

ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF LAVON, TEXAS

Fiscal Year Ended September 30, 2017

*Mayor  
Charles Teske, Jr.*



**CITY OF LAVON, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>I. INTRODUCTORY SECTION</b>	
Organizational Chart.....	7
Elected Officials.....	8
<b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report on Financial Statements.....	11
<b>A. Management Discussion and Analysis.....</b>	<b>13</b>
<b>B. Basic Financial Statements</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position.....	27
Statement of Activities.....	28
<b>Fund Financial Statements:</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet - Governmental Funds.....	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	33
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position - Proprietary Funds.....	34
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	35
Statement of Cash Flows - Proprietary Funds.....	36
<b>Fiduciary Fund Financial Statement:</b>	
Statement of Fiduciary Assets and Liabilities - Fiduciary Fund.....	37
<b>Notes to the Financial Statements .....</b>	<b>38</b>
<b>C. Required Supplementary Information</b>	
Schedule of Pension Trust - TMRS Funding Progress and Contributions.....	61
Schedule of Changes in Net Pension Liability and Related Ratios.....	62
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget to Actual-General Fund.....	63

**CITY OF LAVON, TEXAS  
 ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**D. Supplementary Information**

**Nonmajor Governmental Funds**

Combining Balance Sheet - Nonmajor Governmental Funds.....	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	68

<b>Statement of Changes in Assets and Liabilities - Fiduciary Funds.....</b>	<b>69</b>
------------------------------------------------------------------------------	-----------

**Discretely Presented Component Units**

Balance Sheet - Lavon Economic Development Corporation.....	71
Statement of Revenues, Expenditures, and Changes in Fund Balance - Lavon Economic Development Corporation.....	72

Balance Sheet - Lavon Tax Increment Fund.....	73
-----------------------------------------------	----

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position-Lavon Tax Increment Fund.....	74
---------------------------------------------------------------------------------------------------------------------------------	----

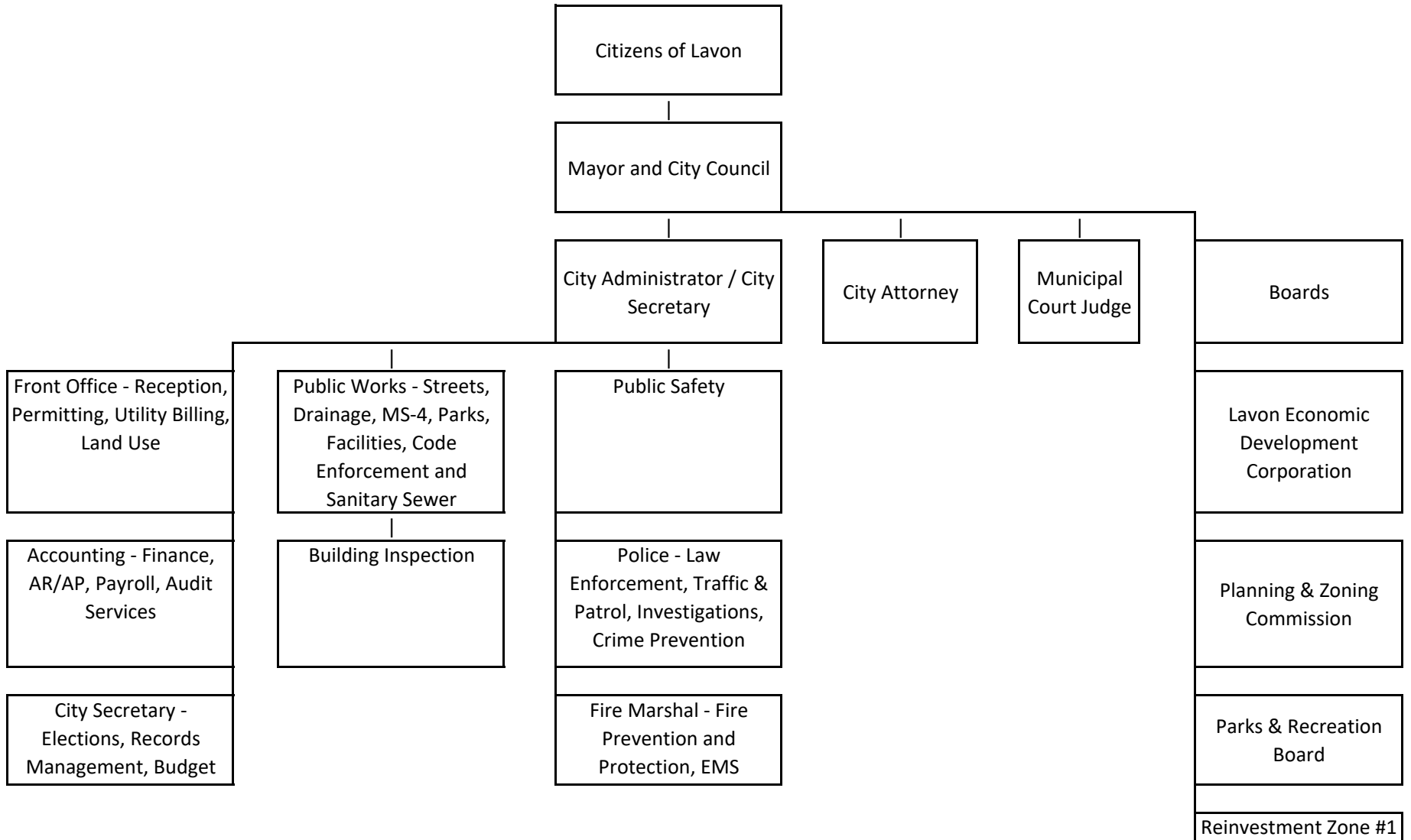
Statement of Revenues, Expenditures, and Changes in Fund Balance - Lavon Tax Increment Fund.....	75
-----------------------------------------------------------------------------------------------------	----

Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities-Lavon Tax Increment Fund.....	76
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

## INTRODUCTORY SECTION



# City of Lavon Organization Chart



**City of Lavon, Texas  
Principal Officials  
September 30, 2017**

***City Council***

Charles Teske, Jr.	Mayor
Vicki Sanson	Place 1
Donnie Spradlin	Place 2
Kay Wright	Place 3
Matt Childers	Place 4
Mindi Serkland	Place 5

## FINANCIAL SECTION





Michael Conway, CPA  
Neil Conway, CPA

Toll Free (800) 594-7951  
Metro (903) 450-1200

**CONWAY COMPANY CPAs PC**  
**ACCOUNTANTS & ADVISORS**

www.conwaycpas.com

PO Box 8234  
Greenville, Texas 75404-8234

**Member**  
American Institute of CPAs  
Texas Society of CPAs

**Independent Auditor’s Report**

Mayor and City Council  
City of Lavon  
PO Box 340  
Lavon, Texas 75166

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavon, Texas (“City”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lavon, Texas, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information on pages 13 - 23 and 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lavon, Texas' basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated April 16, 2018, on our consideration of the City of Lavon, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lavon, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

**CONWAY COMPANY CPAs, P.C.**



April 16, 2018

**CITY OF LAVON, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2017**

As management of the City of Lavon ("City"), we offer the readers of the City of Lavon's financial statements this narrative overview and analysis of the financial activities of the City of Lavon for the fiscal year ended September 30, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of the City of Lavon exceeded its liabilities and deferred inflows/outflows at the close of the fiscal year by \$8,467,681 (net position). Of this amount, \$7,495,941, or 89% is investment in capital assets, \$58,434 or 1% is restricted for court and police use. The remaining unrestricted net position of \$913,306, or 11%, may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with the City's fund designation and policies.
- The City's total net position decreased (\$40,000). This is due to an increase in revenues over expenditures within governmental activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$680,657. This represents an increase of \$7,297 in net fund balance.
- As of the close of the current fiscal year, the unassigned fund balance for the General Fund was \$617,732 which was 27% of total General Fund expenditures.
- The City added two capital lease payables of \$99,625 for the purchase of a Tahoe vehicle for the Fire Department and new tractor for the Public Works. With these two lease payables and the payments applied to long-term debt obligations, total long-term debt decreased (\$8,339), or (2%).

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Lavon's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF LAVON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

**Basic Financial Statements**

The first two statements (pages 27-29) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 30-37) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the Governmental Fund financial statements, 2) the Proprietary Fund financial statements, and 3) the Fiduciary Fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 61-63) is provided to show details about the City's pension plan. **Supplemental information** (pages 67-76) is also included to provide combining non-major fund financial statements for other major governmental funds and component unit information.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets and liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component unit activity. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The final category is the component unit. The City includes one separate legal entity in its report – City of Lavon Economic Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for them.

The government-wide financial statements are on pages 27-29 of this report.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories as previously described.

**CITY OF LAVON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Other Governmental Funds. Data from the other governmental funds is provided in the form of combining statements in the supplementary information. Governmental Fund financial statements can be found on pages 30-36 of this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

*Proprietary Funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows. The City has only two proprietary funds, the Wastewater Utility Fund and the Solid Waste Utility Fund.

The basic proprietary fund financial statements can be found on pages 34-36 of this report.

*Fiduciary Funds* – Fiduciary Funds are used to account for amounts held on behalf of others by the City as a trustee, or fiduciary. The City is the trustee, or fiduciary, for certain amounts held on behalf of Collin County. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. The activities of this fund are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

**CITY OF LAVON, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

The fiduciary fund financial statement can be found on page 37.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 38-58 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. Combining statements and individual fund statements can be found on pages 67-68 of this report.

**New GASB pronouncements**

GASB Statement No. 72, "Fair Value Measurement and Application", addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and, also, provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this Statement does not result in any changes to the City's financial statements.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68". The implementation of this Statement does not result in any changes to the City's financial statements.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" is to address the hierarchy of generally accepted accounting principles (GAAP). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP. This statement supersedes Statement No. 55 and amends Statement No. 62. The implementation of this Statement does not result in any changes to the City's financial statements.

GASB issued the following statements which will be effective in future years as described below:

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other than Pension Plans", that replaces Statement No. 43 and amends Statement No. 57 will be implemented as required by GASB during the fiscal year September 30, 2017.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions", that replaces Statement No. 45 and amends Statement No. 57 and 74 will be implemented in fiscal year ending September 30, 2018 as required.

