

CITY OF MERCEDES, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year ended September 30, 2021

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City of Mercedes, Texas
Annual Financial Report
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INTRODUCTORY SECTION

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City of Mercedes, Texas
City Officials
As of September 30, 2021

MAYOR

Oscar D. Montoya Sr.

MAYOR PRO-TEM

Joe Martinez

CITY COMMISSION

Jacob C. Howell

Leonel Benavidez

Jose M. Gomez

CITY MANAGER

Alberto Perez

FINANCE DIRECTOR

Nereida Perez

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INDEPENDENT AUDITORS' REPORT

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McCumber
& Longoria, LLP
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Commission
City of Mercedes, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mercedes, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Mercedes, Texas' 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.

Auditors' 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 auditors' 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mercedes, Texas, as of September 30, 2021, 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 11–16 and 69–73 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 Mercedes, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and supplemental schedules have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022, on our consideration of the City of Mercedes, 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 solely 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 the effectiveness of the City of Mercedes, Texas' 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 Mercedes, Texas' internal control over financial reporting and compliance.

Barton McClure & Langston, LLP

McAllen, Texas
June 20, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Mercedes, Texas
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mercedes, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Mercedes for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 5 and the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

The City's total net position decreased by \$1,165,734. While the overall change in net position from operations increased by \$1,246,075, there were prior period adjustments that decreased the beginning net position by \$2,411,809. Net position from governmental activities increased \$648,575, net of prior period adjustments, while net position from business-type activities decreased \$1,814,309, net of prior period adjustments. This reflects a 2.79% decrease to total net position.

Revenues for the City's business-type charges for services increased from \$4,664,204 to \$5,035,806 and expenses decreased from \$5,707,927 to \$5,396,133.

The General Fund ended the year with a fund balance of \$5,943,814, a \$263,938 increase from prior year's balance of \$5,679,876.

In comparing the General Fund's final budget to actual, revenues were \$635,543 more than the final budget, and expenditures were \$103,586 less than final budget. This resulted in a total positive budget to actual variance of \$739,129.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the City, and the statements are presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

The Statement of Activities presents information showing how the government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Activities of the City as a whole include governmental activities, and business-type activities. Governmental activities are those activities, which are financed primarily through taxes and grants.

City of Mercedes, Texas
Management's Discussion and Analysis

Most of the City's basic services are reported as governmental activities. Business-type activities are those activities that are intended to recover all or a significant portion of their costs through user fees and charges. Utility system operations are a common example of business-type activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Development Corporation of Mercedes (DCM) and the Mercedes Industrial Foundation, Inc., which are legally separate entities, and are reported as discretely presented component units. These are other governmental units of which the City (the City Commission, acting as a group) can exercise influence. Financial information for Development Corporation of Mercedes is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19-21 of this report.

Fund Financial Statements

The fund financial statements begin on page 22 and provide detail information about the most significant funds – not the City as a whole. Some funds are required to be established by law, bond covenants or by contracts. Still other funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds – The City reports the activities for which it charges users (whether outside customers or other units of the City). The proprietary funds use the accrual basis, the same accounting method employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

Notes to the Financial Statements

The notes to the financial statements 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 begin on page 33 of this report.

City of Mercedes, Texas
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased from \$13,936,224 to \$14,584,799. Unrestricted net position – the part of net position that can be used to finance day to day operations without constraints from debt covenants, legislation or other legal requirements was a deficit of (\$1,953,623) at September 30, 2021.

In 2021, net position of business-type activities decreased from \$27,785,765 to \$25,971,456.

Table I, below illustrates a comparative summary of the City's statement of net position at September 30, 2021 and 2020.

Table I

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Cash and other assets	\$ 13,561,621	\$ 12,173,649	\$ (2,665,466)	\$ (2,689,398)	\$ 10,896,155	\$ 9,484,251
Capital assets	33,437,930	34,463,303	35,876,720	38,620,679	69,314,650	73,083,982
Total assets	46,999,551	46,636,952	33,211,254	35,931,281	80,210,805	82,568,233
Deferred outflows of resources	969,209	1,035,766	178,349	184,769	1,147,558	1,220,535
Total assets and deferred outflows of resources	\$ 47,968,760	\$ 47,672,718	\$ 33,389,603	\$ 36,116,050	\$ 81,358,363	\$ 83,788,768
Other liabilities	\$ 3,931,268	\$ 2,128,793	\$ 1,152,892	\$ 1,032,766	\$ 5,084,160	\$ 3,161,559
Long-term liabilities	28,339,539	30,219,434	6,156,224	7,172,017	34,495,763	37,391,451
Total Liabilities	32,270,807	32,348,227	7,309,116	8,204,783	39,579,923	40,553,010
Deferred inflows of resources	1,113,154	1,388,267	109,031	125,502	1,222,185	1,513,769
Net investment in capital assets	14,543,463	16,363,247	29,971,324	31,872,794	44,514,787	48,236,041
Restricted	1,994,959	1,273,137	-	-	1,994,959	1,273,137
Unrestricted	(1,953,623)	(3,700,160)	(3,999,868)	(4,087,029)	(5,953,491)	(7,787,189)
Total net position	14,584,799	13,936,224	25,971,456	27,785,765	40,556,255	41,721,989
Total liabilities, deferred inflows of resources and net position	\$ 47,968,760	\$ 47,672,718	\$ 33,389,603	\$ 36,116,050	\$ 81,358,363	\$ 83,788,768

City of Mercedes, Texas
Management's Discussion and Analysis

Table II

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 3,206,888	\$ 3,258,352	\$ 5,035,806	\$ 4,664,204	\$ 8,242,694	\$ 7,922,556
Operating grants and contributions	940,636	1,814,908	-	-	940,636	1,814,908
Capital grants and contributions	-	327,257	-	-	-	327,257
General revenues						
Property taxes	4,918,726	5,349,730	-	-	4,918,726	5,349,730
Non property taxes	4,851,253	4,083,839	-	-	4,851,253	4,083,839
Franchise taxes	95,355	663,147	-	-	95,355	663,147
Other revenues	620,689	-	-	1,050	620,689	1,050
Investment earnings	13,367	71,557	255	3,194	13,622	74,751
Miscellaneous	362,782	234,489	802	-	363,584	234,489
Total revenues	15,009,696	15,803,279	5,036,863	4,668,448	20,046,559	20,471,727
Expenses						
General government	3,924,264	4,103,524	-	-	3,924,264	4,103,524
Public safety	4,684,370	4,720,336	-	-	4,684,370	4,720,336
Public works	423,860	411,503	-	-	423,860	411,503
Highways and streets	424,811	466,630	-	-	424,811	466,630
Health and welfare	2,052,994	2,156,056	-	-	2,052,994	2,156,056
Culture and recreation	1,267,405	1,381,385	-	-	1,267,405	1,381,385
Interest on long-term debt	626,647	723,551	171,721	196,832	798,368	920,383
Utility services	-	-	5,224,412	5,511,095	5,224,412	5,511,095
Total Expenses	13,404,351	13,962,985	5,396,133	5,707,927	18,800,484	19,670,912
Increase in net position before transfers	1,605,345	1,840,294	(359,270)	(1,039,479)	1,246,075	800,815
Transfers	(535,754)	-	535,754	-	-	-
Change in net position	1,069,591	1,840,294	176,484	(1,039,479)	1,246,075	800,815
Net position - beginning	13,936,224	12,095,930	27,785,765	28,825,244	41,721,989	40,921,174
Prior Period Adjustments	(421,016)	-	(1,990,793)	-	(2,411,809)	-
Net position - ending	\$ 14,584,799	\$ 13,936,224	\$ 25,971,456	\$ 27,785,765	\$ 40,556,255	\$ 41,721,989

The cost of all governmental activities in the current year was \$13,404,351. However, as shown in Table II, the amount financed by property and nonproperty taxes was \$4,918,726 and \$4,851,253, respectively. The remaining cost were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

The City's Funds

Being that the City is a government entity, it tracks all transactions using fund accounting. What this means is that it isolates different types of activity into funds, which it then tracks separately. Each fund essentially becomes its own entity, which then interacts with other funds. This allows for separate management of governmental funds, grants, enterprise funds (utility fund) and any other restricted funds.

City of Mercedes, Texas
Management's Discussion and Analysis

As a result of this year's operations, all combined governmental funds, including capital projects and debt service funds (as presented in the balance sheet on page 22) reported a combined fund balance of \$8,029,288, a decrease of (\$303,926) net of prior period adjustment. The decrease is due to the continuance of construction projects that were funded with the issuance of a bond in previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$69,314,650 (net of depreciation) invested in capital assets, including facilities, land, infrastructure, vehicles, and equipment, as further discussed in Note 2 *D. Capital Assets*. This is a decrease of \$1,413,630, net of prior period adjustments, from the previous fiscal year. This decrease is attributed primarily to prior period adjustments to correct understated accumulated depreciation.

Long-Term Debt

By the end of the fiscal year, the City had long-term obligations totaling \$31,460,766 versus \$33,891,376 at the end of last year, a decrease of \$2,430,610. The following is a summary of long-term obligations:

	2021	2020
Governmental Activities		
General obligation debt	\$ 17,819,900	\$19,166,637
Premium on bonds	715,361	763,141
Notes payable	593,751	687,501
Settlement payable	5,920,697	6,135,540
Capital leases	230,849	-
Compensated absences	294,736	256,722
	25,575,294	27,009,541
 Business-type Activities		
General obligation debt	5,620,100	6,598,360
Premium on bonds	242,113	259,767
Compensated absences	23,259	23,708
	5,885,472	6,881,835
 Total Government	\$ 31,460,766	\$33,891,376

The City also recognized net pension and OPEB liabilities of \$2,636,837 and \$398,160, respectively.

Fitch ratings has reviewed and assigned an A+ rating to the limited tax bonds and certificates of obligation debt. Additional information on the City of Mercedes' long-term debt can be found in Note 2 Detailed Notes on all Funds-*F. Long Term Debt* of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2021-2022, the City Manager, the City Commission and the Staff, analyzed the anticipated needs of the City based on many factors. These factors are drivers and/or indicators of economic growth and include new housing and business developments, job growth, increases in commercial construction, decreases in federal funding, staffing needs, as well as historical revenue and expenditure trends. As a result of those factors, the City increased the tax rate to \$0.775 for fiscal 2021-2022.

