</u>	<u>(425,532)</u>
Excess of Revenues Over Expenditures	<u>60,000</u>	<u>(98,936)</u>	<u>(364,408)</u>	<u>(265,472)</u>
OTHER FINANCING USES				
Transfer Out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Net Change in Fund Balance	-	(158,936)	(424,408)	(265,472)
Fund Balance at Beginning of Year	<u>2,417,560</u>	<u>2,417,560</u>	<u>2,417,560</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,417,560</u>	<u>\$ 2,258,624</u>	<u>\$ 1,993,152</u>	<u>\$ (265,472)</u>



CITY OF LA VERNIA
NOTES TO BUDGETARY COMPARISON SCHEDULES
SEPTEMBER 30, 2025

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

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

The City does not use encumbrances.

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

	Total Pension Liability			
	2015	2016	2017	2018
Service Cost	\$ 39,505	\$ 40,465	\$ 42,472	\$ 67,609
Interest (on the Total Pension Liability)	24,686	28,107	30,518	33,415
Changes of Benefit Terms	-	5,235	-	-
Difference between Expected and Actual Experience	(3,519)	(6,327)	(10,600)	29,933
Change of Assumptions	13,921	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(22,438)	(10,693)	(44,361)	(19,738)
Net Change in Total Pension Liability	52,155	56,787	18,029	111,219
Total Pension Liability - Beginning	344,124	396,279	453,066	471,095
Total Pension Liability - Ending	<u>\$ 396,279</u>	<u>\$ 453,066</u>	<u>\$ 471,095</u>	<u>\$ 582,314</u>
	Plan Fiduciary Net Position			
	2015	2016	2017	2018
Contributions - Employer	\$ 16,604	\$ 15,213	\$ 16,427	\$ 31,359
Contributions - Employee	31,604	31,175	32,422	61,748
Net Investment Income	352	17,891	44,113	(10,986)
Benefit Payments, Including Refunds of Employee Contributions	(22,438)	(10,693)	(44,361)	(19,738)
Administrative Expense	(214)	(202)	(228)	(212)
Other	(10)	(11)	(12)	(11)
Net Change in Plan Fiduciary Net Position	25,898	53,373	48,361	62,160
Plan Fiduciary Net Position - Beginning	238,404	264,302	317,675	366,036
Plan Fiduciary Net Position - Ending	<u>\$ 264,302</u>	<u>\$ 317,675</u>	<u>\$ 366,036</u>	<u>\$ 428,196</u>
Net Pension Liability (Asset) - Ending	\$ 131,977	\$ 135,391	\$ 105,059	\$ 154,118
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.70%	70.12%	77.70%	73.53%
Covered Payroll	\$ 632,086	\$ 623,503	\$ 540,360	\$ 833,655
Net Pension Liability as a Percentage of Covered Payroll	20.88%	21.71%	19.44%	18.49%

Total Pension Liability					
2019	2020	2021	2022	2023	2024
\$ 108,497	\$ 113,253	\$ 119,718	\$ 119,138	\$ 135,633	\$ 162,337
43,381	48,823	57,287	65,384	74,254	83,810
28,198	-	-	-	-	-
(43,164)	(4,609)	(5,475)	(6,800)	(24,213)	(31,460)
2,883	-	-	-	(5,956)	-
(44,149)	(22,556)	(48,062)	(54,507)	(54,613)	(48,405)
95,646	134,911	123,468	123,215	125,105	166,282
582,314	677,960	812,871	936,339	1,059,554	1,184,659
<u>\$ 677,960</u>	<u>\$ 812,871</u>	<u>\$ 936,339</u>	<u>\$ 1,059,554</u>	<u>\$ 1,184,659</u>	<u>\$ 1,350,941</u>
Plan Fiduciary Net Position					
2019	2020	2021	2022	2023	2024
\$ 30,972	\$ 57,421	\$ 58,275	\$ 57,442	\$ 63,805	\$ 72,621
56,656	69,541	73,900	74,461	86,390	102,282
66,446	40,975	89,317	(62,528)	100,408	110,386
(44,149)	(22,556)	(48,062)	(54,507)	(54,613)	(48,405)
(374)	(264)	(412)	(541)	(641)	(710)
(11)	(11)	4	646	(4)	(17)
109,540	145,106	173,022	14,973	195,345	236,157
428,196	537,736	682,842	855,864	870,837	1,066,182
<u>\$ 537,736</u>	<u>\$ 682,842</u>	<u>\$ 855,864</u>	<u>\$ 870,837</u>	<u>\$ 1,066,182</u>	<u>\$ 1,302,339</u>
\$ 140,224	\$ 130,029	\$ 80,475	\$ 188,717	\$ 118,477	\$ 48,602
79.32%	84.00%	91.41%	82.19%	90.00%	96.40%
\$ 944,273	\$ 993,449	\$ 1,055,715	\$ 1,063,735	\$ 1,234,145	\$ 1,461,177
14.85%	13.09%	7.62%	17.74%	9.60%	3.33%