GASB Statement No. 77, "Tax Abatement Disclosures" is to assist in assessing whether a government's current-year revenues were sufficient to pay for current-year services, whether a government complied with finance related legal and contractual obligations, where a government's financial resources come from and how it uses them, and a government's financial position and economic condition and how they have change over time. The City is in the process of evaluating the potential changes to the financial statements as a result of the implementation of this statement in fiscal year ending September 30, 2017.

**CITY OF LAVON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

**Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 818,861	\$ 836,102	\$ 268,548	\$ 326,225	\$ 1,087,409	\$ 1,162,327
Capital assets	5,668,209	5,620,124	2,211,995	2,269,493	7,880,204	7,889,617
Total assets	6,487,070	6,456,226	2,480,543	2,595,718	8,967,613	9,051,944
Deferred outflows-pension	93,674	73,998	-	-	93,674	73,998
Current liabilities	128,806	156,124	466	(19,461)	129,272	136,663
Long-term liabilities	341,751	325,637	61,929	79,539	403,680	405,176
Total liabilities	470,557	481,761	62,395	60,078	532,952	541,839
Deferred inflows of resources						
Pension	4,817	6,720	-	-	4,817	6,720
Advance lease receipts	-	-	55,837	69,702	55,837	69,702
Total deferred inflows	4,817	6,720	55,837	69,702	60,654	76,422
Net position:						
Net investment in capital assets	5,345,875	5,313,904	2,150,066	2,189,954	7,495,941	7,503,858
Restricted	58,434	199,537	-	-	58,434	199,537
Unrestricted	701,061	528,302	212,245	275,984	913,306	804,286
Total net position	\$ 6,105,370	\$ 6,041,743	\$ 2,362,311	\$ 2,465,938	\$ 8,467,681	\$ 8,507,681

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$8,467,681 as of September 30, 2017. The City's net position decreased by (\$40,000) for the fiscal year ended September 30, 2017.

*Net investment in capital assets:*

The City's net position of net investment in capital assets of, \$7,495,941, or 89%, reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities.

*Restricted net position:*

The restricted net position of \$58,434, or 1%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation. Restricted net position is comprised of state imposed restrictions for court use, \$57,134, or 97.8%; \$1,300, or 2.2%, for police use.

*Unrestricted net position:*

Unrestricted net position of \$913,306 or, 11%, is available to fund the City programs and obligations to its citizens and creditors.

**CITY OF LAVON, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2017**

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues:						
Program revenues:						
Charges for services	\$ 386,782	\$ 354,445	\$ 946,454	\$ 814,681	\$ 1,333,236	\$ 1,169,126
Capital grants and contributions	59,554	23,239	13,866	13,249	73,420	36,488
Operating grants and contributions	75	22,839	-	-	75	22,839
General revenues:						
Property tax	1,162,346	1,003,856	-	-	1,162,346	1,003,856
Sales tax	198,798	187,872	-	-	198,798	187,872
Franchise tax	121,383	108,486	-	-	121,383	108,486
Investment income	522	1,089	3	172	525	1,261
Miscellaneous	168	2,838	-	32	168	2,870
Total revenues	<u>1,929,628</u>	<u>1,704,664</u>	<u>960,323</u>	<u>828,134</u>	<u>2,889,951</u>	<u>2,532,798</u>
Expenses:						
Program expenses						
General government	770,486	527,557	-	-	770,486	527,557
Public services	138,709	121,182	-	-	138,709	121,182
Public safety	989,240	930,265	-	-	989,240	930,265
Public works	252,750	292,181	-	-	252,750	292,181
Parks and recreation	-	1,307	-	-	-	1,307
Interest on long-term debt	12,111	11,632	-	-	12,111	11,632
Sewer and garbage	-	-	766,655	550,821	766,655	550,821
Total expenses	<u>2,163,296</u>	<u>1,884,124</u>	<u>766,655</u>	<u>550,821</u>	<u>2,929,951</u>	<u>2,434,945</u>
Change in net assets before other						
Financing Sources (Uses)	(233,668)	(179,460)	193,668	277,313	(40,000)	97,853
Other financing sources (uses):						
Transfers	297,295	250,042	(297,295)	(250,042)	-	-
Total other financing sources (uses)	<u>297,295</u>	<u>250,042</u>	<u>(297,295)</u>	<u>(250,042)</u>	<u>-</u>	<u>-</u>
Total change in net position	63,627	70,582	(103,627)	27,271	(40,000)	97,853
Net position - October 1	6,041,743	5,971,161	2,465,938	2,438,667	8,507,681	8,409,828
Prior period adjustments	-	-	-	-	-	-
Net position - September 30	<u>\$ 6,105,370</u>	<u>\$ 6,041,743</u>	<u>\$ 2,362,311</u>	<u>\$ 2,465,938</u>	<u>\$ 8,467,681</u>	<u>\$ 8,507,681</u>

Governmental activities increased net position by \$63,627. This is due, in large part to an increase in total tax revenues of \$182,313, or 14%.

Business-type activities decreased net position by (\$103,627).

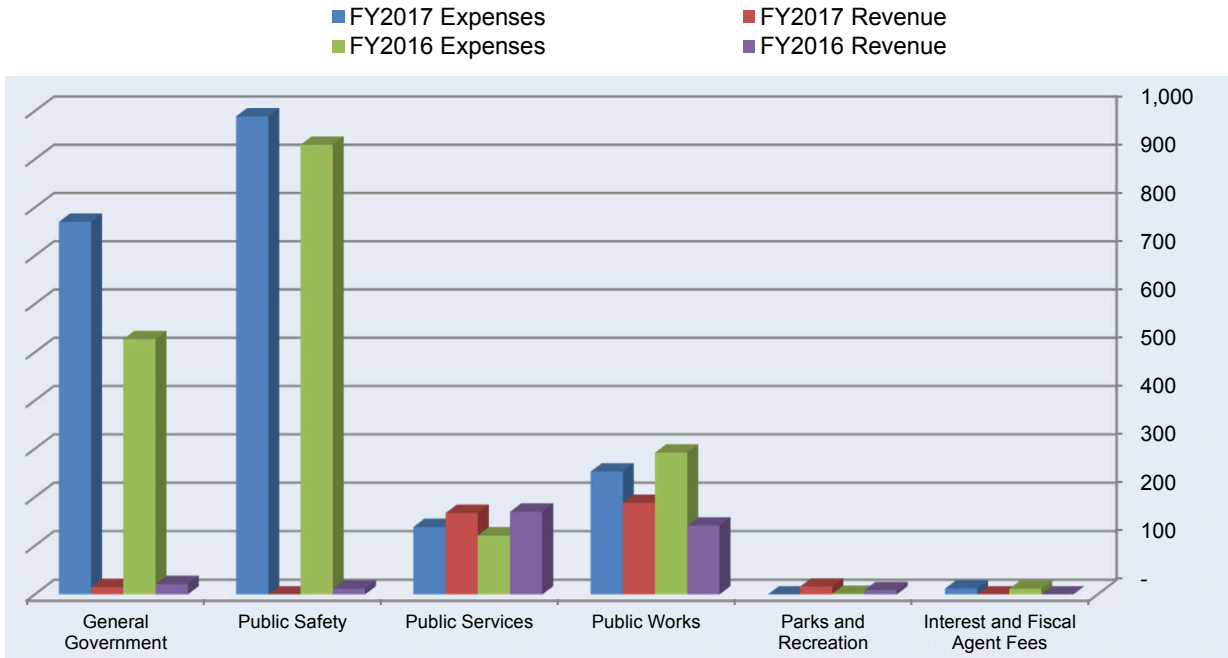
Property Tax revenues were significantly restricted by the TIF fund which drew \$111,908 from current year property taxes and contain \$598,730 of property tax resources dedicated to the region in Lavon allocated to the TIF.

**CITY OF LAVON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

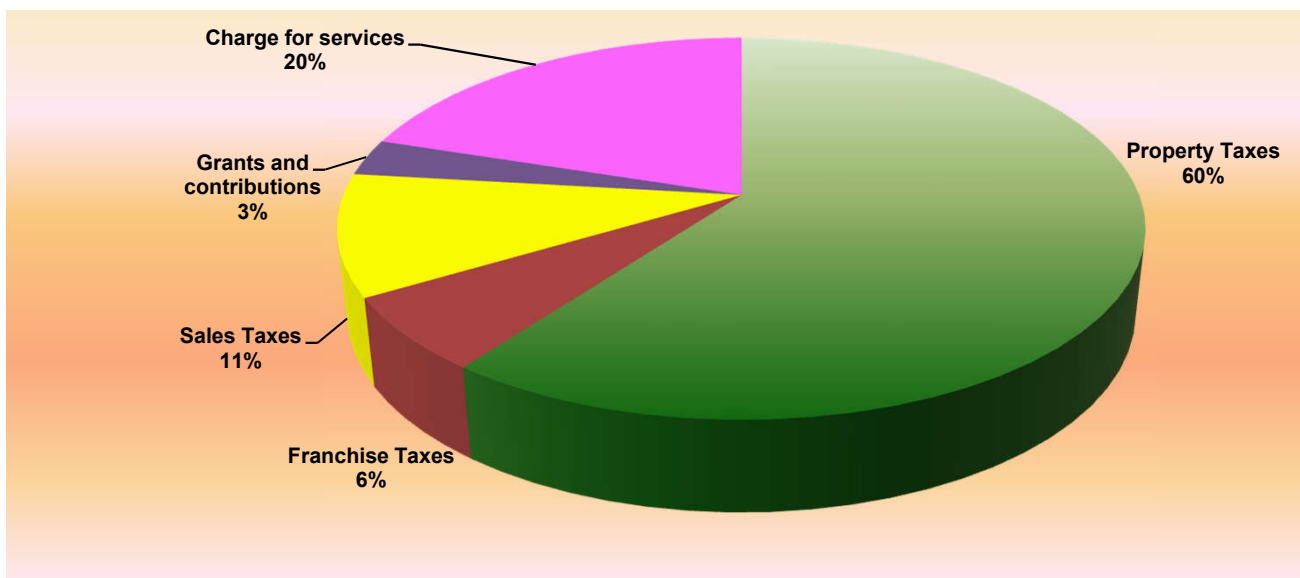
**Governmental-type activities** - Governmental-type activities increased the City's net position by \$63,627.00