Total revenues and other financing sources for the City's General Fund for fiscal year 2021-2022 are budgeted at \$12,292,802, which is an increase of \$1,154,354 over the fiscal year 2020-2021 budget. Expenditures and other financing uses are budgeted at \$12,292,802, which is an increase of \$1,154,354 over the fiscal year 2020-2021 budget. This is attributed to an increase in public works maintenance and non-departmental costs.

City of Mercedes, Texas
Management's Discussion and Analysis

Within the Utility Fund, rates increased in 2021-2022 by an estimated 30% due to increasing operational costs. A water rate study is also being conducted in 2021-2022 in order to analyze the needs of the water and sewer plants. This study will also help the City in determining how long or what rates are needed in order to cover maintenance costs, pay back the general fund and cover its own long-term debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Mercedes' finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director, at City of Mercedes, P.O. Box 837, Mercedes, Texas 78570.

FINANCIAL STATEMENTS

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CITY OF MERCEDES, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business - type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 4,207,028	\$ 704	\$ 4,207,732	\$ 722,980
Restricted cash and cash equivalents	2,057,319	267,309	2,324,628	836,691
Receivables, net	3,137,210	726,056	3,863,266	279,968
Internal balances	3,659,535	(3,659,535)	-	-
Due from component unit/primary government			-	391,324
Inventory	50,422	-	50,422	-
Capital assets not being depreciated	1,305,932	199,100	1,505,032	-
Capital assets, net of depreciation	32,131,998	35,677,620	67,809,618	-
Notes receivable, net	305,495	-	305,495	1,478,930
Redevelopment assets	144,612	-	144,612	3,373,406
Total assets	46,999,551	33,211,254	80,210,805	7,083,299
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	615,839	60,320	676,159	20,035
Deferred outflows related to OPEB	151,767	14,865	166,632	4,937
Deferred loss on refunding	201,603	103,164	304,767	-
Total deferred outflows of resources	969,209	178,349	1,147,558	24,972
Total assets and deferred outflows of resources	\$ 47,968,760	\$ 33,389,603	\$ 81,358,363	\$ 7,108,271
LIABILITIES				
Accounts payable	\$ 972,303	\$ 648,014	\$ 1,620,317	\$ 4,340
Accrued expenses	206,198	15,280	221,478	10,527
Customer deposits	-	469,674	469,674	-
Accrued interest on long term debt	79,824	19,924	99,748	11,051
Due to component units/primary government	593,297	-	593,297	78,805
Intergovernmental payables	8,919	-	8,919	-
Other payables	75,322	-	75,322	-
Unearned revenue	1,995,405	-	1,995,405	-
Non-current liabilities				
Due within one year	2,101,277	626,189	2,727,466	906,906
Due in more than one year	23,474,017	5,259,283	28,733,300	4,695,703
Net pension liability	2,401,605	235,232	2,636,837	78,132
Net OPEB Liability	362,640	35,520	398,160	11,798
Total liabilities	32,270,807	7,309,116	39,579,923	5,797,262
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	1,020,098	99,916	1,120,014	33,187
Deferred inflows related to OPEB	93,056	9,115	102,171	3,027
Total deferred inflows of resources	1,113,154	109,031	1,222,185	36,214
NET POSITION				
Net investment in capital assets	14,543,463	29,971,324	44,514,787	-
Restricted	1,994,959	-	1,994,959	2,315,621
Unrestricted	(1,953,623)	(3,999,868)	(5,953,491)	(1,040,826)
Total net position	14,584,799	25,971,456	40,556,255	1,274,795
Total liabilities, deferred inflows of resources and net position	\$ 47,968,760	\$ 33,389,603	\$ 81,358,363	\$ 7,108,271

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Functions/ Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,924,264	\$ 1,850,544	\$ 940,636	\$ -
Public safety	4,684,370	284,637	-	-
Public works	423,860	-	-	-
Highway and streets	424,811	-	-	-
Health and welfare	2,052,994	1,059,708	-	-
Culture and recreation	1,267,405	11,999	-	-
Interest on long term debt	626,647	-	-	-
Total governmental activities	13,404,351	3,206,888	940,636	-
Business-type activities				
Water and Sewer Services	5,224,412	5,035,806	-	-
Interest on long term debt	171,721	-	-	-
Total Business activities	5,396,133	5,035,806	-	-
Total primary government	\$ 18,800,484	\$ 8,242,694	\$ 940,636	\$ -
Component Units:				
Economic development service	\$ 462,118	\$ -	\$ -	\$ -
Administrative services	345,583	-	-	-
Interest on long-term debt	159,761	-	-	-
Total component units	\$ 967,462	\$ -	\$ -	\$ -

General revenues:

Taxes:

Property taxes

Sales taxes

Occupancy

Franchise and other

Investment earnings

Miscellaneous revenues

Gain on sale of assets

Transfers

Total general revenues

Change in net position

Net position - beginning of year

Prior period adjustments

Net position - end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Units
\$(1,133,084)	\$ -	\$(1,133,084)	\$ -
(4,399,733)	-	(4,399,733)	-
(423,860)	-	(423,860)	-
(424,811)	-	(424,811)	-
(993,286)	-	(993,286)	-
(1,255,406)	-	(1,255,406)	-
(626,647)	-	(626,647)	-
(9,256,827)	-	(9,256,827)	-
-	(188,606)	(188,606)	-
-	(171,721)	(171,721)	-
-	(360,327)	(360,327)	-
(9,256,827)	(360,327)	(9,617,154)	-
			\$(462,118)
			(345,583)
			(159,761)
			<u>\$(967,462)</u>
4,918,726	-	4,918,726	-
4,851,253	-	4,851,253	1,616,316
95,355	-	95,355	-
620,689	-	620,689	-
13,367	255	13,622	30,013
352,107	802	352,909	341
10,675	-	10,675	-
(535,754)	535,754	-	-
<u>10,326,418</u>	<u>536,811</u>	<u>10,863,229</u>	<u>1,646,670</u>
1,069,591	176,484	1,246,075	679,208
13,936,224	27,785,765	41,721,989	595,587
(421,016)	(1,990,793)	(2,411,809)	-
<u>\$ 14,584,799</u>	<u>\$ 25,971,456</u>	<u>\$ 40,556,255</u>	<u>\$ 1,274,795</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	American Rescue Plan	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,957,682	\$ -	\$ 733,270	\$ 1,516,076	\$ 4,207,028
Restricted cash and cash equivalents	-	2,057,319	-	-	2,057,319
Accounts Receivable, net					
Property taxes	394,569	-	173,797	-	568,366
Sales taxes	1,119,872	-	-	-	1,119,872
Intergovernmental	184,422	-	-	275,749	460,171
Other receivables	976,541	-	2,439	9,821	988,801
Due from other funds	3,727,877	-	210	242	3,728,329
Inventory	50,422	-	-	-	50,422
Redevelopment assets	144,612	-	-	-	144,612
Total assets	\$ 8,555,997	\$ 2,057,319	\$ 909,716	\$ 1,801,888	\$ 13,324,920
LIABILITIES					
Accounts payable	\$ 785,281	\$ 61,714	\$ -	\$ 125,308	\$ 972,303
Accrued liabilities	204,085	-	-	2,113	206,198
Intergovernmental payables	8,919	-	-	-	8,919
Other payables	75,322	-	-	-	75,322
Unearned revenues	-	1,995,405	-	-	1,995,405
Due to component unit	593,297	-	-	-	593,297
Due to other funds	1,023	-	-	67,771	68,794
Total liabilities	1,667,927	2,057,119	-	195,192	3,920,238
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	381,088	-	163,797	-	544,885
Unavailable revenue - other	563,168	-	-	267,341	830,509
Total deferred inflows of resources	944,256	-	163,797	267,341	1,375,394
FUND BALANCE					
Nonspendable	195,034	-	-	-	195,034
Restricted	-	200	745,919	1,362,925	2,109,044
Assigned	-	-	-	7,006	7,006
Unassigned	5,748,780	-	-	(30,576)	5,718,204
Total fund balance	5,943,814	200	745,919	1,339,355	8,029,288
Total liabilities, deferred inflows and fund balances	\$ 8,555,997	\$ 2,057,319	\$ 909,716	\$ 1,801,888	\$ 13,324,920

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities
Total fund balance - governmental funds	\$ 8,029,288
Amounts reported for governmental activities in the statement of net position are different because :	
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental fund balance sheet. This is the amount of governmental assets \$53,611,752 net of accumulated depreciation totaling \$(20,173,822).	33,437,930
Taxes and grant receivables that are not available in the current period are reported as deferred inflows of resources in the fund statements. These amounts are recognized as revenue in the government-wide financial statements.	1,375,394
Long-term note receivables used in governmental activities are not available in the current period and not reported in the fund statements.	305,495
Long term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the funds.	(25,575,294)
Interest payable on long-term debt is not accrued in the governmental funds but rather recognized as an expenditure when due.	(79,824)
Deferred outflows of resources related to refunding of bonds is not available for current period expenses and therefore are not reported in the funds.	201,603
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB Statement No. 68 in the amount of (\$2,401,605), a deferred resource outflow in the amount of \$615,839, and a deferred inflow in the amount of (\$1,020,098). This resulted in a decrease in net position.	(2,805,864)
Included in the noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB Statement No. 75 in the amount of (\$362,640), a deferred resource outflow in the amount of \$151,767, and a deferred inflow in the amount of (\$93,056). This resulted in a decrease in net position.	(303,929)
Net position of governmental activities	\$ 14,584,799