CITY OF LA VERNIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN
LAST TEN 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
2016	\$ 17,500	\$ 17,500	\$ -	\$ 704,602	2.48%
2017	16,862	16,862	-	587,825	2.87%
2018	24,229	24,229	-	797,021	3.04%
2019	29,291	29,291	-	910,636	3.22%
2020	51,415	51,415	-	1,008,536	5.10%
2021	57,718	57,718	-	1,033,407	5.59%
2022	59,133	59,133	-	1,088,806	5.43%
2023	60,061	60,061	-	1,150,319	5.22%
2024	72,903	72,903	-	1,444,275	5.05%
2025	76,461	76,461	-	1,570,172	4.87%

Notes to Pension Schedules

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of payroll, Closed
Remaining Amortization Period	20 Years (longest amortization factor)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary Increases	3.60% to 11.85% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality Post-retirement	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Pre-retirement	PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Benefit Changes:	None
Changes in Assumptions:	None

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

	Total OPEB Liability			
	2017	2018	2019	2020
Service Cost	\$ 1,621	\$ 2,834	\$ 2,077	\$ 3,179
Interest	671	728	850	841
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	(573)	(765)	(2,932)
Changes in Assumptions or Other Inputs	1,499	(1,528)	5,152	4,283
Benefit Payments	(108)	(167)	(189)	(199)
Net Change in Total OPEB Liability	3,683	1,294	7,125	5,172
Total OPEB Liability - Beginning	16,987	20,670	21,964	29,089
Total OPEB Liability - Ending	<u>\$ 20,670</u>	<u>\$ 21,964</u>	<u>\$ 29,089</u>	<u>\$ 34,261</u>
Covered Employee Payroll	\$ 540,360	\$ 833,655	\$ 944,273	\$ 993,449
Total OPEB Liability as a Percentage of Covered Employee Payroll	3.83%	2.63%	3.08%	3.45%

	Total OPEB Liability			
	2021	2022	2023	2024
Service Cost	\$ 4,328	\$ 4,361	\$ 2,221	\$ 3,215
Interest	722	713	1,182	1,171
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(2,904)	1,425	(2,073)	3,854
Changes in Assumptions or Other Inputs	1,098	(14,232)	1,213	(1,842)
Benefit Payments	(633)	(638)	(864)	(1,461)
Net Change in Total OPEB Liability	2,611	(8,371)	1,679	4,937
Total OPEB Liability - Beginning	34,261	36,872	28,501	30,180
Total OPEB Liability - Ending	<u>\$ 36,872</u>	<u>\$ 28,501</u>	<u>\$ 30,180</u>	<u>\$ 35,117</u>
Covered Employee Payroll	\$ 1,055,715	\$ 1,063,735	\$ 1,234,145	\$ 1,461,177
Total OPEB Liability as a Percentage of Covered Employee Payroll	3.49%	2.68%	2.45%	2.40%

Information is being accumulated until ten years are presented.