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues by Source - Governmental Activities**

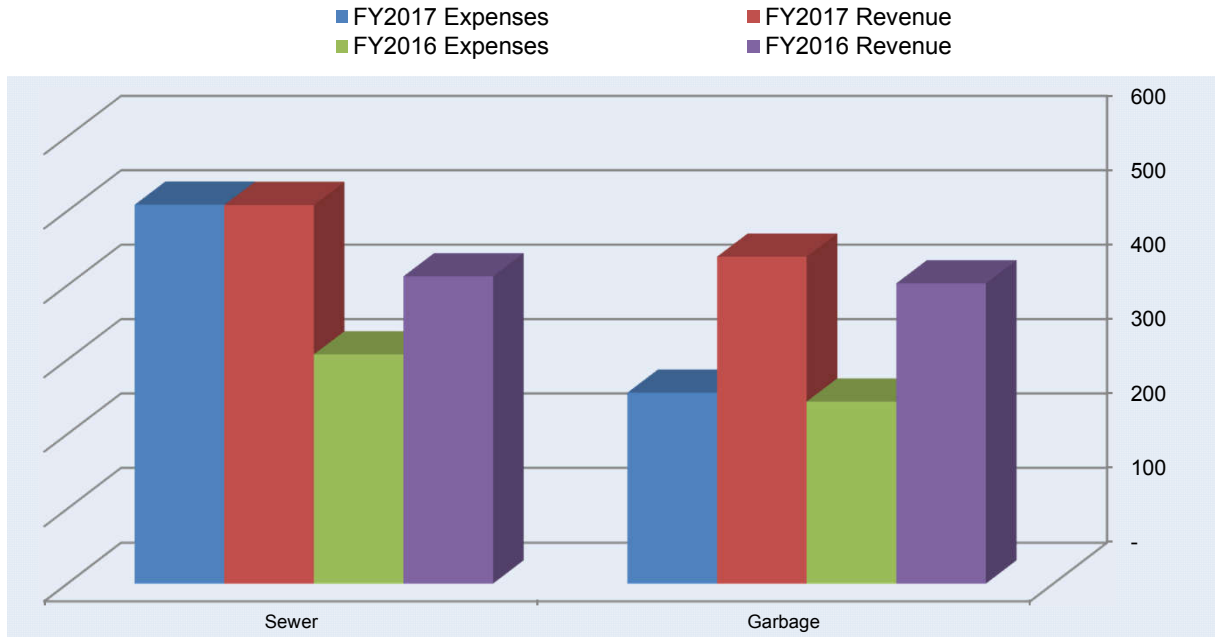


**CITY OF LAVON, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2017**

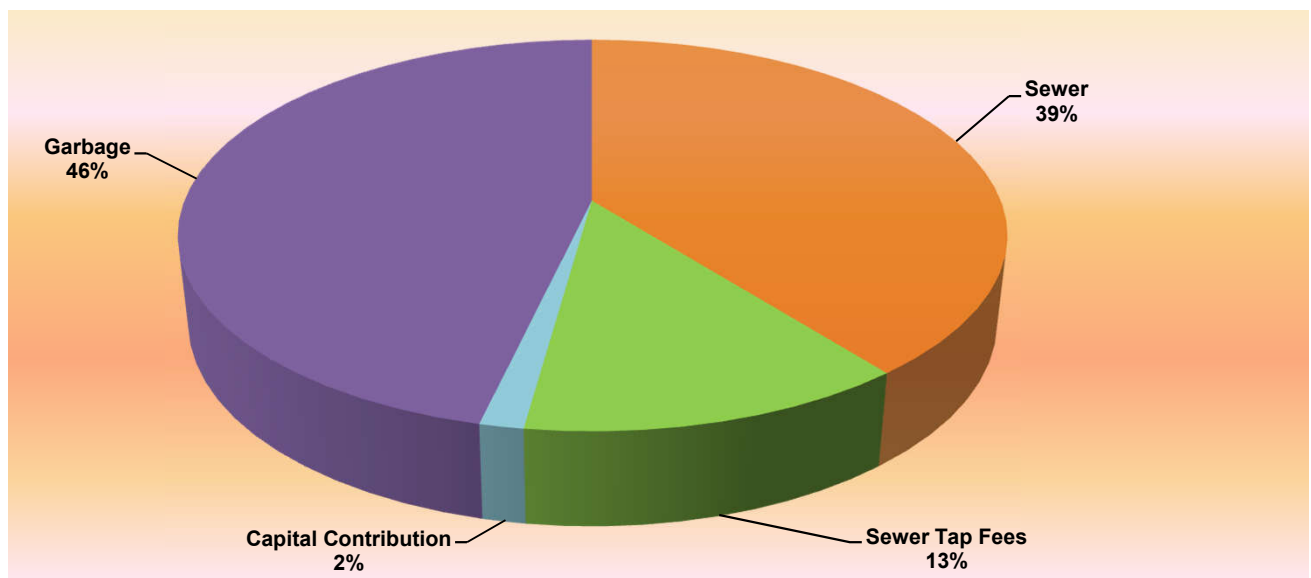
**Business-type activities** - Business-type activities decreased the City's net position by (\$103,627).

**Expenses and Program Revenues - Business Activities**

(amounts expressed in thousands)



**Revenues by Source - Business Activities**



**CITY OF LAVON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2017**

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2017, the City's governmental funds reported total fund balances of \$680,657, a 1% increase in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows:

- Restricted fund balances of \$58,437, or 8.6%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
  - \$57,137, or 97.8% for court use;
  - \$1,300, or 2.2% for police; and
- Assigned fund balance of \$4,488, or 0.7% of total fund balance, is for public safety.
- Unassigned fund balance of \$617,732, or 90.8%, of total fund balance, represents residual available fund balances that have not been restricted, committed, or assigned by management, City Council, or otherwise.

**General Fund** - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$617,732, compared to \$428,464 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27% of total General Fund expenditures.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the original adopted budget with Ordinance No. 2017-09-04. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust estimates that are used to prepare the original budget ordinance once exact information is available, (2) amendments made to recognize new funding sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

**Proprietary Funds** - The City's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$212,245.

**CITY OF LAVON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2017**

**Capital Asset and Debt Administration**

**Capital assets** - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, totals \$7,880,204 (net of accumulated depreciation). These assets include land, buildings and improvements, infrastructure, vehicles and equipment. The total increase in capital assets for the current fiscal year was approximately .9%.

**Capital Assets  
September 30, 2017  
(net of accumulated depreciation)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land	\$ 1,805,756	\$ 1,748,756	\$ -	\$ -	\$ 1,805,756	\$ 1,748,756
Buildings & Improvements	538,885	583,053	-	-	538,885	583,053
Infrastructure	2,904,514	2,894,236	2,126,665	2,200,663	5,031,179	5,094,899
Machinery & Equipment	410,854	385,879	85,330	68,830	496,184	454,709
Construction in Progress	8,200	8,200	-	-	8,200	8,200
<b>Total</b>	<b>\$ 5,668,209</b>	<b>\$ 5,620,124</b>	<b>\$ 2,211,995</b>	<b>\$ 2,269,493</b>	<b>\$ 7,880,204</b>	<b>\$ 7,889,617</b>

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

**Long-Term Debt** - As of September 30, 2017, the City had outstanding long-term debt in the amount of \$334,894, an decrease of (\$8,339), or (2%).

**Outstanding Debt  
As of September 30, 2017**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Capital Leases Payable	\$ 240,248	\$ 180,690	\$ 11,929	\$ 17,539	\$ 252,177	\$ 180,690
Notes Payable	32,717	100,543	50,000	62,000	82,717	162,543
	<b>\$ 272,965</b>	<b>\$ 281,233</b>	<b>\$ 61,929</b>	<b>\$ 79,539</b>	<b>\$ 334,894</b>	<b>\$ 343,233</b>

More detailed information about the City's long-term debt is presented in Note I to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council and administration set the direction of the City, allocate its resources, and establish its priorities.

The City annually reviews all of its fees as part of the budget adoption process. Fees for general government as well as user charges are evaluated and, if needed, adjusted to meet the needs of the operations of the systems. The budget is adopted and a tax rate is approved to meet the demands of the budget. For 2017, rates set for fees and taxes are estimated to meet operational demand similar to the current year.

The adopted tax rate for FY 2016-2017 will remain the same as the current year, a tax rate of \$0.4557 per \$100 valuation. Tax revenue is expected to increase due to new property being added to the tax roll.

**Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the City of Lavon, PO Box 340, Lavon, Texas 75166.



## BASIC FINANCIAL STATEMENTS



**CITY OF LAVON, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	EDC	TIF
<b>ASSETS</b>					
Cash and cash equivalents	\$ 701,213	\$ 132,971	\$ 834,184	\$ 92,307	\$ -
Receivables (net of allowance for uncollectibles)	59,214	79,740	138,954	15,798	-
Note receivable	-	55,837	55,837	-	-
Prepaid item	-	-	-	5,000	-
Restricted assets:					
Cash and cash equivalents	58,434	-	58,434	-	598,730
Capital assets not being depreciated:					
Land	1,805,756	-	1,805,756	-	-
Construction in process	8,200	-	8,200	-	-
Capital assets net of accumulated depreciation:					
Building & improvements	538,885	-	538,885	-	-
Infrastructure & improvements	2,904,514	2,126,665	5,031,179	-	-
Machinery & equipment	410,854	85,330	496,184	-	-
<b>Total assets</b>	<b>6,487,070</b>	<b>2,480,543</b>	<b>8,967,613</b>	<b>113,105</b>	<b>598,730</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources-pension	93,674	-	93,674	-	-
<b>LIABILITIES</b>					
Accounts payable	109,258	466	109,724	-	-
Payroll liabilities	14,548	-	14,548	-	-
Unearned revenues	5,000	-	5,000	-	-
Non-current liabilities:					
Due within one year:					
Compensated absences	2,600	-	2,600	-	-
Capital lease payable	74,314	5,843	80,157	-	-
Note payable	32,717	12,000	44,717	13,815	-
Due in more than one year:					
Compensated absences	16,817	-	16,817	-	-
Capital lease payable	165,934	6,086	172,020	-	-
Net pension liability	49,369	-	49,369	-	-
Note payable	-	38,000	38,000	42,022	-
<b>Total liabilities</b>	<b>470,557</b>	<b>62,395</b>	<b>532,952</b>	<b>55,837</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources-pension	4,817	-	4,817	-	-
Unavailable revenue-note receivable	-	55,837	55,837	-	-
<b>Total deferred inflows of resources</b>	<b>4,817</b>	<b>55,837</b>	<b>60,654</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	5,345,875	2,150,066	7,495,941	-	-
Restricted for:					
Capital improvements	-	-	-	-	-
Court uses	57,134	-	57,134	-	-
Police	1,300	-	1,300	-	-
Unrestricted	701,061	212,245	913,306	57,268	598,730
<b>Total net position</b>	<b>\$ 6,105,370</b>	<b>\$ 2,362,311</b>	<b>\$ 8,467,681</b>	<b>\$ 57,268</b>	<b>\$ 598,730</b>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 770,485	\$ 14,800	\$ -	\$ -
Public service	138,709	167,556	-	-
Public safety	989,240	21	31,054	75
Public works	252,750	188,273	-	-
Parks and recreation	-	16,132	28,500	-
Interest on long-term debt	12,111	-	-	-
<b>Total governmental activities</b>	<b>2,163,295</b>	<b>386,782</b>	<b>59,554</b>	<b>75</b>
Business-type Activities:				
Wastewater	510,917	507,939	13,866	-
Solid waste	255,738	438,515	-	-
<b>Total business-type activities</b>	<b>766,655</b>	<b>946,454</b>	<b>13,866</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 2,929,950</b>	<b>\$ 1,333,236</b>	<b>\$ 73,420</b>	<b>\$ 75</b>
<b>Component units:</b>				
Economic Development Corporation	\$ 98,553	\$ -	\$ 3,854	\$ -
Tax Increment Fund	-	111,908	-	-
<b>Total component unit:</b>	<b>\$ 98,553</b>	<b>\$ -</b>	<b>\$ 3,854</b>	<b>\$ -</b>

**General revenues:**

Property tax  
Sales & mixed beverage tax  
Franchise tax  
Investment income  
Miscellaneous  
Transfers  
Total general revenues  
Change in net position  
Net position - beginning  
Prior period adjustments  
Net position - ending

The notes to the financial statements are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business Activities	Total	EDC	TIF
\$ (755,685)	\$ -	\$ (755,685)	\$ -	\$ -
28,847	-	28,847	-	-
(958,090)	-	(958,090)	-	-
(64,477)	-	(64,477)	-	-
44,632	-	44,632	-	-
(12,111)	-	(12,111)	-	-
<u>(1,716,884)</u>	<u>-</u>	<u>(1,716,884)</u>	<u>-</u>	<u>-</u>
-	10,888	10,888	-	-
-	182,777	182,777	-	-
-	193,665	193,665	-	-
<u>\$ (1,716,884)</u>	<u>\$ 193,665</u>	<u>\$ (1,523,219)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (94,699)	\$ -
-	-	-	-	111,908
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (94,699)</u>	<u>\$ 111,908</u>
\$ 1,162,346	\$ -	\$ 1,162,346	\$ -	\$ -
198,798	-	198,798	80,323	-
121,383	-	121,383	-	-
522	3	525	-	-
167	-	167	-	-
297,295	(297,295)	-	-	-
<u>1,780,511</u>	<u>(297,292)</u>	<u>1,483,219</u>	<u>80,323</u>	<u>-</u>
63,627	(103,627)	(40,000)	(14,376)	111,908
6,041,743	2,465,938	8,507,681	71,644	486,822
-	-	-	-	-
<u>\$ 6,105,370</u>	<u>\$ 2,362,311</u>	<u>\$ 8,467,681</u>	<u>\$ 57,268</u>	<u>\$ 598,730</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 638,290	\$ 4,491	\$ 642,781
Receivables (net of allowance for uncollectibles)	59,225	-	59,225
Cash and cash equivalents - restricted	58,434	58,434	116,868
Cash held for others	-	-	-
<b>Total assets</b>	<u>755,949</u>	<u>62,925</u>	<u>818,874</u>
<b>LIABILITIES</b>			
Accounts payable	109,258	-	109,258
Payroll accrual	14,548	-	14,548
Unearned revenues	5,000	-	5,000
Assets held for others	-	-	-
<b>Total liabilities</b>	<u>128,806</u>	<u>-</u>	<u>128,806</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property tax revenue	9,411	-	9,411
<b>Total deferred inflows of resources</b>	<u>9,411</u>	<u>-</u>	<u>9,411</u>
<b>FUND BALANCES</b>			
Restricted for:			
Court use	-	57,137	57,137
Police	-	1,300	1,300
Assigned for:			
Police	-	4,488	4,488
Unassigned	617,732	-	617,732
<b>Total fund balances</b>	<u>617,732</u>	<u>62,925</u>	<u>680,657</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 755,949</u>	<u>\$ 62,925</u>	<u>\$ 818,874</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

<b>Total fund balances - governmental funds balance sheet</b>	<b>\$ 680,657</b>
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.	7,456,644
Accumulated depreciation has not been included in the governmental fund financial statements.	(1,788,447)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(19,417)
Revenue reported as deferred inflow of resources in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	9,411
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(49,369)
Deferred inflows/outflows of resources for pension are not reported in the fund financial statements.	88,857
Long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(272,966)</u>
<b>Net position of governmental activities - statement of net position</b>	<b><u><u>\$ 6,105,370</u></u></b>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes:			
Property	\$ 1,159,562	\$ -	\$ 1,159,562
Sales	198,798	-	198,798
Franchise	121,383	-	121,383
Charge for services	30,933	-	30,933
Intergovernmental revenue - state and local	57,891	1,662	59,553
Licenses and permits	188,273	-	188,273
Fines and fees	160,788	6,766	167,554
Donations	75	-	75
Miscellaneous	167	-	167
Investment income	522	-	522
<b>Total revenues</b>	<b>1,918,392</b>	<b>8,428</b>	<b>1,926,820</b>
<b>EXPENDITURES</b>			
Current operating:			
General government	767,676	-	767,676
Public services	136,797	1,913	138,710
Public safety	745,735	5,453	751,188
Public works	250,121	-	250,121
Parks and recreation	-	-	-
Debt service:			
Principal retirement	107,893	-	107,893
Interest	12,111	-	12,111
Capital outlays			
Public safety	112,662	-	112,662
Public works	119,103	-	119,103
Parks	57,000	-	57,000
<b>Total expenditures</b>	<b>2,309,098</b>	<b>7,366</b>	<b>2,316,464</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(390,706)</b>	<b>1,062</b>	<b>(389,644)</b>
<b>Other revenues and financing sources (uses)</b>			
Transfers	280,120	17,175	297,295
Sale of assets	21	-	21
<b>Total other financing sources (uses)</b>	<b>379,766</b>	<b>17,175</b>	<b>396,941</b>
<b>Net change in fund balances</b>	<b>(10,940)</b>	<b>18,237</b>	<b>7,297</b>
<b>Fund balances, October 1</b>	<b>628,672</b>	<b>44,688</b>	<b>673,360</b>
<b>Fund balances, September 30</b>	<b>\$ 617,732</b>	<b>\$ 62,925</b>	<b>\$ 680,657</b>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
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, 2017**

<b>Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds</b>	<b>\$ 7,297</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2016 capital outlays is to increase net position.	282,974
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(232,088)
Current year long-term debt principal payments on contractual obligations, are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	107,893
In governmental fund financial statements the proceeds from notes payable are shown as other financing sources but are shown as an increase in liabilities in the government-wide statements.	(99,625)
Sale of asset reported in fund financial statements are not shown in the statement of activities.	(21)
Current year changes in pension expense do not require the use of current resources; therefore, this is not reported as expenditures in governmental funds.	<u>(2,803)</u>
<b>Change in net position - statement of activities</b>	<b><u><u>\$ 63,627</u></u></b>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2017**