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	American Rescue Plan	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 3,297,583	\$ -	\$ 1,924,099	\$ -	\$ 5,221,682
Nonproperty taxes	5,471,942	-	-	95,355	5,567,297
Fines and forfeitures	78,295	-	-	-	78,295
Intergovernmental	17,470	61,714	143,911	717,541	940,636
Charges for services	2,665,892	-	-	-	2,665,892
Licenses and permits	248,192	-	-	-	248,192
Miscellaneous income	234,811	-	64,741	35,389	334,941
Interest income	11,229	-	665	1,474	13,368
Rents and royalties	2,245	-	-	-	2,245
Total revenues	12,027,659	61,714	2,133,416	849,759	15,072,548
EXPENDITURES					
General government	2,857,686	61,714	-	299,078	3,218,478
Public safety	4,249,231	-	-	334,982	4,584,213
Public works	390,010	-	-	-	390,010
Highways and streets	392,609	-	-	-	392,609
Health and welfare	1,836,206	-	-	-	1,836,206
Culture and recreation	1,122,198	-	-	54,365	1,176,563
Debt service					
Principal	384,974	-	1,346,716	-	1,731,690
Interest and fees	1,986	-	665,621	-	667,607
Capital outlay	573,528	-	-	572,753	1,146,281
Total expenditures	11,808,428	61,714	2,012,337	1,261,178	15,143,657
Excess (deficiency) of revenues over (under) expenditures	219,231	-	121,079	(411,419)	(71,109)
OTHER FINANCING SOURCES (USES)					
Sale of assets	10,675	-	-	-	10,675
Capital leases	307,230	-	-	-	307,230
Insurance proceeds	41,133	-	-	-	41,133
Transfers in	363	200	-	179,384	179,947
Transfers out	(179,604)	-	-	(536,097)	(715,701)
Total other financing sources (uses)	179,797	200	-	(356,713)	(176,716)
NET CHANGE IN FUND BALANCE	399,028	200	121,079	(768,132)	(247,825)
FUND BALANCE, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	5,679,876	-	624,840	2,028,498	8,333,214
PRIOR PERIOD ADJUSTMENT	(135,090)	-	-	78,989	(56,101)
FUND BALANCE, BEGINNING OF YEAR AS RESTATED	5,544,786	-	624,840	2,107,487	8,277,113
FUND BALANCE, END OF YEAR	\$ 5,943,814	\$ 200	\$ 745,919	\$ 1,339,355	\$ 8,029,288

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2021

	Governmental Activities
Net change in fund balance - total governmental activities	\$(247,825)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Depreciation expense	(1,701,078)
Capital outlay	1,108,445
Loss on sale of capital assets	<u>(67,825)</u>
	(660,458)
Repayment of notes receivable are recorded as revenue in the fund statements but reduces the notes receivable in the statement of net position.	(23,967)
The change in compensated absences payable during the year is reported as a decrease to expenditures in the statement of net position.	(38,014)
The change in accrued interest on long-term debt provides increases in long-term liabilities in the statement of net position.	4,082
Bond premiums, discounts and deferred charges are recognized in the funds in the year the assets are sold, but they are recorded as an asset, deferred outflow of resources or liability and amortized over the life of the bonds in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Amortization of deferred charges	(11,042)
Amortization of bond premiums	<u>47,780</u>
	36,738
Because some property taxes, grants and notes receivable will not be collected for several months after the city's fiscal year end, they are not considered "available" revenues in the governmental funds. This amount represents the change in unavailable revenue from the prior year.	(90,692)
Repayment of bond, note, capital leases payable principal, and settlement are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Conversely, the issuance of long-term liabilities are recorded as other financing sources in the governmental funds, but they are liabilities in the statement of net position.	
Repayment of bonds	1,346,737
Repayment of notes	93,750
Repayment of settlement payable	214,843
Repayment of capital leases	76,381
New capital leases	<u>(307,230)</u>
	1,424,481
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB Statement No. 68 in the amount of (\$2,401,605), a deferred resource outflow in the amount of \$615,839, and a deferred inflow in the amount of (\$1,020,098). This resulted in a decrease in net position.	701,351
Included in the noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB Statement No. 75 in the amount of (\$362,640), a deferred resource outflow in the amount of \$151,767, and a deferred inflow in the amount of (\$93,056). This resulted in a decrease in net position.	<u>(36,105)</u>
Net position of governmental activities	<u>\$ 1,069,591</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2021

	Business - Type Activities Water and Sewer (Utility) Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 704
Restricted cash and cash equivalents	267,309
Receivables, net of allowance for uncollectible accounts	726,056
Due from other funds	13,226
Total current assets	1,007,295
Capital assets	
Land	199,100
Machinery and equipment	3,538,331
Water system	32,346,611
Sewer system	27,935,508
	64,019,550
Accumulated Depreciation	(28,142,830)
Total capital assets	35,876,720
Total assets	36,884,015
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	60,320
Deferred outflows of resources for OPEB	14,865
Deferred charges on refunding	103,164
Total deferred outflows of resources	178,349
Total assets and deferred outflows of resources	\$ 37,062,364

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION - CONTINUED
 SEPTEMBER 30, 2021

	Business - Type Activities Water and Sewer (Utility) Fund
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 648,014
Accrued expenses	15,280
Customer deposits	469,674
Accrued interest on revenue bonds	19,924
Current portion of long-term debt	623,700
Total current liabilities	1,776,592
Noncurrent liabilities	
Due to other funds	3,672,761
Revenue bonds payable	5,238,513
Compensated absences	23,259
Net pension liability	235,232
OPEB liability	35,520
Total noncurrent liabilities	9,205,285
Total liabilities	10,981,877
Deferred inflows of resources	
Deferred inflows of resources related to pensions	99,916
Deferred inflows of resources related to OPEB	9,115
Total deferred inflows of resources	109,031
NET POSITION	
Net investment in capital assets	29,971,324
Unrestricted	(3,999,868)
Total net position	25,971,456
Total liabilities, deferred inflows of resources and net position	\$ 37,062,364

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 SEPTEMBER 30, 2021

	Business - Type Activities
	Water and Sewer (Utility) Fund
Operating revenues	
Water revenues	\$ 2,840,198
Sewer revenues	2,195,608
Total operating revenues	<u>5,035,806</u>
Operating expenses	
Water and sewer services	5,224,412
Total operating expenses	<u>5,224,412</u>
Operating income (loss)	(188,606)
Non operating revenues (expenses)	
Miscellaneous	802
Interest income	255
Interest expense	(171,721)
Total nonoperating revenues (expenses)	<u>(170,664)</u>
Net income (loss) before transfers	(359,270)
Transfers	
Transfers in (out)	535,754
Total transfers	<u>535,754</u>
NET INCOME (LOSS)	176,484
Net position, beginning of year	27,785,765
Prior period adjustments	<u>(1,990,793)</u>
Net position, end of year	<u>\$ 25,971,456</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MERCEDES, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 SEPTEMBER 30, 2021

	Business - Type Activities
	Water and Sewer (Utility) Fund
<u>Cash flows from operating activities</u>	
Receipts from customers	\$ 5,071,512
Payments to suppliers	(3,055,960)
Payments to employees	(629,397)
Net cash provided (used) by operating activities	<u>1,386,155</u>
Cash flows from non-capital financing activities	
Operating transfers in (out)	<u>535,754</u>
Net cash provided (used) by non-capital financing activities	535,754
Cash flows from (to) capital related financing activities	
Purchase of capital assets	(754,370)
Principal paid on long-term debt	(995,916)
Interest paid on long-term debt	(170,664)
Net cash provided (used) by capital and related financing activities	<u>(1,920,950)</u>
Net increase (decrease) in cash and cash equivalents	959
Cash and cash equivalents, beginning of year	<u>267,054</u>
Cash and cash equivalents, end of year	<u><u>\$ 268,013</u></u>
Reconciliation of operating income from operations to net cash from operating	
Operating income (loss)	\$(188,606)
Adjustments to reconcile net income from operations to net cash from operating activities:	
Depreciation and amortization	1,507,542
(Increase) decrease in receivables	35,706
(Increase) decrease in due from other funds	3,461
(Increase) decrease in deferred outflows	6,420
Increase (decrease) in accounts payable	114,020
Increase (decrease) in accrued expenses	(6,964)
Increase (decrease) in customer deposits	13,064
Increase (decrease) in due to other funds	(62,140)
Increase (decrease) in compensated absences	(449)
Increase (decrease) inflows of resources	(16,471)
Increase (decrease) in net pension liability	(29,543)
Increase (decrease) in OPEB liability	10,115
Net cash provided (used) by operating activities	<u><u>\$ 1,386,155</u></u>

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

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CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mercedes, Texas (the “City”) was incorporated in 1909, under the Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a City Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public works, sanitation, health and welfare, culture and recreation, education, public improvements, planning and zoning, and general administrative services. Other services include utilities such as water, sewer services, and solid waste collection.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies used by the City are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Mercedes, Texas and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

Discretely presented component unit – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

Development Corporation of Mercedes – This component unit was organized pursuant to the Development Corporation Act of 1979, as amended by Section 4A and 4B of the act. It was established for the purpose of promoting, assisting, and enhancing economic and industrial development within the City of Mercedes and the State of Texas. The City of Mercedes appoints seven (7) directors to the Corporation’s Board who in turn designate management. The Corporation is authorized to negotiate the issuance of bonds which are payable solely from the revenues of said Corporation. The City is not in any event liable for the payment of any obligations or agreements created or incurred by the Corporation. Financial information is presented separately from the financial information presented for the primary government itself. Separate financial statements can be obtained from the Development Corporation of Mercedes, Executive Director.

Mercedes Industrial Foundation, Inc. – The non-profit corporation acts as an agent or agency empowered to enter into contracts with political subdivisions in Mercedes. Its purpose is to encourage, promote, solicit, and assist new or expanding industries to fully utilize the existing Mercedes Industrial Park or other appropriate business or industrial sites with the approval of the governing body. Seven (7) directors are appointed by the City Commission of Mercedes who in turn designate management. Directors may be removed from office by the governing board, for cause or at will.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are presented using the economic resources measurement focus and the accrual basis of accounting, consistent with the presentation of the proprietary fund financial statements.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund 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. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, consistent with accrual accounting. However, debt service expenditures, as well as those related to compensated absences, and claims and judgments, are recorded only when payment is due.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's proprietary funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has two discretely presented component units. Development Corporation of Mercedes and Mercedes Industrial Foundation, Inc. are presented together in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water, sewer services and solid waste collection services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following fund types and related major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund is reported as a major fund.

The *capital projects funds* are used to account for the acquisition or construction of capital assets. The City does not have any major capital projects funds.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The *special revenue funds* are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes. The American Rescue Plan fund is reported as a major fund.

The City reports the following proprietary fund types and related major funds:

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City reports the utility fund as a major fund.

The *Utility Fund* accounts for the provision of water and sewer services to the residents of the City and some residents outside of the city.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Water and Sewer (Utility) Fund. The Capital Projects Funds adopt project – length budgets. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service, as well as for the Water and Sewer (Utility) Fund. The American Rescue Plan fund, a major special revenue fund, did not have legally adopted budget. The City Commission accepted the funds by resolution, but no budgetary action was taken due to the timing of the receipt of the funds.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information - Continued

Unused appropriations of the above annual budgets lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Budgetary data for Capital Project Funds is budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements. Revisions that alter total expenditures within a department must be approved by the City Commission. Therefore, legal level of budgetary responsibility is at the departmental level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Commission.

Expenditures may not legally exceed budgeted appropriations at the department level. During the year, several supplementary appropriations were necessary.