CITY OF LA VERNIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT
LIABILITY AND
RELATED RATIOS

Changes in Benefits: None

Changes in Assumptions:

2024: Discount rate increased to 4.08%
2023: Discount rate reduced to 3.77%
2022: Discount rate increased to 4.05%
2021: Discount rate reduced to 1.84%
2020: Discount rate reduced to 2.00%
2019: Discount rate reduced to 2.75%
2018: Discount rate increased to 3.71%
2017: Discount rate reduced to 3.31%

Trust:

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

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 805,428	\$ 1,277,084
Receivables (net of allowances for uncollectibles):		
Property Taxes	15,081	13,387
Other Receivables	316,194	306,535
Due from Other Funds	820,726	413,271
Prepaid Items	<u>5,563</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,962,992</u></u>	<u><u>\$ 2,010,277</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 31,403	\$ 22,366
Accrued Wages	41,338	48,405
Due to Other Funds	<u>250,000</u>	<u>-</u>
<i>Total Liabilities</i>	<u>322,741</u>	<u>70,771</u>
<i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	<u>15,046</u>	<u>11,441</u>
<i>Total Deferred Inflows of Resources</i>	<u>15,046</u>	<u>11,441</u>
<i>Fund Balances:</i>		
Nonspendable:		
Prepaid Items	5,563	-
Unassigned	<u>1,619,642</u>	<u>1,928,065</u>
<i>Total Fund Balances</i>	<u>1,625,205</u>	<u>1,928,065</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 1,962,992</u></u>	<u><u>\$ 2,010,277</u></u>

CITY OF LA VERNIA
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Ad Valorem Taxes	\$ 342,982	\$ 292,644
Franchise Fees	91,365	83,178
Sales Taxes	1,732,118	1,624,937
Fines and Penalties	96,359	57,815
Licenses and Permits	78,527	444,837
Interest Income	44,100	48,885
Grants and Donations	1,651	2,632
Miscellaneous	72,266	88,457
Police Services for School District	336,326	304,107
TOTAL REVENUES	<u>2,795,694</u>	<u>2,947,492</u>
EXPENDITURES		
<i>Current:</i>		
Code Enforcement	358,466	65,535
General Government	567,566	463,640
Municipal Court	48,009	53,330
Police	1,471,148	1,386,203
Public Works	183,047	150,505
Parks	172,968	164,618
Capital Outlay	362,350	28,311
TOTAL EXPENDITURES	<u>3,163,554</u>	<u>2,312,142</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(367,860)</u>	<u>635,350</u>
OTHER FINANCING SOURCES		
Sales of Capital Assets	5,000	8,000
Transfer In	60,000	60,000
TOTAL OTHER FINANCING SOURCES	<u>65,000</u>	<u>68,000</u>
Net Change in Fund Balance	(302,860)	703,350
Fund Balances at Beginning of Year	<u>1,928,065</u>	<u>1,224,715</u>
Fund Balances at End of Year	<u>\$ 1,625,205</u>	<u>\$ 1,928,065</u>

CITY OF LA VERNIA
COMPARATIVE BALANCE SHEETS
STREET MAINTENANCE FUND
SEPTEMBER 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 636,883	\$ 524,122
Other Receivables	<u>56,485</u>	<u>54,513</u>
TOTAL ASSETS	<u><u>\$ 693,368</u></u>	<u><u>\$ 578,635</u></u>
LIABILITIES & FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	<u>\$ -</u>	<u>\$ 53,722</u>
<i>Total Liabilities</i>	<u>-</u>	<u>53,722</u>
<i>Fund Balance:</i>		
Restricted for Street Maintenance	<u>693,368</u>	<u>524,913</u>
<i>Total Fund Balance</i>	<u>693,368</u>	<u>524,913</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>\$ 693,368</u></u>	<u><u>\$ 578,635</u></u>

CITY OF LA VERNIA
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
STREET MAINTENANCE FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
REVENUES		
Sales Taxes	\$ 340,577	\$ 319,332
Interest Income	<u>13,841</u>	<u>15,840</u>
TOTAL REVENUES	<u>354,418</u>	<u>335,172</u>
EXPENDITURES		
Public Works	185,963	-
Capital Outlay	<u>-</u>	<u>607,865</u>
TOTAL EXPENDITURES	<u>185,963</u>	<u>607,865</u>
Net Change in Fund Balance	168,455	(272,693)
Fund Balances at Beginning of Year	<u>524,913</u>	<u>797,606</u>
Fund Balances at End of Year	<u><u>\$ 693,368</u></u>	<u><u>\$ 524,913</u></u>