	<b>Wastewater Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 132,971	\$ -	\$ 132,971
Receivables (net of allowance for uncollectibles)	44,283	35,455	79,738
Note receivable	55,837	-	55,837
Cash and cash equivalents - restricted	-	-	-
Total current assets	<u>233,091</u>	<u>35,455</u>	<u>268,546</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	2,699,905	-	2,699,905
Machinery and equipment	85,330	-	85,330
Less: accumulated depreciation	(573,239)	-	(573,239)
Total capital assets (net of accumulated depreciation)	<u>2,211,996</u>	<u>-</u>	<u>2,211,996</u>
<b>Total assets</b>	<u><u>2,445,087</u></u>	<u><u>35,455</u></u>	<u><u>2,480,542</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	465	-	465
Payables from restricted funds:			
Note payable	12,000.00	-	12,000.00
Capital lease	5,843.00	-	5,843.00
Total current liabilities	<u>18,308</u>	<u>-</u>	<u>18,308</u>
Noncurrent liabilities:			
Note payable	38,000	-	38,000
Capital lease	6,086	-	6,086
Total noncurrent liabilities	<u>44,086</u>	<u>-</u>	<u>44,086</u>
<b>Total liabilities</b>	<u><u>62,394</u></u>	<u><u>-</u></u>	<u><u>62,394</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-note receivable	55,837	-	55,837
<b>Total deferred inflows of resources</b>	<u><u>55,837</u></u>	<u><u>-</u></u>	<u><u>55,837</u></u>
<b>NET POSITION</b>			
Net investment in capital assets	2,150,066	-	2,150,066
Unrestricted	176,790	35,455	212,245
<b>Total net position</b>	<u><u>\$ 2,326,856</u></u>	<u><u>\$ 35,455</u></u>	<u><u>\$ 2,362,311</u></u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Wastewater Utility</u>	<u>Solid Waste Utility</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 507,939	\$ 438,515	\$ 946,454
Investment Income	3	-	3
Miscellaneous income	-	-	-
<b>Total operating revenues</b>	<u>507,942</u>	<u>438,515</u>	<u>946,457</u>
<b>OPERATING EXPENSES:</b>			
Supplies and materials	-	11,364	11,364
Contractual services	-	244,374	244,374
Repairs and maintenance	400,173	-	400,173
Utilities	34,153	-	34,153
Depreciation	73,997	-	73,997
<b>Total operating expenses</b>	<u>508,323</u>	<u>255,738</u>	<u>764,061</u>
<b>Operating income (loss)</b>	<u>(381)</u>	<u>182,777</u>	<u>182,396</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest expense	(2,593)	-	(2,593)
<b>Total non-operating revenues (expenses)</b>	<u>(2,593)</u>	<u>-</u>	<u>(2,593)</u>
Capital contribution	13,866	-	13,866
Transfers	(131,123)	(166,173)	(297,296)
<b>Change in net position</b>	(120,231)	16,604	(103,627)
<b>Net position, October 1</b>	<u>2,447,087</u>	<u>18,851</u>	<u>2,465,938</u>
<b>Net position, September 30</b>	<u>\$ 2,326,856</u>	<u>\$ 35,455</u>	<u>\$ 2,362,311</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Wastewater Utility</b>	<b>Solid Waste Utility</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 491,357	\$ 421,911	\$ 913,268
Cash paid to suppliers for goods and services	(414,398)	(255,738)	(670,136)
Cash paid to employees	-	-	-
<b>Net cash provided by (used for) operating activities</b>	<u>76,959</u>	<u>166,173</u>	<u>243,132</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers to Other Funds	(131,123)	(166,173)	(297,296)
Due from LEDC	13,865	-	13,865
Intergovernmental expenses	-	-	-
<b>Net cash provided by (used for) noncapital financial activities</b>	<u>(117,258)</u>	<u>(166,173)</u>	<u>(283,431)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal paid on long-term debt	(17,610)	-	(17,610)
Interest paid on long-term debt	(2,593)	-	(2,593)
Acquisition of capital assets	(16,500)	-	(16,500)
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>(36,703)</u>	<u>-</u>	<u>(36,703)</u>
<b>Cash Flows from Investing Activities</b>			
Interest income	3	-	3
<b>Net cash provided by (used for) investing activities</b>	<u>3</u>	<u>-</u>	<u>3</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(76,999)	-	(76,999)
<b>Cash and cash equivalents at beginning of year</b>	209,970	-	209,970
<b>Cash and cash equivalents at end of year</b>	<u>\$ 132,971</u>	<u>\$ -</u>	<u>\$ 132,971</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (381)	\$ 182,777	\$ 182,396
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation	73,997	-	73,997
Changes in assets and liabilities:			
(Decrease) increase in:			
Receivables	(16,585)	(16,604)	(33,189)
Increase (decrease) in:			
Accounts payable	19,928	-	19,928
Other liabilities	-	-	-
Total adjustments	<u>77,340</u>	<u>(16,604)</u>	<u>60,736</u>
<b>Net cash provided by operating activities</b>	<u>\$ 76,959</u>	<u>\$ 166,173</u>	<u>\$ 243,132</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
SEPTEMBER 30, 2017**

	<u>Collin County TIF Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 340,315</u>
<b>Total assets</b>	<u><u>340,315</u></u>
<b>LIABILITIES</b>	
Other liabilities	<u>340,315</u>
<b>Total liabilities</b>	<u><u>\$ 340,315</u></u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lavon, Texas ("City") was incorporated in 1972 and is currently governed by an elected mayor and five-member council and provides the following services to its citizens: Public Safety (Police and Fire), Public Works, Waste Water Utilities, Solid Waste Utilities and General Administrative Services.

The accounting reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*, and by the Financial Accounting Standards when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39 "Determining Whether Certain Organizations are Component Units".

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component unit, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component unit, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The financial statements of the following component units has been "discretely presented" in the accompanying reports because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component units provide services entirely or almost entirely to the citizenry and not the City.

The Lavon Economic Development Corporation ("EDC") and the Tax Increment Fund ("TIF") are a discretely presented component unit of the City. The EDC is governed by a board of seven directors, all of whom are appointed by the City Council of the City and whom can be removed from office by the City Council at its will. The EDC was incorporated in the State of Texas in 2004. The nature and significance of the relationship between the primary government and the EDC is such that exclusion would cause the City's financial to be misleading and incomplete. The EDC is legally separate, but due to the City appointing the voting majority of the EDC board, it is classified as a discretely presented component unit. The funding for the EDC occurs by the City transferring 29% of City sales tax collections to the EDC. The TIF is governed by a board of seven directors, five of which are appointed by the City Council of the City and whom can be removed by from office by the City Council at is will. The TIF was incorporated in the the State of Texas in 2006. The nature and significance of the relationship between the primary government and the TIF is such that exclusion would cause the City's financial statements to be misleading. The TIF is legally separate, but due to the City appointing the the voting majority of the TIF board, it is classified as a discretely presented component unit. The funding for the TIF occurs by the TIF collectiing property taxes collected in the City of Lavon.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria being included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented in the required supplementary section that compares the budget with actual results.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The discretely presented component units have been reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

The basic financial statements include both government-wide, (based on the City as a whole), and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the capital requirements of a particular function or program, and c) grants and contributions that are restricted to meeting the operational requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenue. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns within the fund financial statements. The major governmental fund is the general fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2. Basis of Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and solid waste funds are charges to customers for sales and services. The wastewater utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for business-type funds include the cost of sales and service and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The City's Fiduciary Fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories, as well as the fiduciary fund. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements and fiduciary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized as the liability is incurred.

Governmental fund level financial statements are reported using the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available when they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to inter-governmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3. Measurement Focus, Basis of Accounting (continued)

The City reports the following major governmental fund:

The *General Fund* is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contracted agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes. The following are descriptions of the proprietary funds of the City.

The *Wastewater Utility Fund* accounts for the operation of the City's wastewater utility system, a self-supporting activity, which renders services on a user charge basis to residents and businesses located in Lavon.

The *Solid Waste Fund* accounts for the operation of the City's solid waste collection activity. The City collects monthly user charges from subscribers and contracts with a third party for the collection of solid waste.

Agency funds account for amounts held on behalf of others by the City as a trustee, or fiduciary. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use them to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose. The following is a description of the fiduciary fund of the City:

The *Collin County TIF* is used to account for assets held by the City in an agency capacity for Collin County. This fiduciary fund records only assets and liabilities and therefore has no measurement focus.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

b. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

c. Receivable and Payable

Trade and property tax receivables are shown net of an allowance for uncollectibility.

The City believes that sufficient detail of receivable and payable balances are provided in the financial statements to avoid the obscuring of significant components by aggregation.

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts (continued)

d. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

e. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund type financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings, structures and improvements	5-40 years
Equipment, including vehicles	5-10 years
Infrastructure	20-40 years

f. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and overtime not paid (comp time). All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

g. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed during the year they are 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.

CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year-end are deferred and will be recognized in the subsequent fiscal year-end. The other deferred outflow is the difference between projected and actual investment earnings that will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of a net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The City has three items that qualify in this category. Two of these items arise only under a modified accrual basis of accounting. Accordingly, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental fund report unavailable revenues from property tax and proprietary funds report a note receivable. The remaining items recorded as a deferred inflow of resources is recorded in the government-wide Statement of Net Position and fund level financial statements for the Wastewater Utility Fund's Statement of Net Position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and will be amortized over a period of years determined by the Plan actuary. The differences will be amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

i. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

j. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by laws through constitutional provisions or enabling legislation that stipulates that amounts can only be spent for specific purposes.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by a resolution of the City Council and remains binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* - amounts that are constrained by the City's intent to be used for specific purposes. Assignment of fund balance is much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum intended to be used.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts

j. Fund Balance Policies (continued)

- *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by the committed, assigned and unassigned resources as they are needed.

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City considers an unassigned fund balance of 10% of expenditures should be maintained. The City considers an unassigned fund balance of less than 5% of expenditures to be cause for concern and a plan to adjust budget resources in subsequent fiscal years will be done to restore the balance.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Compliance with the provisions of the policy shall be reviewed as part of the annual operating budget adoption process and subsequent review will be included in the annual audit and financial statement preparation procedures. The City is in compliance with the policy at the end of the current fiscal period.

k. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider a restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

l. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts

l. Property Taxes (continued)

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 in population limits the ad valorem tax rate to \$2.50 per \$100 assessed value. The City's property tax rate for the current fiscal year is \$0.455700 per \$100 assessed value.

m. Comparative Data/Reclassification

Comparative total data for the current year to budget for the General Fund have been presented in the basic financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

n. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management estimates.

p. Program Revenues

Amounts reported as 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

q. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**B. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	N/A

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None	N/A

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the fifteenth day of each August, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget for the General Fund is legally adopted on a basis consistent with modified accrual basis. The majority of the City's capital projects are budgeted on an annual basis.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Council is the only body that can change the budgeted amounts from one line item to another.

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**C. CASH AND INVESTMENTS**

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

*Cash Deposits*

At September 30, 2017, the carrying amount of the City's deposits was \$1,232,933 and the bank balance was \$1,274,241. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017 were entirely covered by FDIC or by pledged collateral held in the City's name. Cash and cash equivalents as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

**Statement of net position:**

Primary Government	
Cash and cash equivalents	\$ 834,184
Restricted assets-cash and cash equivalents	58,434
Total cash and cash equivalents	<u>\$ 892,618</u>
Governmental - Restricted Cash	
TIF	\$ -
Court use	57,134
Police Use	1,300
Total Restricted Cash	<u>\$ 58,434</u>

*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 national recognized agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

*Concentration of Credit Risk*

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

*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.

*Foreign Currency Risk*

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

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**D. TAX INCREMENT FINANCING**

The City established a Tax Increment Financing No. 1 ("TIF") in December, 2006 by Ordinance 2006-12-01 along with Collin County for project improvements within the City. Collin County signed the agreement to participate. Currently, the City collects all property tax revenues for the TIF.

Tax Increment Financing is a tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure within a defined area. These improvements are associated with economic development and are governed by the statutes within Chapter 311 of the Texas Tax Code. TIF is based upon the pledge of future real property taxes generated by new development within that defined geographic area. The public improvements make development of the area possible, which in turn enhances the value of the property. The taxes generated as a result of the enhanced property values are used to fund the public improvements within the area and other incidental costs. In areas designated as TIF districts, tax-based increases are removed from the general tax rolls and the revenue from the 'captured' tax base is used to finance site improvements or other economic development costs.