Compliance and Accountability

Finance-Related Legal and Contractual Provisions

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

The City did not complete its audit of the financial statements within 120 days after year-end as required by its bond covenants.

Excess of expenditures over appropriations

At September 30, 2021, expenditures exceeded appropriations in the following departments:

Debt service	
Principal	\$ (124,654)
Interest and fees	\$ (1,986)
Capital outlay	\$ (464,202)

Deficit Fund Balance or Fund Net Position of Individual Funds

The City has a negative unrestricted net position in the Governmental Activities of (\$1,953,623) and in the Business-type Activities of (\$3,999,868). These deficits improved when compared to the prior year where the deficits in unrestricted net position were (\$3,700,160) for the Governmental Activities and (\$4,087,029) for the Business-type Activities. The improvements were attributed to a positive change in net position in the current year for both the Governmental Activities and Business-type Activities.

The Emergency Management Program fund and Mile 1 East Project had a fund balance deficit totaling (\$576) and (\$30,000), respectively. The Mile 1 East Project fund was newly created to account for the Mile 1 East Project. Management anticipates to reimburse this fund for costs incurred with the proceeds of the 2021 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 which were issued on November 18, 2021.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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.

Cash in all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash is available upon demand and is considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

Negative balances incurred in pooled cash at year-end are treated as inter-fund receivables of the General Fund and inter-fund payables of the deficit fund.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Customer deposit accounts – Deposited in non-interest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

Bond and capital activities– Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or future capital activities.

Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the TexPool public fund investment pool (Pool). The Pool meets all of the specified criteria in Section 150: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the pool is equal to the value of the pooled shares.

Receivables and payables

Unbilled receivables – An amount for unbilled revenue is recorded in the Water and Sewer (Utility Fund) for services rendered but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 365 days are subject to being considered as uncollectible.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are reflected at their acquisition value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on capital assets.

Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, is included in the gross expense by function in the government-wide statement of activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net position.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Capital Assets (Continued)

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Improvements	10 - 25 years
Buildings	25 years
Furniture and Equipment	3 - 10 years
Infrastructure	15 - 40 years
Water and Sewer System	15 - 40 years

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 three (3) items that qualify for reporting as deferred outflows of resources, the *deferred amount on refunding*, the *deferred outflows related to pensions*, and the *deferred outflows related to OPEB*, each reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the debt instruments exceeds their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions and OPEB are an aggregate of items related to pensions and other post-employment benefits as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension liability or OPEB liability in future reporting years.

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 net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions and OPEB* are an aggregate of items related to pensions and other post-employment benefits as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions and OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Compensated Absences

Accumulated unpaid compensated absences are accrued when incurred in proprietary funds. The liability for governmental funds is recorded only in the governmental activities column of the government-wide financial statements.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in long-term debt. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no accrual is recorded for compensated absences that are dependent on the performance of future services by employees or when payments are dependent on future events outside the control of the employer and employees. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

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 and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

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

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City’s Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This measure is used for purposes of measuring the total OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the applicable OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's total OPEB liability related to the TMRS Supplemental Death Benefit is obtained from TMRS through a report prepared by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Categories and Classification of Fund Equity

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.

Fund balance flow assumptions – 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 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.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Categories and Classification of Fund Equity (Continued)

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing commission has by resolution authorized the City Manager and the Finance Director to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property taxes attach as an enforceable lien on property as of January 1st. Property taxes are levied as of October 1st. The county appraisal district certifies the tax roll by July 25th. This tax roll is used by the City to adopt a tax rate by September 1st or soon thereafter. The tax bills are mailed on October 1st or soon thereafter and are due and payable upon receipt. The billings become delinquent as of February 1 of the following calendar year and penalties and interest may be assessed by the City.

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Water and Sewer (Utility) Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, establishes a criteria for identifying activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangement that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement was adopted in the current year. The implementation of this Statement did not affect the City's financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special- purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The implementation of this Statement did not affect the City's financial statements.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* – The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

GASB Statement No. 91, *Conduit Debt Obligations* – The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2023.

GASB Statement No. 101, *Compensated Absences* – This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The City is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

It is the City's policy, as well as a requirement in its depository agreement, for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation insurance. At September 30, 2021, the City's deposits were covered by the federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

A reconciliation of cash and investments follows:

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Cash	\$ 955,594	\$ 704	\$ 956,298	\$ 595,186
Restricted cash	2,057,319	810	2,058,129	453,586
Money market	245,550	-	245,550	-
Texas CLASS	3,005,884	-	3,005,884	127,794
Texas CLASS - restricted	-	266,499	266,499	383,105
	<u>\$ 6,264,347</u>	<u>\$ 268,013</u>	<u>\$ 6,532,360</u>	<u>\$ 1,559,671</u>

Interest Rate Risk

The investment policy states that no investment shall exceed two years in maturity. By limiting the exposure of its investments by less than two years as reflected in the above schedule, the City reduces its risks to the rising interest rates.

Credit Risk

As of September 30, 2021, the investments in Texas CLASS external investment pool was rated AAAM by Moody’s Investor Service and Standards and Poor’s. The City’s investment policy limits authorized investments to certificates of deposits, U.S. Treasuries and federal government agencies, direct obligations of the State of Texas or its agencies, certain fully collateralized direct repurchase agreements, commercial paper – 270 day limit, or any investment allowed under the Public Funds Investment Act with prior approval of the City Commission.

Public Funds Investment Pools

Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), is an investment pool (local government investment pool) for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Texas CLASS reports its financial statements in accordance with Financial Accounting Standards Board (FASB) and follows ASC 820 “Fair Value Measurement and Disclosure Requirements” in reporting its investments. For pricing and redeeming shares, Texas CLASS maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

For financial reporting purposes, the City and component units reported amounts for investment pools of \$3,272,383 and \$510,899, respectively, in cash and cash equivalents on the Statement of Net Position as of September 30, 2021. There were no unfunded commitments as of September 30, 2021, and amounts reported in the investment pool had a daily redemption frequency and do not require prior notice for redemption.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables at September 30, 2021, consist of the following:

	Primary Government					Business-type	
	Governmental Funds				Total	Activities	
	General Fund	American Rescue Plan	Debt Service Fund	Non-Major Funds		Utility Fund	Component Units
Receivables							
Property taxes	\$ 616,263	\$ -	\$ 306,528	\$ -	\$ 922,791	\$ -	\$ -
Sales taxes	1,119,872	-	-	-	1,119,872	-	279,968
Intergovernmental	184,422	-	-	576,865	761,287	-	-
Trade	-	-	-	-	-	885,110	-
Other receivables	1,501,477	-	2,439	9,821	1,513,737	-	-
Gross receivables	3,422,034	-	308,967	586,686	4,317,687	885,110	279,968
Less: Allowance for uncollectible	(746,630)	-	(132,731)	(301,116)	(1,180,477)	(159,054)	-
Net receivables	<u>\$ 2,675,404</u>	<u>\$ -</u>	<u>\$ 176,236</u>	<u>\$ 285,570</u>	<u>\$ 3,137,210</u>	<u>\$ 726,056</u>	<u>\$ 279,968</u>

Property tax revenues are recognized when they become available in the fund statements. Available includes those property tax receivables expected to be collected within sixty days after year end.

Included in the amount of intergovernmental receivables in the TIF Fund (included in the non-major funds column above) is a receivable from County of Hidalgo for tax collections generated from the Tax Increment Reinvestment Zone (TIRZ) totaling \$568,457. A discrepancy between the City and County of Hidalgo exists as to the amount due to the City. The City is working with a consultant to assist in resolving this matter. The City has taken a conservative approach and has an allowance for uncollectible balances totaling \$301,116 related to the TIRZ receivable.

As an inducement to expand their business operations, the City and component units accepted notes from various businesses. These notes are for cash loans that carry various interest rates and terms. The interest rates vary by the individual entity and are based on individual credit worthiness. Promissory notes exist for the City for various extensions of cash funds to the component units. These extensions of cash funds are made so the component units could carry out certain capital acquisition activities primarily made for furthering economic objectives.

Notes receivable at September 30, 2021 consist of the following:

	Governmental Activities	Component Unit
Promissory note MIF	\$ 29,575	\$ -
Promissory note from VIDA	275,920	-
Promissory note from the City of Mercedes	-	593,753
Michael Salinas	-	48,807
DeLeGarza Bakery	-	115,697
MD International (Orb-Galvan)	-	122,879
MD International	-	48,000
MD International (Galvan)	-	126,223
First National Bank (Gomez)	-	16,134
First National Bank (Gomez)	-	25,825
Jaime Gonzalez	-	23,409
Mario and Martha Castaneda	-	76,864
Reybotics, LLC	-	146,280
Ashley Werbiski	-	13,868
Raquel Moreno	-	7,584

CITY OF MERCEDES, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

	Governmental Activities	Component Unit
The Grind	-	47,451
Top Gym	-	50,500
Ashely R. Gonzalez	-	43,984
Total notes receivable	305,495	1,507,258
Less: allowance for uncollectible	-	(28,328)
Total notes receivable, net	\$ 305,495	\$ 1,478,930

The City and component unit maintains an allowance for uncollectible for estimated losses resulting from the failure of individuals to make required payments. The City and component unit review the loans receivable on a periodic basis and make allowances where there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the City and component unit consider many factors, including the age of the balance, the individual's payment history, their current credit-worthiness and current economic trends. As of September 30, 2021, the component unit estimated an allowance for uncollectible loans receivable of \$28,328.