CITY OF LA VERNIA
COMPARATIVE BALANCE SHEETS
MUNICIPAL DEVELOPMENT DISTRICT
SEPTEMBER 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,635,421	\$ 2,303,302
Other Receivables	110,672	107,365
Prepaid Items	-	8,500
Due from Other Funds	<u>250,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,996,093</u></u>	<u><u>\$ 2,419,167</u></u>
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
Accrued Wages	<u>2,941</u>	<u>1,607</u>
<i>Total Liabilities</i>	<u><u>2,941</u></u>	<u><u>1,607</u></u>
<i>Fund Balances:</i>		
Nonspendable Prepaid Items	-	8,500
Restricted for Municipal Development	<u>1,993,152</u>	<u>2,409,060</u>
<i>Total Fund Balances</i>	<u><u>1,993,152</u></u>	<u><u>2,417,560</u></u>
TOTAL LIABILITIES & FUND BALANCES	<u><u>\$ 1,996,093</u></u>	<u><u>\$ 2,419,167</u></u>

CITY OF LA VERNIA
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
MUNICIPAL DEVELOPMENT DISTRICT
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
REVENUES		
Sales Tax	\$ 666,173	\$ 624,802
Interest Income	15,326	26,221
Grants and Donations	67,111	42,601
TOTAL REVENUES	<u>748,610</u>	<u>693,624</u>
EXPENDITURES		
Personnel	83,544	48,147
Operations	279,179	236,676
Capital Outlay	750,295	169,741
TOTAL EXPENDITURES	<u>1,113,018</u>	<u>454,564</u>
Excess of Revenues Over Expenditures	(364,408)	239,060
OTHER FINANCING USES		
Transfer Out	<u>(60,000)</u>	<u>(60,000)</u>
Net Change in Fund Balance	(424,408)	179,060
Fund Balances at Beginning of Year	<u>2,417,560</u>	<u>2,238,500</u>
Fund Balances at End of Year	<u><u>\$ 1,993,152</u></u>	<u><u>\$ 2,417,560</u></u>

CITY OF LA VERNIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	<u>Court Security</u>	<u>Court Technology</u>	<u>Debt Service</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,934	\$ 18,333	\$ -
Accounts Receivable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,934</u></u>	<u><u>\$ 18,333</u></u>	<u><u>\$ -</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
<i>Liabilities:</i>			
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances:</i>			
Restricted for:			
Municipal Court	2,934	18,333	-
Police	-	-	-
Tourism Development	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total Fund Balances</i>	<u><u>2,934</u></u>	<u><u>18,333</u></u>	<u><u>-</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	<u><u>\$ 2,934</u></u>	<u><u>\$ 18,333</u></u>	<u><u>\$ -</u></u>

<u>Grant Fund</u>	<u>Hotel Tax</u>	<u>Police Forfeiture</u>	<u>Total</u>
\$ -	\$ 273,665	\$ 1,920	\$ 296,852
-	3,582	-	3,582
<u>\$ -</u>	<u>\$ 277,247</u>	<u>\$ 1,920</u>	<u>\$ 300,434</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	21,267
-	-	1,920	1,920
-	277,247	-	277,247
<u>-</u>	<u>277,247</u>	<u>1,920</u>	<u>300,434</u>
<u>\$ -</u>	<u>\$ 277,247</u>	<u>\$ 1,920</u>	<u>\$ 300,434</u>

CITY OF LA VERNIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Court Security	Court Technology	Debt Service
REVENUES			
Hotel Taxes	\$ -	\$ -	\$ -
Ad Valorem Taxes	-	-	112,259
Fines and Penalties	2,652	2,209	-
Grants and Donations	-	-	-
Interest Income	6	82	-
TOTAL REVENUES	<u>2,658</u>	<u>2,291</u>	<u>112,259</u>
EXPENDITURES			
<i>Current:</i>			
Municipal Court	200	-	-
Police	-	-	-
Capital Outlay	-	-	-
<i>Debt Service:</i>			
Principal	-	-	40,000
Interest	-	-	72,259
TOTAL EXPENDITURES	<u>200</u>	<u>-</u>	<u>112,259</u>
 Net Change in Fund Balance	 2,458	 2,291	 -
Beginning Fund Balances	<u>476</u>	<u>16,042</u>	<u>-</u>
Ending Fund Balances	<u><u>\$ 2,934</u></u>	<u><u>\$ 18,333</u></u>	<u><u>\$ -</u></u>