**E. RECEIVABLES**

Receivables as of year end for the government's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental	Proprietary	Total
Receivables:			
Taxes	\$ 49,327	\$ -	\$ 49,327
Fees and Charges	166,743	87,790	254,533
Other	-	-	-
Gross Receivables	216,070	87,790	303,860
Less: allowance for uncollectible	(156,856)	(8,050)	(164,906)
Net Total Receivables	<u>\$ 59,214</u>	<u>\$ 79,740</u>	<u>\$ 138,954</u>

**F. NOTE RECEIVABLE**

In June 2014, the Lavon Economic Development Corporation agreed to pay the costs of construction of sewer infrastructure for the Lavon Business Park. The improvements were financed from the proceeds of the City of Lavon's 2014 Tax Note by remitting to the City the receipts of local sales and use taxes received by the Corporation to pay the principal and interest.

	Beginning Balances	Issued	Decreases	Ending Balances	Receive in one year
Note receivable-EDC	<u>\$ 69,702</u>	<u>\$ -</u>	<u>\$ (13,865)</u>	<u>\$ 55,837</u>	<u>\$ 13,815</u>

Note receivable requirements are as follows:

Year ending September 30	Payment
2018	13,815
2019	13,860
2020	13,909
2021	14,253
Total	<u>\$ 55,837</u>

**CITY OF LAVON, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**G. CAPITAL ASSETS**

Capital asset activity for the period ended September 30, 2017 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 1,748,756	\$ -	\$ 57,000	\$ -	\$ 1,805,756
Construction in progress	8,200	-	-	-	8,200
Total capital assets, not being depreciated	<u>1,756,956</u>	<u>-</u>	<u>57,000</u>	<u>-</u>	<u>1,813,956</u>
Capital assets, being depreciated:					
Buildings & Improvements	896,112	-	-	-	896,112
Infrastructure	3,739,234	-	110,354	-	3,849,588
Machinery & Equipment	839,508	-	112,820	-	952,328
Total capital assets being depreciated	<u>5,474,854</u>	<u>-</u>	<u>223,174</u>	<u>-</u>	<u>5,698,028</u>
Less accumulated depreciation for:					
Buildings & Improvements	(313,059)	-	(44,168)	-	(357,227)
Infrastructure	(844,998)	-	(100,076)	-	(945,074)
Machinery & Equipment	(453,630)	-	(87,844)	-	(541,474)
Total accumulated depreciation	<u>(1,611,687)</u>	<u>-</u>	<u>(232,088)</u>	<u>-</u>	<u>(1,843,775)</u>
Total capital assets, being depreciated, net	<u>3,863,167</u>	<u>-</u>	<u>(8,914)</u>	<u>-</u>	<u>3,854,253</u>
Governmental activities capital assets, net	<u>\$ 5,620,123</u>	<u>\$ -</u>	<u>\$ 48,086</u>	<u>\$ -</u>	<u>\$ 5,668,209</u>
<b>Business-type Activities</b>					
Capital assets, not being depreciated					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated:					
Infrastructure	2,699,905	-	-	-	2,699,905
Machinery & Equipment	68,830	-	16,500	-	85,330
Total capital assets being depreciated	<u>2,768,735</u>	<u>-</u>	<u>16,500</u>	<u>-</u>	<u>2,785,235</u>
Less accumulated depreciation for:					
Infrastructure	(494,532)	-	(67,497)	-	(562,029)
Machinery & Equipment	(4,711)	-	(6,500)	-	(11,211)
Total accumulated depreciation	<u>(499,243)</u>	<u>-</u>	<u>(73,997)</u>	<u>-</u>	<u>(573,240)</u>
Total capital assets, being depreciated, net	<u>2,269,492</u>	<u>-</u>	<u>(57,497)</u>	<u>-</u>	<u>2,211,995</u>
Business-type activities capital assets, net	<u>\$ 2,269,492</u>	<u>\$ -</u>	<u>\$ (57,497)</u>	<u>\$ -</u>	<u>\$ 2,211,995</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 20,888
Public safety	83,551
Public works	125,328
Parks and recreation	2,321
Total depreciation expense - governmental activities	<u>\$ 232,088</u>
Business-type activities:	
Wastewater services	<u>\$ 73,997</u>

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**H. CONSTRUCTION COMMITMENTS**

No construction commitments exist at the end of the current fiscal year.

**I. LONG-TERM OBLIGATIONS**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2017, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital Leases Payable	\$ 214,000	\$ 99,625	\$ (73,377)	\$ 240,248	\$ 74,314
Notes Payable	67,233	-	(34,516)	32,717	32,717
Compensated Absences	19,417	42,445	(42,445)	19,417	2,600
Governmental activity					
Total long-term liabilities	<u>\$ 300,650</u>	<u>\$ 142,070</u>	<u>\$ (150,338)</u>	<u>\$ 292,382</u>	<u>\$ 109,631</u>
<b>Business-type Activities</b>					
Capital Leases Payable	\$ 17,539	\$ -	\$ (5,610)	\$ 11,929	\$ 5,843
Notes Payable	62,000	-	(12,000)	50,000	12,000
Business-type activity					
Total long-term liabilities	<u>\$ 79,539</u>	<u>\$ -</u>	<u>\$ (17,610)</u>	<u>\$ 61,929</u>	<u>\$ 17,843</u>

**Changes in Governmental Long-term Debt**

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30,		Due Within One Year
			2016	Issued		2017		
Interlocal Agreement	3.50%	\$ 166,372	\$ 67,233	\$ -	\$ (34,516)	\$ 32,717	\$ 32,717	
Total Bonds & Notes		166,372	67,233	-	(34,516)	32,717	32,717	
CNH Capital	7.00%	21,773	13,087	-	(4,051)	9,036	4,334	
Ford Motor Company	5.50%	50,310	33,310	-	(16,209)	17,101	17,101	
Community FNB	3.56%	199,000	137,330	-	(17,626)	119,704	18,252	
Ford Motor Company	5.50%	47,511	30,274	-	(14,997)	15,277	15,822	
Community 1st National Bank	3.35%	99,625	-	99,625	(20,495)	79,130	18,805	
Total Long Term Obligations		<u>\$ 584,591</u>	<u>\$ 281,234</u>	<u>\$ 99,625</u>	<u>\$ (107,894)</u>	<u>\$ 272,965</u>	<u>\$ 107,031</u>	

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2018	106,485	9,371	115,856
2019	42,980	5,971	48,951
2020	39,672	4,317	43,989
2021	41,049	2,940	43,989
2022-2023	42,779	2,288	45,067
Totals	<u>\$ 272,965</u>	<u>\$ 24,887</u>	<u>\$ 297,852</u>

**Notes Payable**

The City incurred a note payable with Collin County in the amount of \$166,372 for road improvements in the City of Lavon on February 19, 2013. This note is to be repaid over a period of five years with an interest rate of 3.50%.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**I. LONG-TERM OBLIGATIONS (continued)**

*Capital Leases*

The City has the following lease agreements:

The City incurred a capital lease payable with Ford Motor Credit Company in the amount of \$50,310 for the purchase of a vehicle for the police department. This lease will be paid in full in FY2018.

The City incurred a capital lease payable with Ford Motor Credit Company in the amount of \$47,511 for the purchase of a vehicle for the police department. This lease will be paid in full in FY2018.

The City incurred a capital lease payable with Community First National Bank in the amount of \$199,000 for the purchase of a pumper truck for the fire department.

The City incurred a capital lease payable with CNH Capital in the amount of \$21,773 for the purchase of two mowers for public works.

The City incurred a capital lease payable with Community 1st National Bank in the amount of \$99,625 for the purchase of a new vehicle and a tractor.

Capital lease requirements are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2018	74,314	9,371	83,685
2019	42,980	5,971	48,951
2020	39,672	4,317	43,989
2021	41,049	2,940	43,989
2022-2023	42,233	2,288	44,521
Totals	\$ 240,248	\$ 24,887	\$ 265,135

**Changes in Business-type Long-term Debt**

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30 2016	Issued	Retired	Amounts Outstanding September 30, 2017	Due Within One Year
2014 Tax Note	4.00%	\$ 84,000	\$ 62,000	\$ -	\$ (12,000)	\$ 50,000	\$ 12,000
Total Bonds & Notes		84,000	62,000	-	(12,000)	50,000	12,000
First National Bank	3.33%	23,460	17,539	-	(5,610)	11,929	5,843
Total Long Term Obligations		\$ 107,460	\$ 79,539	\$ -	\$ (17,610)	\$ 61,929	\$ 17,843

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2018	12,000	1,815	13,815
2019	12,000	1,360	13,360
2020	13,000	909	13,909
2021	13,000	447	13,447
Totals	\$ 50,000	\$ 4,531	\$ 54,531

The City incurred a 2014 Tax Note in the amount of \$84,000 for the sewer infrastructure improvements in the Lavon Business Park.

*Capital Leases*

The City has the following lease agreements:

The City incurred a capital lease payable with First National Bank in the amount of \$23,460 for the purchase of a 2016 Dodge truck. The lease will be paid in full in FY2019

Capital lease requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2018	5,843	495	6,338
2019	6,086	253	6,339
Totals	\$ 11,929	\$ 748	\$ 12,677

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**J. PUBLIC IMPROVEMENTS DISTRICT**

In September 2004, the City created a Public Improvement District ("PID") as authorized under Chapter 372 of the Texas Local Government Code. This PID was created for the benefit of Heritage Residential Development to be known as Heritage Public Improvement District No. 1. This PID was created for the acquisition, construction, and development of public improvements to include roads, drainage and storm water control system, sanitary sewage collection system, water supply and distribution system, other improvements and costs associated with the development and financing of these improvements. Utility Tax Services, Inc. is responsible for the billing and collection of the assessment property tax.

Utility Tax Services, Inc. collects the special assessment taxes for the debt issued and transfers money to Bank of New York Mellon who acts as the paying agent for the debt. The City does not have any direct or contingent liability or moral obligation for the payment of this debt. The outstanding balance for the special assessment bond at September 30, 2017 is:

Heritage Public Improvement District #1 Special Assessment Revenue Bonds, Series 2013: \$ 7,440,000

**K. OPERATING LEASES**

The City rents property at 112 Forder for use by the Public Works department that began in June 2014. This lease is an annual lease. The City also leases storage space for records retention. The future minimum lease payments for these lease payments are as follows:

Year End:	General	Public Works	Total
Sept 30			
2018	1,492	7,800	9,292
2019	1,492	7,800	9,292
	<u>\$ 2,984</u>	<u>\$ 15,600</u>	<u>\$ 18,584</u>

**L. PENSION PLAN**

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide 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 ("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, the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report ("CAFR") that can be obtained at [www.tmrs.org](http://www.tmrs.org).