C. Redevelopment Assets

The City and component unit report certain redevelopment assets. At the time of acquisition, these properties were purchased to further economic objectives. These investments must be reported at net realizable value. As of September 30, 2021, the City and component units reported redevelopment assets of \$144,612 and \$3,373,406 respectively.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2021 is as follows:

	Balance as Previously Reported 10/1/2020	Prior Period Adjustments	Balance Restated 10/1/2020	Additions	Disposals	Balance 9/30/2021
Governmental Activities						
Capital assets, not being depreciated						
Land	\$ 1,277,932	\$ -	\$ 1,277,932	\$ -	\$ -	\$ 1,277,932
Construction	67,825	-	67,825	28,000	(67,825)	28,000
	<u>1,345,757</u>	<u>-</u>	<u>1,345,757</u>	<u>28,000</u>	<u>(67,825)</u>	<u>1,305,932</u>
Capital assets, being depreciated						
Buildings	13,933,685	-	13,933,685	184,877	-	14,118,562
Furniture and equipment	7,547,284	67,258	7,614,542	776,202	(74,536)	8,316,208
Improvements	4,339,228	-	4,339,228	94,216	-	4,433,444
Infrastructure	25,412,456	-	25,412,456	25,150	-	25,437,606
Total capital assets, being depreciated	51,232,653	67,258	51,299,911	1,080,445	(74,536)	52,305,820
Less: accumulated depreciation for	(18,115,107)	(432,173)	(18,547,280)	(1,701,078)	74,536	(20,173,822)
Total capital assets, being depreciated, net	<u>33,117,546</u>	<u>(364,915)</u>	<u>32,752,631</u>	<u>(620,633)</u>	<u>-</u>	<u>32,131,998</u>
Governmental activities, capital assets, net	<u>\$ 34,463,303</u>	<u>\$(364,915)</u>	<u>\$ 34,098,388</u>	<u>\$(592,633)</u>	<u>\$(67,825)</u>	<u>\$ 33,437,930</u>
Business-type Activities						
Capital assets, not being depreciated						
Land	\$ 199,100	\$ -	\$ 199,100	\$ -	\$ -	\$ 199,100
	<u>199,100</u>	<u>-</u>	<u>199,100</u>	<u>-</u>	<u>-</u>	<u>199,100</u>
Capital assets, being depreciated						
Furniture and equipment	3,333,744	-	3,333,744	204,587	-	3,538,331
Water system	32,270,890	-	32,270,890	75,721	-	32,346,611
Sewer system	27,461,446	-	27,461,446	474,062	-	27,935,508
Total capital assets, being depreciated	63,066,080	-	63,066,080	754,370	-	63,820,450
Less: accumulated depreciation for	(24,644,501)	(1,990,787)	(26,635,288)	(1,507,542)	-	(28,142,830)
Total capital assets, being depreciated, net	<u>38,421,579</u>	<u>(1,990,787)</u>	<u>36,430,792</u>	<u>(753,172)</u>	<u>-</u>	<u>35,677,620</u>
Business-type activities, capital assets, net	<u>\$ 38,620,679</u>	<u>\$(1,990,787)</u>	<u>\$ 36,629,892</u>	<u>\$(753,172)</u>	<u>\$ -</u>	<u>\$ 35,876,720</u>
Total capital assets, net	<u>\$ 73,083,982</u>	<u>\$(2,355,702)</u>	<u>\$ 70,728,280</u>	<u>\$(1,345,805)</u>	<u>\$(67,825)</u>	<u>\$ 69,314,650</u>

For the year ended September 30, 2021, depreciation expense was charged to governmental and business-type activities functions of the primary government as follows:

Governmental Activities	
General Government	\$ 692,577
Public Safety	489,005
Public Works	58,499
Highways and Streets	58,362
Health and welfare	228,716
Culture and Recreation	173,919
Total depreciation - governmental activities	<u>\$ 1,701,078</u>
Business-type Activities	
Water	\$ 812,213
Sewer	695,329
Total depreciation - business type activities	<u>\$ 1,507,542</u>

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Activity for the component units (Mercedes Economic Development Corporation and Mercedes Industrial Foundation) are as follows:

	Balance 10/1/2020	Additions	Disposals	Balance 9/30/2021
Governmental Activities				
Capital assets, being depreciated				
Furniture and equipment	\$ 11,885	\$ -	\$ -	\$ 11,885
Total capital assets, being depreciated	<u>11,885</u>	<u>-</u>	<u>-</u>	<u>11,885</u>
Less: accumulated depreciation for				
Furniture and equipment	(11,402)	(483)	-	(11,885)
Total accumulated depreciation	<u>(11,402)</u>	<u>(483)</u>	<u>-</u>	<u>(11,885)</u>
Capital assets, net	<u>\$ 483</u>	<u>\$ (483)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation of \$483 was charged to the economic development services function.

E. Interfund Receivables and Payables

Inter-fund balances at September 30, 2021 consisted of the following individual fund receivables and payables:

	Receivable fund							Total
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Utility Fund	Total Business- Type Activities		
Payable fund								
General fund	\$ -	\$ 210	\$ 56	\$ 266	\$ 757	\$ 757	\$ 1,023	
Other governmental funds	55,116	-	186	55,302	12,469	12,469	67,771	
Total Governmental Funds	<u>55,116</u>	<u>210</u>	<u>242</u>	<u>55,568</u>	<u>13,226</u>	<u>13,226</u>	<u>68,794</u>	
Utility fund	3,672,761	-	-	3,672,761	-	-	3,672,761	
Total Business-type Activities	<u>3,672,761</u>	<u>-</u>	<u>-</u>	<u>3,672,761</u>	<u>-</u>	<u>-</u>	<u>3,672,761</u>	
Total	<u>\$ 3,727,877</u>	<u>\$ 210</u>	<u>\$ 242</u>	<u>\$ 3,728,329</u>	<u>\$ 13,226</u>	<u>\$ 13,226</u>	<u>\$ 3,741,555</u>	

On September 30, 2020, the City and the Development Corporation of Mercedes reached an agreement of the amounts they would pay each other by March 2023. The City agreed to pay the Development Corporation of Mercedes \$391,324 and the Development Corporation of Mercedes agreed to pay the City \$78,805. This resulted in a net amount of \$312,519 that the City owes the Development Corporation of Mercedes. Additionally, at September 30, 2021, the City owed Development Corporation of Mercedes \$280,778 for sales taxes for a total amount due to Development Corporation of Mercedes of \$593,297.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Liabilities

Primary Government

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for general government activities as well as business-type (proprietary) activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are used as 25-year serial bonds, with varying amounts of principal maturing each year.

As of September 30, 2021, long-term general obligation debt currently outstanding are as follows:

	Balance 10/1/2020	Increase	Decrease	Balance 9/30/2021	Due in One Year
Governmental Activities					
<i>Bonds</i>					
Series 2010A Limited Tax Refunding Bonds	\$ 318,587	\$ -	\$(318,587)	\$ -	\$ -
Series 2013 Public Property Finance Contractual Obligations	1,325,000	-	(150,000)	1,175,000	155,000
Series 2015 Combination Tax and Limited Pledge Revenue C.O.	1,375,000	-	(220,000)	1,155,000	225,000
Series 2015 Obligation Refunding Bonds	2,050,000	-	(180,000)	1,870,000	185,000
Series 2016 Limited Tax Refunding Bonds	4,883,050	-	(253,150)	4,629,900	506,300
Series 2018 Combination Tax and Limited Pledge	9,215,000	-	(225,000)	8,990,000	380,000
Total governmental activities	<u>19,166,637</u>	<u>-</u>	<u>(1,346,737)</u>	<u>17,819,900</u>	<u>1,451,300</u>
Business-type Activities					
Series 2006 Combination Tax and Subordinated Lien Revenue C.O.	370,000	-	(65,000)	305,000	65,000
Series 2008 Certificates of Obligation	380,000	-	(380,000)	-	-
Series 2010A Limited Tax Refunding Bonds	141,410	-	(141,410)	-	-
Series 2013 Utility System Revenue Bonds	2,295,000	-	(160,000)	2,135,000	165,000
Series 2013 General Obligation Refunding Bonds	290,000	-	(70,000)	220,000	70,000
Series 2016 Limited Tax Refunding Bonds	3,121,950	-	(161,850)	2,960,100	323,700
Total business-type activities	<u>6,598,360</u>	<u>-</u>	<u>(978,260)</u>	<u>5,620,100</u>	<u>623,700</u>
Total general obligation debt	<u>\$ 25,764,997</u>	<u>\$ -</u>	<u>\$ (2,324,997)</u>	<u>\$ 23,440,000</u>	<u>\$ 2,075,000</u>

Component Unit

Long-term bonds currently outstanding for component units are as follows:

	Balance 10/1/2020	Increase	Decrease	Balance 9/30/2021	Due in One Year
Governmental Activities					
Notes payable	\$ 2,485,813	\$ -	\$(326,342)	2,159,471	\$ 215,000
Bond payable	1,645,000	-	(205,000)	1,440,000	391,906
Settlement payable	2,045,177	-	(71,614)	1,973,563	300,000
Total long-term liability	<u>\$ 6,175,990</u>	<u>\$ -</u>	<u>\$(602,956)</u>	<u>\$ 5,573,034</u>	<u>\$ 906,906</u>

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Liabilities (Continued)

Governmental Activities Note Payable

Governmental activities note payable as of September 30, 2021 is as follows:

A note dated March 1, 2016 and payable to the Development Corporation of Mercedes for \$1,000,000. The terms of the note include principal payments of \$10,417 beginning April 2018 continuing monthly thereafter until March 2026, when the entire balance will be due and payable. The note is interest free and not secured.	\$ 593,751
Total governmental activities note payables from direct borrowing	\$ 593,751

Component Unit Bond Payable

Component Unit bond payable as of September 30, 2021 is as follows:

On August 15, 20019, Development Corporation of Mercedes issued sales tax revenue bon series 2007, due in annual installments not exceeding \$265,000, beginning August 15, 2009 through August 15, 2027. The interest rate is fixed at 4.550%. The bond is secured by sales tax revenue.	\$ 1,440,000
Total component unit bond payable	\$ 1,440,000

Component Unit Notes Payable

Component Unit notes payable as of September 30, 2021 is as follows:

A note dated January 5, 2015 and payable to the Office of the Governor Economic Development and Tourism Division for \$1,075,000. The terms of the note include principal and interest payments of \$10,530 beginning March 1, 2015 and continuing regularly thereafter until February 1, 2025 when the entire balance, including principal and interest will be due and payable. The interest rate is fixed at 3.25%. The note is secured by a lien and security interest in sales and use tax.	\$ 417,853
A note dated February 16, 2011 and payable to the USDA for \$750,000. The terms of the note include principal and interest payments of \$30,848 beginning October 2015 and continuing regularly thereafter until October, 2024 when the entire balance, including principal and interest will be due and payable. The interest rate is fixed at 1.00%. The note is secured by funds placed in the IRP revolving fund and various collateral obtained as a result of lending activity.	554,118
A note dated February 17, 2016 and payable to Valley Telephone Cooperative for \$2,000,000. The terms of the note include principal payments of \$20,833 and continuing regularly thereafter until March 2026, when the entire balance will be due and payable. The note is secured by 119 acres owned by the DCM. The notes were used to further economic objectives.	1,187,500
Total component unit notes payable	\$ 2,159,471

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Liabilities (Continued)

Governmental Activities and Component Unit Settlement Payable

On November 20, 2018, The City of Mercedes approved Resolution No. 2018-13, which is a resolution established for DCM and the City to pay each a portion of a settlement resulting from a prior year agreement with a developer. The settlement portion for the City and DCM is \$6,587,646 and \$2,195,882, respectively and is expected to be paid within 10 years. As of September 30, 2021, the settlement payable balance for the City and DCM totaled \$5,920,697 and \$1,973,563, respectively.