Grant Fund	Hotel Tax	Police Forfeiture	Total
\$ -	\$ 64,761	\$ -	\$ 64,761
-	-	-	112,259
-	-	-	4,861
96,141	-	-	96,141
-	1,165	9	1,262
<u>96,141</u>	<u>65,926</u>	<u>9</u>	<u>279,284</u>
-	-	-	200
76,641	-	-	76,641
19,500	-	-	19,500
-	-	-	40,000
-	-	-	72,259
<u>96,141</u>	<u>-</u>	<u>-</u>	<u>208,600</u>
-	65,926	9	70,684
<u>-</u>	<u>211,321</u>	<u>1,911</u>	<u>229,750</u>
<u>\$ -</u>	<u>\$ 277,247</u>	<u>\$ 1,920</u>	<u>\$ 300,434</u>

CITY OF LA VERNIA
COMPARATIVE STATEMENTS OF NET POSITION
PROPRIETARY UTILITY FUND
SEPTEMBER 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 1,203	\$ -
Receivables (net of allowances for uncollectibles):	<u>187,205</u>	<u>136,183</u>
<i>Total Current Assets</i>	<u>188,408</u>	<u>136,183</u>
<i>Other Assets:</i>		
Restricted Cash - Impact Fees	97,380	89,749
Capital Assets (net of depreciation)	<u>3,891,288</u>	<u>4,250,238</u>
<i>Total Other Assets</i>	<u>3,988,668</u>	<u>4,339,987</u>
TOTAL ASSETS	<u>4,177,076</u>	<u>4,476,170</u>
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	55,552	68,235
Accrued Wages	4,089	3,255
Accrued Interest Payable	7,893	9,311
Accrued Compensated Absences	17,796	11,088
Due to Other Funds	820,726	413,271
Customer Deposits	102,794	99,614
Unearned Revenue	22,261	20,932
Current Portion of Long-term Debt	<u>190,373</u>	<u>232,642</u>
<i>Total Current Liabilities</i>	<u>1,221,484</u>	<u>858,348</u>
<i>Noncurrent Liabilities:</i>		
Long-Term Debt, net of current portion	<u>2,001,240</u>	<u>2,469,446</u>
TOTAL LIABILITIES	<u>3,222,724</u>	<u>3,327,794</u>
NET POSITION		
Net Investment in Capital Assets	1,699,675	1,548,151
Restricted for Impact Fees	97,380	89,749
Unrestricted (Deficit)	<u>(842,703)</u>	<u>(489,524)</u>
TOTAL NET POSITION	<u>\$ 954,352</u>	<u>\$ 1,148,376</u>

CITY OF LA VERNIA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY UTILITY FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Water Charges	\$ 1,061,089	\$ 769,673
Sewer Charges	327,197	247,725
Garbage Charges	506,342	426,268
Connection and Impact Fees	25,079	5,470
Miscellaneous Income	42,864	50,002
TOTAL OPERATING REVENUES	<u>1,962,571</u>	<u>1,499,138</u>
OPERATING EXPENSES		
Personnel	221,815	226,888
Water Purchase	94,975	156,587
Garbage Collection	414,685	380,405
Utilities	98,239	102,494
Office and Administrative	53,687	56,433
Repairs and Chemicals	583,232	230,945
Treatment Plant Contract	167,641	312,369
Depreciation	446,888	441,635
TOTAL OPERATING EXPENSES	<u>2,081,162</u>	<u>1,907,756</u>
OPERATING INCOME (LOSS)	<u>(118,591)</u>	<u>(408,618)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	445	1,012
Interest Expense	(75,878)	(88,841)
TOTAL NONOPERATING	<u>(75,433)</u>	<u>(87,829)</u>
CHANGE IN NET POSITION	(194,024)	(496,447)
NET POSITION AT BEGINNING OF YEAR	<u>1,148,376</u>	<u>1,644,823</u>
NET POSITION AT END OF YEAR	<u>\$ 954,352</u>	<u>\$ 1,148,376</u>