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

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, 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 treatment benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**L. PENSION PLAN**

2. Benefits Provided (continued)

*Employees covered by benefit terms:*

At December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Number of:	Plan Year	
	2016	2015
Inactive employees or beneficiaries currently receiving benefits	3	1
Inactive employees entitled to but not yet receiving benefits	16	14
Active employees	17	16
Total	36	31

3. Contributions

The contribution rates for the employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City's matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. 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.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.65% in calendar years 2016 and 2017. The City's contributions to TMRS for the fiscal year ending September 30, 2017 were \$44,632 and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability ("NPL") was measured as of December 31, 2016, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.00%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 96%. The rates are projected on a fully generational basis of scale BB to account for future mortality improvement. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation based on the results of actuarial experience studies. The experience study in TMRS was for the period of December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**L. PENSION PLAN**

4. Net Pension Liability (continued)

The expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 3.78% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). A single discount rate of 6.75% used to measure the total pension liability as of December 31, 2016.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 783,727	\$ 758,740	\$ 24,987
Changes for the year:			
Service cost	73,107		73,107
Interest	54,755		54,755
Change of benefit terms	-		-
Difference between expected and actual experience	16,408		16,408
Changes of assumptions	-		-
Contributions - employer		33,642	(33,642)
Contributions - employee		35,837	(35,837)
Net investment income		51,019	(51,019)
Benefit payments, including refunds of employee contributions	(18,178)	(18,178)	-
Administrative expense		(579)	579
Other changes		(31)	31
Net changes	126,092	101,710	24,382
Balance at 12/31/2016	<u>\$ 909,819</u>	<u>\$ 860,450</u>	<u>\$ 49,369</u>

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**L. PENSION PLAN**

4. Net Pension Liability (continued)

*Sensitivity of the net pension liability to changes in the discount rate*

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:

1% Decrease 5.75%	Current Single Rate Assumption	1% Increase 7.75%
\$ 187,548	\$ 49,369	\$ (63,164)

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$46,821.

At September 30, 2017, the City reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ 12,464	\$ 4,817
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	45,739	-
Contributions subsequent to the measurement date of December 31, 2016	35,471	-
Total	<u>\$ 93,674</u>	<u>\$ 4,817</u>

\$35,471 reported as deferred outflow of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the current fiscal year. Other amounts reported as deferred outflow and inflow of resources related to pension will be recognized in pension expense as follows:

Net deferred outflows (inflows) of resources:  
 December 31

2017	\$ 18,868
2018	19,437
2019	14,409
2020	672
Total	<u>\$ 53,386</u>

6. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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.

**CITY OF LAVON, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**L. PENSION PLAN**

6. Group-term Life Insurance (continued)

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$717, \$966 and \$868, respectively.

**M. HEALTH CARE COVERAGE**

During the year ended September 30, 2017, employees of the City were covered by a health insurance plan with TML Intergovernmental Employee Benefits Pool-United Health Care Choice Plan Plus ("Plan"). The City contributed \$663 per month per employee and \$0 of the cost for dependent's. Employees, at their option, authorized payroll withholdings to pay contributions for dependents coverage. All contributions were paid to TML-IEBP. The Plan was authorized by article 3.51-2, Texas Insurance Code and is documented by contractual agreement.

**N. INSURANCE COVERAGE**

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League Intergovernmental Risk Pool, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$125,000 and for aggregated loss. According to the latest actuarial opinion dated October 1, 2016, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**O. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML-IRP"). TML-IRP is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML-IRP for its above insurance coverage. The agreement for the formation of TML-IRP provides that TML-IRP will be self-through member premiums and will reinsure through commercial companies for claims an excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**P. WASTEWATER DISPOSAL**

The City contracts the operation of the wastewater treatment plant from the North Texas Municipal Water District ("District"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The City provides for the payment of its contractual obligations with the District from revenues generated by the Wastewater Utility Fund.

**Q. LITIGATION**

The City is subject to certain legal proceedings in the normal course of operations. It is the opinion of management, the aggregate liability, if any, with respect to potential legal actions will not materially adversely affect the City's financial position, results of operations, or cash flows.

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**R. TRANSFERS**

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 503,975	\$ 223,855
Utility Funds	408,543	705,838
Other	19,199	2,024
Total Funds Transfers	<u>\$ 931,717</u>	<u>\$ 931,717</u>

Transfer from the business-type funds to the General Fund are made to pay for administrative costs.

**S. SUBSEQUENT EVENTS**

The City has evaluated all events or transactions that occurred after September 30, 2017 up through April 16, 2018, the date the financial statements were available to be issued. During this period, management was unaware of subsequent events requiring disclosures.

**T. LAVON ECONOMIC DEVELOPMENT CORPORATION**

The Lavon Economic Development Corporation ("LEDC") was incorporated December 20, 2004. The LEDC is a non-profit industrial development corporation formed under the Texas Revised Civil Statutes Development Corporation Act of 1979. The LEDC is financed with a voter approved 1/2 cent sales tax to aid, promote, and further the economic development within the City.

1. Deposits and Investments

Cash and cash equivalents as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Unrestricted Cash and Cash Equivalents	<u>\$ 92,307</u>
----------------------------------------	------------------

*Credit Risk*

State law restricts both time and demand deposits, including certificates of deposit, to those banks doing business in the State of Texas and further required full insurance of collateralization from these depositories (banks only).

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment collateral securities that are in the possession of another party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

2. Receivables

Receivables at the year end for the LEDC were \$15,798. This is sales tax receivable due from the City. There is no allowance for uncollectible accounts.

3. Prepaid Items

Prepaid balances are for payments made by the LEDC for which benefits extend beyond September 30, 2017, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances are recorded as an expenditure when consumed rather than when purchased.

**CITY OF LAVON, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**T. LAVON ECONOMIC DEVELOPMENT CORPORATION (continued)**

4. Note Payable

Description	Amounts Issue	Amounts Outstanding September 30 2016	Additions	Decreases	Amounts Outstanding September 30 2017	Due within one year
Note Payable to City	\$ 96,781	\$ 69,702	\$ -	\$ (13,865)	\$ 55,837	\$ 13,815

Debt service requirements are as follows:

Year ending September 30	Total Requirements
2018	13,815
2019	13,360
2020	13,909
2021	14,753
Total	<u>\$ 55,837</u>

LEDC signed an agreement in June 2014 to use sales tax funds to fund improvements for the City of Lavon's sewer infrastructure in the Lavon Business Park. The City issued a tax note in the amount of \$84,000 and LEDC will pay \$96,781 (including interest) over a period of 7 years.

5. Operating Lease

The LEDC has an operating lease with the City of Lavon to rent office space for \$5,000 annually beginning March 1, 2012 and ending in FY2019.

6. Litigation

Currently, management is unaware of significant pending litigation against the EDC.

7. Related Party

Pam Mundo, Executive Director for the LEDC, is also the president of Mundo & Associates, Inc. This firm is a consultant for LEDC for ongoing projects. Pam Mundo acts in an advisory capacity without any voting privileges nor does she have access to the bank account or signature authority.

One of the EDC's board members is contracted with EDC to provide IT services. The Board approved these services through bidding procedures. Management has determined that this does not pose any conflict of interest for either party.

8. Subsequent Events

The LEDC has evaluated all events or transactions that occurred after September 30, 2017 up through April 16, 2018, the date the financial statements were available to be issued. During this period management noted there were no subsequent events requiring disclosure.

**U. LAVON TAX INCREMENT FUND**

The Lavon Tax Increment Fund ("TIF") was incorporated December 12, 2006. The reinvestment zone receives a portion of the property property taxes collected in the City of Lavon. The city chose in fiscal year 2016 to separate the TIF into its own entity.

1. Deposits and Investments

Cash and cash equivalents as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

Restricted Cash and Cash Equivalents	<u>\$ 598,730</u>
--------------------------------------	-------------------

2. Subsequent Events

The TIF has evaluated all events or transactions that occurred after September 30, 2017 up through April 16, 2018, the date the financial statements were available to be issued. During this period management noted there were no subsequent events requiring disclosure.

## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF LAVON, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CONTRIBUTIONS  
 LAST FOUR FISCAL YEARS (UNAUDITED)**

	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Actuarially determined contributions	\$ 33,642	\$ 31,348	\$ 26,916	\$ 18,590
Contributions in relation to the actuarially determined contribution	\$ 33,642	\$ 31,348	\$ 26,916	\$ 18,590
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 716,730	\$ 643,698	\$ 578,842	\$ 611,501
Contributions as a percentage of covered employee payroll	4.87%	4.87%	4.65%	3.04%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.5% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Note: Years will continue to be added until there are 10 years for comparison.