The annual debt service requirements to maturity for governmental activities long-term debt obligations are as follows:

Year Ending September 30,	Total Bonds Payable		Total Notes Payable		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,451,300	\$ 621,796	\$ 125,000	\$ -	\$ 1,576,300	\$ 621,796
2023	1,497,650	575,850	125,000	-	1,622,650	575,850
2024	1,540,950	526,111	125,000	-	1,665,950	526,111
2025	1,600,350	472,280	125,000	-	1,725,350	472,280
2026	1,648,650	416,194	93,751	-	1,742,401	416,194
2027-2031	5,422,500	1,348,873	-	-	5,422,500	1,348,873
2032-2036	3,263,500	617,466	-	-	3,263,500	617,466
2037-2040	1,395,000	56,200	-	-	1,395,000	56,200
	<u>\$ 17,819,900</u>	<u>\$ 4,634,770</u>	<u>\$ 593,751</u>	<u>\$ -</u>	<u>\$ 18,413,651</u>	<u>\$ 4,634,770</u>

The annual debt service requirements to maturity for business-type activities long-term debt obligations are as follows:

Year Ending September 30,	Total Bonds Payable	
	Principal	Interest
2022	\$ 623,700	\$ 153,876
2023	642,350	137,043
2024	654,050	119,335
2025	599,650	101,697
2026	591,350	84,149
2027-2031	1,982,500	180,584
2032-2036	526,500	23,465
	<u>\$ 5,620,100</u>	<u>\$ 800,149</u>

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

F. Long-Term Liabilities (Continued)

The annual debt service requirements to maturity for component units' long-term debt obligations are as follows:

Year Ending September 30,	Total Bonds Payable		Total Notes Payable		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 215,000	\$ 65,520	\$ 391,906	\$ 23,111	\$ 606,906	\$ 88,631
2023	225,000	55,738	397,820	17,197	622,820	72,935
2024	235,000	45,500	404,012	11,004	639,012	56,504
2025	245,000	34,808	326,773	5,457	571,773	40,265
2026	255,000	23,660	213,809	4,539	468,809	28,199
2027-2031	265,000	12,058	135,545	18,695	400,545	30,753
2032-2036	-	-	142,489	11,781	142,489	11,781
2037-2040	-	-	147,117	4,514	147,117	4,514
	<u>\$ 1,440,000</u>	<u>\$ 237,284</u>	<u>\$ 2,159,471</u>	<u>\$ 96,298</u>	<u>\$ 3,599,471</u>	<u>\$ 333,582</u>

Changes in Long-Term Debt

During the year ended September 30, 2021, the following changes occurred in liabilities reported in long-term debt:

	Balance 10/1/2020	Increase	Decrease	Balance 9/30/2021	Due in One Year
Governmental Activities					
General obligation debt	\$ 19,166,637	\$ -	\$(1,346,737)	\$ 17,819,900	\$ 1,451,300
Premium on bonds	763,141	-	(47,780)	715,361	-
Notes payable	687,501	-	(93,750)	593,751	125,000
Settlement payable	6,135,540	-	(214,843)	5,920,697	245,000
Capital leases	-	307,230	(76,381)	230,849	230,849
Compensated absences	256,722	38,014	-	294,736	49,128
	<u>\$ 27,009,541</u>	<u>\$ 345,244</u>	<u>\$(1,779,491)</u>	<u>\$ 25,575,294</u>	<u>\$ 2,101,277</u>
Business-type Activities					
General obligation debt	\$ 6,598,360	\$ -	\$(978,260)	\$ 5,620,100	\$ 623,700
Premium on bonds	259,767	-	(17,654)	242,113	-
Compensated absences	23,708	-	(449)	23,259	2,489
	<u>\$ 6,881,835</u>	<u>\$ -</u>	<u>\$(996,363)</u>	<u>\$ 5,885,472</u>	<u>\$ 626,189</u>

CITY OF MERCEDES, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Liabilities (Continued)

Certain general obligation and revenue bonds contain covenants, which among other things, requires the City to complete its audit within 120 days of the City’s fiscal year-end. At September 30, 2021, the City was not in compliance with this covenant.

NOTE 3: DEFINED BENEFIT - PENSION PLAN - TMRS

Plan Description

The City of Mercedes participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s 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.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefits are calculated as if the sum of the employee’s contributions, with interest, and the city-financing monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	TMRS
Inactive employees or beneficiaries currently receiving benefits	72
Inactive employees entitled to but no yet receiving benefits	112
Active employees	131
Total participants	315

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3: DEFINED BENEFIT - PENSION PLAN – TMRS (Continued)

Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the City matching percentages is 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for both the City of Mercedes, Texas and component units were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.12% and 18.09% in calendar 2019 and 2020, respectively. The City’s and the component units contributions to TMRS for the year ended September 30, 2021 were \$847,952 and \$22,601 respectively and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

<u>Schedule of Actuarial Assumptions</u>	
Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality Assumption	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3: DEFINED BENEFIT - PENSION PLAN – TMRS (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At their meeting on September 26, 2019, the TMRS Board approved a new portfolio target allocation.

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	30.00%	5.30%
Core fixed income	10.00%	1.25%
Non-core fixed income	20.00%	4.14%
Real return	10.00%	3.85%
Real estate	10.00%	4.00%
Absolute return	10.00%	3.48%
Private equity	10.00%	7.75%
Total	100.00%	

Discount Rate

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

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3: DEFINED BENEFIT - PENSION PLAN – TMRS (Continued)

Schedule of Changes in Net Pension Liability

The change in the City’s net pension liability for TMRS pension for the fiscal year ended September 30, 2021 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	\$22,712,703	\$ 19,443,877	\$ 3,268,826
Changes for the year:			
Service cost	931,185	-	931,185
Interest	1,522,121	-	1,522,121
Change of benefit terms	-	-	-
Difference between expected and actual experience	(209,134)	-	(209,134)
Change of assumptions	-	-	-
Contributions - employer	-	959,839	(959,839)
Contributions - employee	-	371,413	(371,413)
Net investment income	-	1,476,699	(1,476,699)
Benefit payments, including refunds of employee contributions	(1,256,720)	(1,256,720)	-
Administrative expense	-	(9,550)	9,550
Other changes	-	(372)	372
Net changes	987,452	1,541,309	(553,857)
Balance at December 31, 2020	<u>\$23,700,155</u>	<u>\$20,985,186</u>	<u>\$ 2,714,969</u>
Net pension liability allocation:			
City of Mercedes		97.1%	\$ 2,636,837
Development Corporation of Mercedes		2.9%	78,132

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 have been 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 in Discount rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	5,913,983	2,636,838	(29,168)
DCM's net pension liability	175,238	78,132	(864)
	<u>\$ 6,089,221</u>	<u>\$ 2,714,970</u>	<u>\$ (30,032)</u>

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3: DEFINED BENEFIT - PENSION PLAN – TMRS (Continued)

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

For the year ended September 30, 2021 the City and component unit recognized pension expense in the amount of 847,952 and \$29,376 respectively. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflow of Resources	Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 582,355
Changes in actuarial assumptions	49,066	-
Differences between projected and actual investment earnings	-	570,846
Contributions subsequent to the measurement date	647,128	-
Total	\$ 696,194	\$ 1,153,201

Deferred outflows and deferred inflows of resources related to pensions are allocated between the governmental activities, business-type activities and component unit as follows:

	Outflow of Resources	Inflow of Resources
Governmental activities	\$ 615,839	\$ 1,020,098
Business-type activities	60,320	99,916
Development Corporation of Mercedes (component unit)	20,035	33,187
Total	\$ 696,194	\$ 1,153,201

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$628,505 and \$18,623 in the City and component unit, respectively, will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 (i.e. recognized in the City’s financial statements September 30, 2022). The remaining deferred outflows and inflows of resources related to the pension will be amortized and recognized in pension expense as follows:

Year ending September 30,		
2022	\$(512,368)
2023	(165,232)
2024	(391,103)
2025	(35,431)
2026		-
Thereafter		-
	\$(1,104,134)

CITY OF MERCEDES, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

NOTE 4: OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which 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). The death benefit for retirees is considered an other post employment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	TMRS
Inactive employees currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	12
Active employees	131
Total participants	196

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.

Employees for the City of Mercedes were required to contribute 0.05% of their annual gross earnings during the fiscal year. The contribution rates for the City of Mercedes were 0.18% and 0.19% in calendar year 2019 and 2020, respectively. The City and component unit’s contributions to the SDBF for the year ended September 30, 2020 were \$9,369 and \$303, respectively, and were equal to the required contributions.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Schedule of Actuarial Assumptions	
Valuation date	December 31, 2020
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' share of benefits-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 75.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Note: The actuarial assumptions used in the December 31, 2020 valuation report were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

The following presents a summary of the changes in Total OPEB Liability:

	Total OPEB Liability
Balance at December 31, 2019	\$ 313,644
Changes for the year:	
Service cost	20,162
Interest on Total OPEB Liability	8,866
Changes of benefit terms including TMRS plan participation	-
Differences between expected and actual experience	14,641
Change in assumptions and other inputs	55,298
Benefit payments	(2,653)
Net changes	96,314
Balance at December 31, 2020	\$ 409,958
Total OPEB liability allocation:	
City of Mercedes	97.1% \$ 398,160
Development Corporation of Mercedes	2.9% 11,798

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease in Discount rate	Current Discount Rate	1% Increase in Discount Rate
	1.00%	2.00%	3.00%
City's net pension liability	488,133	398,160	328,776
DCM's net pension liability	14,464	11,798	9,742
	\$ 502,597	\$ 409,958	\$ 338,518

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2021, the City and component unit recognized combined OPEB expense in the amount of \$41,663 and \$3,014 respectively. At September 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Outflow of Resources	Inflow of Resources
Differences between expected and actual experience	\$ 76,898	\$ 95,507
Changes in actuarial assumptions	89,498	9,691
Contributions subsequent to the measurement date	5,173	-
Total	\$ 171,569	\$ 105,198

CITY OF MERCEDES, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

NOTE 4: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

Deferred outflows and deferred inflows of resources related to pensions are allocated between the governmental activities, business-type activities and component unit as follows:

	Outflow of Resources	Inflow of Resources
Governmental activities	\$ 151,767	\$ 93,056
Business-type activities	14,865	9,115
Development Corporation of Mercedes (component unit)	4,937	3,027
Total	\$ 171,569	\$ 105,198

The \$5,173 which are reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2021 (i.e. recognized in the City's financial statements as of September 30, 2022). The remaining outflows and inflows of resources related to pensions will be amortized and recognized in OPEB expense as follows:

Year ending September 30,	
2022	\$ 16,185
2023	16,185
2024	14,528
2025	4,672
2026	6,092
Thereafter	3,537
	\$ 61,199

NOTE 5: TRANSFERS

Transfers at September 30, 2021 consisted of the following:

Transfers Out	Transfers In					
	General Fund	American Rescue Plan	Other Governmental Funds	Total Governmental Funds	Business- type Activities	Total
General Fund	\$ 168,920	\$ 200	\$ 10,484	179,604	\$ -	\$ 179,604
Other Governmental Funds	343	-	-	343	535,754	536,097
	\$ 169,263	\$ 200	\$ 10,484	\$ 179,947	\$ 535,754	\$ 715,701

The most significant transfer as outlined above included a transfer of \$535,754 from the Series 2018 Bond Construction fund to the Utility fund for improvements made to water and sewer infrastructure utilizing Series 2018 bond funds. Transfers in and out of the general fund as shown above represent transfers made between the general fund and general fund sub-funds as follows:

General Fund	Transfers In		
	Emergency Management Fund (General Fund Sub-fund) Fund	EMS Fund (General Fund Sub-fund)	Total
	\$ 168,900	\$ 20	\$ 168,920
	\$ 168,900	\$ 20	\$ 168,920

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6: COMMITMENTS AND CONTINGENCIES

Grants

The City participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance by the grantor agencies or their representatives. Audit of all these programs included in the year ended September 30, 2021 have been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation

The City is involved in litigation claims against it from time to time that are generally incidental to its operations. However, it is the opinion of the City's management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements for these contingent liabilities. At September 30, 2021, the City was a defendant in various lawsuits as to which the ultimate resolution and possibility of any unfavorable outcome is not yet determinable. At the present time, the City does not anticipate any material losses as a result of these lawsuits.

Construction Commitments

Funds committed to construction in progress projects are as follows at September 30, 2021:

Project	Estimated Project Costs	Expended through September 30, 2021	Amount Committed
Governmental Activities			
Fund43 - Detention Pond	\$ 174,200	\$ 28,000	\$ 146,200
	<u>\$ 174,200</u>	<u>\$ 28,000</u>	<u>\$ 146,200</u>

Economic Incentive Commitments

The Development Corporation of Mercedes extended economic incentives to the following entities as follows:

Incentives	Commitment	Paid Previous Years	Paid in Current Year	Balance Due
Knapp Medical Center	\$ 750,000	\$ 600,000	\$ 75,000	\$ 75,000
OA Mercedes Health Realty	590,000	472,000	59,000	59,000
Rio Grande Livestock Show	300,000	150,000	25,000	125,000
Raybecc Ohio Street LLC	200,000	100,000	50,000	50,000
Rios of Mercedes	254,000	203,200	50,800	-
Texas Rio Grande Legal Aid	330,000	280,000	25,000	25,000
Bert Ogden	300,000	-	-	300,000
La Herencia	200,000	-	66,666	133,334
Orchard Grove Apartments	450,000	200,000	50,000	200,000
	<u>\$ 3,374,000</u>	<u>\$ 2,005,200</u>	<u>\$ 401,466</u>	<u>\$ 967,334</u>

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: PRIOR PERIOD ADJUSTMENTS

The following is a summary of prior period adjustments for the governmental-activities and governmental funds:

	Governmental Funds				Total Governmental Funds
	Governmental Activities	General Fund	Debt Service Fund	Other Governmental Funds	
Beginning fund balance/net position, as previously reported	\$ 13,936,224	\$ 5,679,876	\$ 624,840	\$ 2,028,498	\$ 8,333,214
To correct prior year overstatement of revenues associated with the Texas Parks and Wildlife Grant	(135,090)	(135,090)	-	-	(135,090)
To correct cutoff of expenditures recognized FY 2020 that should have been recognized in FY 2020. This prior period adjustment was for the Emergency Management Program fund.	78,989	-	-	78,989	78,989
To correct errors noted in the capital assets depreciation schedule which resulted in accumulated depreciation being understated in the prior year.	(432,173)	-	-	-	-
To correct certain capital assets that had were not capitalized in the prior year.	67,258	-	-	-	-
Beginning fund balance/net position, as restated	<u>\$ 13,515,208</u>	<u>\$ 5,544,786</u>	<u>\$ 624,840</u>	<u>\$ 2,107,487</u>	<u>\$ 8,277,113</u>

The following is a summary of prior period adjustments for the business-type activities:

	Business-type Activities Water and Sewer (Utility) Fund
Beginning net position, as previously reported	\$ 27,785,765
To correct errors noted in the capital assets depreciation schedule which resulted in accumulated depreciation being understated in the prior year.	(1,990,793)
Beginning net position, as restated	<u>\$ 25,794,972</u>

NOTE 8: RISK MANAGEMENT

The City of Mercedes is exposed to various uncertainties for losses related to intentional and unintentional torts; theft of, damage to and destruction of real and personal property; errors-and-omissions; catastrophes, and medical claims by employees; job-related illnesses and injuries and pollution claims for which the City carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is member of an intergovernmental risk pool.

The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$357,000,000 (as of September 30, 2021, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A- and above rated companies in amounts ranging from \$10,000,000 to 275,000,000 depending on the type of insurance coverage. City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

CITY OF MERCEDES, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9: FUND BALANCES

Fund balances at September 30, 2021 were as follows:

Fund Balance	General Fund	American Rescue Plan	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory	\$ 50,422	\$ -	\$ -	\$ -	\$ 50,422
Redevelopment assets	144,612	-	-	-	144,612
Total nonspendable	<u>195,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,034</u>
Restricted					
American Rescue Plan	-	200	-	-	200
Debt service fund	-	-	745,919	-	745,919
Municipal court technology fund	-	-	-	131,681	131,681
Local forfeiture fund	-	-	-	5,530	5,530
Keep Mercedes Beautiful fund	-	-	-	7,151	7,151
Hote/Motel fund	-	-	-	622,737	622,737
TIF fund	-	-	-	47,421	47,421
Recreation program fund	-	-	-	3,182	3,182
Capital Projects P.P.F.C.O. 2013 Series	-	-	-	3,473	3,473
Capital Projects Series 2015 C.O.	-	-	-	2,440	2,440
Capital Projects Series 2018 Bond	-	-	-	538,452	538,452
Streets - Right of way	-	-	-	858	858
Total restricted	<u>-</u>	<u>200</u>	<u>745,919</u>	<u>1,362,925</u>	<u>2,109,044</u>
Assigned					
Library fund	-	-	-	7,006	7,006
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,006</u>	<u>7,006</u>
Unassigned					
General fund	5,748,780	-	-	-	5,748,780
Mile 1 East Project	-	-	-	(30,576)	(30,576)
Total unassigned	<u>5,748,780</u>	<u>-</u>	<u>-</u>	<u>(30,576)</u>	<u>5,718,204</u>
Total fund balance	<u>\$5,943,814</u>	<u>\$ 200</u>	<u>\$ 745,919</u>	<u>\$1,339,355</u>	<u>\$8,029,288</u>

NOTE 10: SUBSEQUENT EVENTS

On November 18, 2021, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 in the amount of \$8,250,000. The Certificates bear interest at 2.450% and have a stated maturity of February 15, 2033. The Certificates have yearly principal payments due February 15th and semi-yearly interest payments due February 15th and August 15th of each year until maturity.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 20, 2022, and the determined there were no other events other than the one listed above that would require disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MERCEDES, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 3,176,086	\$ 3,176,086	\$ 3,297,583	\$ 121,497
Nonproperty taxes	5,012,000	5,012,000	5,471,942	459,942
Fines and forfeitures	67,000	67,000	78,295	11,295
Intergovernmental	169,300	169,300	17,470	(151,830)
Charges for Services	2,463,000	2,463,000	2,665,892	202,892
Licenses and permits	169,700	169,700	248,192	78,492
Miscellaneous Income	297,030	297,030	234,811	(62,219)
Interest Income	30,000	30,000	11,229	(18,771)
Rents and Royalties	8,000	8,000	2,245	(5,755)
Total revenues	11,392,116	11,392,116	12,027,659	635,543
EXPENDITURES				
General government	2,910,934	2,899,452	2,857,686	41,766
Public safety	4,431,671	4,505,009	4,249,231	255,778
Public Works	438,863	463,260	390,010	73,250
Highways and streets	447,142	453,136	392,609	60,527
Health and welfare	1,942,809	1,949,609	1,836,206	113,403
Culture and recreation	1,271,901	1,271,901	1,122,198	149,703
Debt service				
Principal	303,750	260,320	384,974	(124,654)
Interest and fees	-	-	1,986	(1,986)
Capital outlay	158,144	109,326	573,528	(464,202)
Total expenditures	11,905,214	11,912,014	11,808,428	103,586
Excess (deficiency) of revenues over (under) expenditures	(513,098)	(519,898)	219,231	739,129
OTHER FINANCING SOURCES (USES)				
Sale of Assets	8,000	8,000	10,675	2,675
Capital leases	-	-	307,230	307,230
Insurance Proceeds	-	-	41,133	41,133
Transfers in	175,784	175,784	363	(175,421)
Transfers out	175,784	175,784	(179,604)	(355,388)
Total other financing sources (uses)	359,568	359,568	179,797	(179,771)
NET CHANGE IN FUND BALANCE	(153,530)	(160,330)	399,028	559,358
FUND BALANCE, BEGINNING OF YEAR	5,679,876	5,679,876	5,679,876	
PRIOR PERIOD ADJUSTMENT			(135,090)	
FUND BALANCE, END OF YEAR	\$ 5,526,346	\$ 5,519,546	\$ 5,943,814	

CITY OF MERCEDES, TEXAS
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND
RELATED RATIOS – TEXAS MUNICIPAL RETIREMENT SYSTEM
MEASUREMENT YEAR ENDED DECEMBER 31,