**CITY OF LAVON, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS-TMRS**

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
<b>Total Pension Liability</b>			
Service cost	\$ 73,107	\$ 63,790	\$ 50,365
Interest (on the Total Pension Liability)	54,755	48,000	41,927
Changes of benefit terms	-	-	-
Difference between expected and actual experience	16,408	(6,720)	(4,139)
Change of assumptions	-	26,056	-
Benefit payments, including refunds of employee contributions	(18,178)	(2,425)	(13,802)
<b>Net Change in Total Pension Liability</b>	<u>126,092</u>	<u>128,701</u>	<u>74,351</u>
<b>Total Pension Liability - Beginning</b>	<u>783,727</u>	<u>655,026</u>	<u>580,675</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 909,819</u></u>	<u><u>\$ 783,727</u></u>	<u><u>\$ 655,026</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employers	\$ 33,642	\$ 28,967	\$ 17,097
Contributions - employees	35,837	32,185	28,942
Net investment income	51,019	1,033	36,148
Benefit payments, including refunds of employee contributions	(18,178)	(2,425)	(13,802)
Administrative expense	(579)	(629)	(377)
Other	(31)	(31)	(31)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>101,710</u>	<u>59,100</u>	<u>67,977</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>758,740</u>	<u>699,640</u>	<u>631,663</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 860,450</u></u>	<u><u>\$ 758,740</u></u>	<u><u>\$ 699,640</u></u>
<b>Net Pension Liability (Asset) - Ending (a)-(b)</b>	<u>\$ 49,369</u>	<u>\$ 24,987</u>	<u>\$ (44,614)</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	94.57%	96.81%	106.81%
<b>Covered Employee Payroll</b>	\$ 716,730	\$ 643,698	\$ 578,842
<b>Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</b>	6.89%	3.88%	-7.71%

**Note to Schedule:**

N/A

**CITY OF LAVON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Adopted	Amended		
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,152,484	\$ 1,152,484	\$ 1,159,562	\$ 7,078
Sales	150,000	150,000	198,798	48,798
Franchise	120,000	120,000	121,383	1,383
Charge for services	50,050	50,050	30,932	(19,118)
Intergovernmental revenue - state and local	40,486	40,486	57,891	17,405
Licenses and permits	190,875	190,875	188,273	(2,602)
Fines and forfeitures	77,000	77,000	160,788	83,788
Donations	-	-	75	75
Investment income	641	641	522	(119)
Miscellaneous	780	780	168	(612)
<b>Total revenues</b>	<u>1,782,316</u>	<u>1,782,316</u>	<u>1,918,392</u>	<u>136,076</u>
<b>EXPENDITURES</b>				
Current operating:				
General government	638,599	638,599	767,676	(129,077)
Public works	321,375	316,413	250,121	66,292
Municipal court	71,143	76,105	136,797	(60,692)
Public safety	797,527	797,527	745,735	51,792
Parks and recreation	-	-	-	-
Debt service:				
Principal retirement	107,979	107,979	107,893	86
Interest	-	-	12,111	(12,111)
Capital outlays:				
General government	24,000	24,000	-	24,000
Public safety	-	-	112,662	(112,662)
Public works	-	-	119,103	(119,103)
Parks	-	-	57,000	(57,000)
<b>Total expenditures</b>	<u>1,960,623</u>	<u>1,960,623</u>	<u>2,309,098</u>	<u>(348,475)</u>
<b>Excess of revenues over expenditures</b>	(178,307)	(178,307)	(390,706)	(212,399)
<b>Other financing sources (uses)</b>				
Transfers	12,676	12,676	280,120	280,120
Prior year carry-over	165,631	165,631	-	-
Sale of assets	-	-	21	21
Note proceeds	-	-	99,625	99,625
<b>Total other financing sources (uses)</b>	<u>178,307</u>	<u>178,307</u>	<u>379,766</u>	<u>379,766</u>
<b>Net change in fund balances</b>	-	-	(10,940)	167,367
<b>Fund balance, October 1</b>	<u>628,672</u>	<u>628,672</u>	<u>628,672</u>	
<b>Fund balance, September 30</b>	<u>\$ 628,672</u>	<u>\$ 628,672</u>	<u>\$ 617,732</u>	

The notes to the financial statements are an integral part of this financial statement.



## SUPPLEMENTARY INFORMATION



**CITY OF LAVON, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2017**

	<b>Municipal Court Tech Fund</b>	<b>Police TCLEOSE Fund</b>	<b>Police Seized Asset Fund</b>	<b>Municipal Court Security Fund</b>	<b>Court Funds</b>	<b>Total Other Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 4,490	\$ -	\$ -	\$ -	\$ 4,490
Cash and cash equivalents - restricted	9,870	-	1,300	8,399	38,865	58,434
<b>Total assets</b>	<u>9,870</u>	<u>4,490</u>	<u>1,300</u>	<u>8,399</u>	<u>38,865</u>	<u>62,924</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	-	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted for:						
Court	9,870	-	-	8,399	38,865	57,134
Police	-	-	1,300	-	-	1,300
Designated for:						
Police	-	4,490	-	-	-	4,490
<b>Total fund balance</b>	<u>9,870</u>	<u>4,490</u>	<u>1,300</u>	<u>8,399</u>	<u>38,865</u>	<u>62,924</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,870</u>	<u>\$ 4,490</u>	<u>\$ 1,300</u>	<u>\$ 8,399</u>	<u>\$ 38,865</u>	<u>\$ 62,924</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Municipal Court Tech Fund</b>	<b>Police TCLEOSE Fund</b>	<b>Police Seized Asset Fund</b>	<b>Municipal Court Security Fund</b>	<b>Court Funds</b>	<b>Total Other Governmental Funds</b>
<b>REVENUES</b>						
Fines and forfeitures	\$ 3,828	\$ -	\$ -	\$ 2,608	\$ 330	\$ 6,766
Intergovernmental revenue - state and local	-	1,662	-	-	-	1,662
<b>Total Revenues</b>	<b>3,828</b>	<b>1,662</b>	<b>-</b>	<b>2,608</b>	<b>330</b>	<b>8,428</b>
<b>EXPENDITURES</b>						
Current:						
Court	1,384	-	-	461	68	1,913
Police	-	-	5,455	-	-	5,455
<b>Total Expenditures</b>	<b>1,384</b>	<b>-</b>	<b>5,455</b>	<b>461</b>	<b>68</b>	<b>7,368</b>
<b>Excess of revenues over expenditures</b>	<b>2,444</b>	<b>1,662</b>	<b>(5,455)</b>	<b>2,147</b>	<b>262</b>	<b>1,060</b>
<b>Other Financing Sources (uses)</b>						
Transfers	(289)	(1,721)	5,455	(13)	13,744	17,176
<b>Total Other Financing Sources (uses)</b>	<b>(289)</b>	<b>(1,721)</b>	<b>5,455</b>	<b>(13)</b>	<b>13,744</b>	<b>17,176</b>
<b>Net Change in Fund Balances</b>	<b>2,155</b>	<b>(59)</b>	<b>-</b>	<b>2,134</b>	<b>14,006</b>	<b>18,236</b>
<b>Fund Balances, October 1</b>	<b>7,715</b>	<b>4,549</b>	<b>1,300</b>	<b>6,265</b>	<b>24,859</b>	<b>44,688</b>
<b>Fund Balances, September 30</b>	<b>\$ 9,870</b>	<b>\$ 4,490</b>	<b>\$ 1,300</b>	<b>\$ 8,399</b>	<b>\$ 38,865</b>	<b>\$ 62,924</b>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 SEPTEMBER 30, 2017**

	<u>Collin County TIF Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 340,315
<b>Total assets</b>	<u>340,315</u>
<b>LIABILITIES</b>	
Other liabilities	340,315
<b>Total liabilities</b>	<u>\$ 340,315</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Collin County TIF</b>	<b>Balance September 30, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2017</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 281,819	\$ 58,496	\$ -	\$ 340,315
<b>Total Assets</b>	<u>281,819</u>	<u>58,496</u>	<u>-</u>	<u>340,315</u>
<b>LIABILITIES</b>				
Collin County TIF	281,819	58,496	-	340,315
<b>Total Liabilities</b>	<u>\$ 281,819</u>	<u>\$ 58,496</u>	<u>\$ -</u>	<u>\$ 340,315</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
BALANCE SHEET - COMPONENT UNIT  
ECONOMIC DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2017**

	<u>EDC</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 92,307
Receivable-sales tax	15,798
Prepaid Expenses	<u>5,000</u>
<b>Total assets</b>	<u><u>113,105</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	-
Note payable	13,815
Long-term liabilities:	
Note payable	<u>42,021</u>
<b>Total liabilities</b>	<u><u>55,836</u></u>
<b>FUND BALANCE</b>	
Fund Balance:	
Nonspendable	5,000
Unassigned	<u>52,269</u>
<b>Total fund balance</b>	<u><u>57,269</u></u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 113,105</u></u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-COMPONENT UNIT  
ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>EDC</u>
<b>REVENUES</b>	
Sales tax	\$ 80,323
Contributions	3,854
<b>Total revenues</b>	<u>84,177</u>
<b>EXPENDITURES</b>	
Current operating:	
Advertising	13,578
Professional and legal	31,294
Dues and subscriptions	-
Office expenses	<u>37,411</u>
Travel and training	<u>-</u>
Debt service:	
Principal retirement	(2,062)
Capital outlays:	
Business park infrastructure	<u>18,332</u>
<b>Total expenditures</b>	<u>98,553</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(14,376)
<b>Other revenues and financing sources (uses)</b>	
<b>Total other financing sources (uses)</b>	<u>-</u>
<b>Net change in fund balance</b>	(14,376)
<b>Fund balance, October 1</b>	71,645
<b>Fund balance, September 30</b>	<u>\$ 57,269</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
BALANCE SHEET - COMPONENT UNIT  
TAX INCREMENT FUND  
SEPTEMBER 30, 2017**

	<u>TIF</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 598,730
<b>Total assets</b>	<u>598,730</u>
 <b>FUND BALANCE</b>	
Fund Balance:	
Nonspendable	-
Unassigned	598,730
<b>Total fund balance</b>	<u>598,730</u>
 <b>Total liabilities and fund balance</b>	<u>\$ 598,730</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION-ECONOMIC DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2017**

<b>Total fund balances - governmental funds balance sheet</b>	\$ 598,730
Amounts reported for governmental activities in the statement of net position are different because:	-
	<hr/>
<b>Net position of governmental activities - statement of net position</b>	<b><u>\$ 598,730</u></b>

**CITY OF LAVON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-COMPONENT UNIT  
TAX INCREMENT FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>TIF</u>
<b>REVENUES</b>	
Total revenues	<u>\$ -</u>
<b>EXPENDITURES</b>	
Total expenditures	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-
<b>Other revenues and financing sources (uses)</b>	
Intergovernmental revenues	111,655
Interest Income	252
<b>Total other financing sources (uses)</b>	<u>111,907</u>
<b>Net change in fund balance</b>	111,907
<b>Fund balance, October 1</b>	486,821
<b>Fund balance, September 30</b>	<u>\$ 598,728</u>

The notes to the financial statements are an integral part of this financial statement.

**CITY OF LAVON, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES-TIF  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Net change in fund balances - statement of revenues, expenditures and  
changes in fund balances - governmental funds** \$ 111,908

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

-

**Change in net position - statement of activities** \$ 111,908