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 931,185	\$ 814,509	\$ 723,965	\$ 712,113	\$ 740,529	\$ 753,182
Interest (on the total pension liability)	1,522,121	1,487,612	1,447,569	1,398,746	1,332,821	1,296,517
Difference between expected and actual experience	(209,134)	(490,403)	(398,692)	(478,060)	(236,560)	(421,205)
Change in assumptions	-	96,939	-	-	-	193,616
Benefit payments, including refunds of employee contributions	(1,256,720)	(1,654,784)	(794,999)	(1,035,847)	(655,971)	(527,954)
Net change in total pension liability	987,452	253,873	977,843	596,952	1,180,819	1,294,156
Total pension liability – beginning	\$ 22,712,703	\$ 22,458,830	\$ 21,480,987	\$ 20,884,035	\$ 19,703,216	\$ 18,409,060
Total pension liability – ending (a)	\$ 23,700,155	\$ 22,712,703	\$ 22,458,830	\$ 21,480,987	\$ 20,884,035	\$ 19,703,216
Plan fiduciary net position						
Contributions – employer	\$ 959,839	\$ 827,756	\$ 766,842	\$ 783,036	\$ 789,320	\$ 847,433
Contributions – employee	371,413	319,774	288,596	286,977	289,431	301,273
Net investment income	1,476,699	2,675,917	(526,655)	2,135,982	950,023	19,805
Benefit payments, including refunds of employee contributions	(1,256,720)	(1,654,784)	(794,999)	(1,035,847)	(655,971)	(527,954)
Administrative Expense	(9,550)	(15,104)	(10,170)	(11,068)	(10,722)	(12,061)
Other	(373)	(455)	(531)	(561)	(578)	(596)
Net change in plan fiduciary net position	1,541,308	2,153,104	(276,917)	2,158,519	1,361,503	627,900
Plan fiduciary net position – beginning	\$ 19,443,878	\$ 17,290,774	\$ 17,567,691	\$ 15,409,172	\$ 14,047,669	\$ 13,419,769
Plan fiduciary net position – ending (b)	\$ 20,985,186	\$ 19,443,878	\$ 17,290,774	\$ 17,567,691	\$ 15,409,172	\$ 14,047,669
Net pension liability/(asset) (a - b)	\$ 2,714,969	\$ 3,268,825	\$ 5,168,056	\$ 3,913,296	\$ 5,474,863	\$ 5,655,547
Plan fiduciary net position as a percentage of the total pension liability	88.54%	85.61%	76.99%	81.78%	73.78%	71.30%
Covered-employee payroll	\$ 5,305,900	\$ 4,568,193	\$ 4,122,806	\$ 4,099,672	\$ 4,134,721	\$ 4,303,896
Net pension liability/(asset) as a percentage of covered employee payroll	51.17%	71.56%	125.35%	95.45%	132.41%	131.41%

GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10 year is compiled, this schedule provides the information of those years for which information is available.

CITY OF MERCEDES, TEXAS
SCHEDULE OF CONTRIBUTIONS FOR THE TEXAS
MUNICIPAL RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED DECEMBER 31,

	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 959,839	\$ 933,895	\$ 809,721	\$ 783,036	\$ 795,685	\$ 810,771
Contributions in related to actuarially determined contributions	(959,839)	(933,895)	(809,721)	(783,036)	(795,685)	(810,771)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,305,900	\$ 4,568,193	\$ 4,122,806	\$ 4,099,672	\$ 4,134,721	\$ 4,303,896
Contributions as a percentage of covered payroll	18.09%	20.44%	19.64%	19.10%	19.24%	18.84%

GASB Statement No. 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10 year is compiled, this schedule provides the information of those years for which information is available.

Notes to Schedule of Contributions

Valuation Date: 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	Early Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF MERCEDES, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS FOR TEXAS MUNICIPAL RETIREMENT SYSTEM
MEASUREMENT YEAR ENDED DECEMBER 31,

	2021	2020	2019
Total OPEB Liability			
Service Cost	\$ 20,162	\$ 14,161	\$ 14,018
Interest on Total OPEB Liability	8,866	14,145	8,541
Differences between expected and actual experience	14,641	(139,319)	120,401
Changes in assumptions or other inputs	55,298	51,382	(18,067)
Benefit payments	(2,653)	(1,827)	(1,649)
Changes in the Total OPEB Liability	96,314	(61,458)	123,244
Total OPEB Liability – beginning of year	313,644	375,102	251,858
Total OPEB Liability – end of year	<u>\$ 409,958</u>	<u>\$ 313,644</u>	<u>\$ 375,102</u>
Covered Payroll	5,305,900	4,568,193	4,122,806
Total OPEB Liability as a percentage of covered payroll	7.73%	6.87%	9.10%

GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10 year is compiled, this schedule provides the information of those years for which information is available.

Notes to Schedule of Contributions

Valuation Date: December 31, 2020

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF MERCEDES, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the Water and Sewer (Utility) Fund. The capital project funds adopt project-length budgets. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service, as well as for the Water and Sewer Funds. The American Rescue Plan fund, a major special revenue fund, did not have legally adopted budget. The City Commission accepted the funds by resolution, but no budgetary action was taken due to the timing of the receipt of the funds.

Unused appropriations of the above annually budgeted amounts lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds is budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Revisions that alter total expenditures within a department must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is at the departmental level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adapted by the City Commission.

Expenditures may not legally exceed budgeted appropriations at the departmental level. During the year, several supplementary appropriations were necessary.

Expenditures Over Appropriations

At September 30, 2021, expenditures exceeded appropriations in the following functions:

Debt service	
Principal	\$ (124,654)
Interest and fees	\$ (1,986)
Capital outlay	\$ (464,202)

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OTHER SUPPLEMENTARY INFORMATION

CITY OF MERCEDES, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
SEPTEMBER 30, 2021

	Special Revenue Funds								
	Municipal Court Technology/ Special Expense	Urban County Grant Fund	Library Fund	Special Revenue Fund	Local Forfeiture Fund	Keep Mercedes Beautiful Fund	Hotel/Motel Tax Fund	TIF Fund	Recreation Program
ASSETS									
Cash and cash equivalents	\$ 136,000	\$ -	\$ 7,662	\$ 1,869	\$ 6,362	\$ 7,604	\$ 652,164	\$ 89,980	\$ 3,182
Accounts Receivable, net									
Intergovernmental	-	-	-	8,408	-	-	-	267,341	-
Other receivables	-	-	21	-	-	-	9,800	-	-
Due from other funds	56	-	-	-	-	-	186	-	-
Total assets	\$ 136,056	\$ -	\$ 7,683	\$ 10,277	\$ 6,362	\$ 7,604	\$ 662,150	\$ 357,321	\$ 3,182
LIABILITIES									
Accounts payable	\$ 7	\$ -	\$ 491	\$ 400	\$ 832	\$ 28	\$ 39,413	\$ -	\$ -
Accrued liabilities	-	-	-	2,113	-	-	-	-	-
Due to other funds	4,368	-	186	7,764	-	425	-	42,559	-
Total liabilities	4,375	-	677	10,277	832	453	39,413	42,559	-
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - other	-	-	-	-	-	-	-	267,341	-
Total deferred inflows of resources	-	-	-	-	-	-	-	267,341	-
FUND BALANCE									
Restricted	131,681	-	-	-	5,530	7,151	622,737	47,421	3,182
Assigned	-	-	7,006	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balance	131,681	-	7,006	-	5,530	7,151	622,737	47,421	3,182
Total liabilities, deferred inflows and fund balances	\$ 136,056	\$ -	\$ 7,683	\$ 10,277	\$ 6,362	\$ 7,604	\$ 662,150	\$ 357,321	\$ 3,182

CITY OF MERCEDES, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS - CONTINUED
SEPTEMBER 30, 2021

Capital Projects Fund										
Hike and Bike Program	Emergency Management Program	Census 2020 Fund	P.P.F.C.O. Series 2013	Series 2015 Certificates of Obligation	TPWL Grant Sports Complex	Series 2018 Bond Construction Fund	RGV Flooding	Streets - Right of Way	Mile 1 East Project	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ 3,473	\$ 2,440	\$ -	\$ 604,482	\$ -	\$ 858	\$ -	\$ 1,516,076
-	-	-	-	-	-	-	-	-	-	275,749
-	-	-	-	-	-	-	-	-	-	9,821
-	-	-	-	-	-	-	-	-	-	242
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,473</u>	<u>\$ 2,440</u>	<u>\$ -</u>	<u>\$ 604,482</u>	<u>\$ -</u>	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ 1,801,888</u>
\$ -	\$ 576	\$ -	\$ -	\$ -	\$ -	\$ 53,561	\$ -	\$ -	\$ 30,000	\$ 125,308
-	-	-	-	-	-	-	-	-	-	2,113
-	-	-	-	-	-	12,469	-	-	-	67,771
-	576	-	-	-	-	66,030	-	-	30,000	195,192
-	-	-	-	-	-	-	-	-	-	267,341
-	-	-	-	-	-	-	-	-	-	267,341
-	-	-	3,473	2,440	-	538,452	-	858	-	1,362,925
-	-	-	-	-	-	-	-	-	-	7,006
-	(576)	-	-	-	-	-	-	-	(30,000)	(30,576)
-	(576)	-	3,473	2,440	-	538,452	-	858	(30,000)	1,339,355
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,473</u>	<u>\$ 2,440</u>	<u>\$ -</u>	<u>\$ 604,482</u>	<u>\$ -</u>	<u>\$ 858</u>	<u>\$ -</u>	<u>\$ 1,801,888</u>

CITY OF MERCEDES, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS COMBINING
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
SEPTEMBER 30, 2021

	Municipal Court Technology/ Special Expense	Urban County Grant Fund	Library Fund	Special Revenue Fund	Local Forfeiture Fund	Keep Mercedes Beautiful Fund	Hotel/Motel Tax Fund	TIF Fund	Recreation Program
REVENUES									
Nonproperty taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,355	\$ -	\$ -
Intergovernmental	-	14,804	-	210,306	-	-	-	-	-
Miscellaneous Income	12,423	-	8,335	-	8,100	-	372	-	-
Interest Income	120	-	-	-	-	-	514	-	-
Total revenues	12,543	14,804	8,335	210,306	8,100	-	96,241	-	-
EXPENDITURES									
General government	3,841	14,804	-	-	-	318	54,616	-	-
Public safety	-	-	-	148,868	21,341	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	4,365	-	-	-	50,000	-	-
Capital outlay	-	-	-	71,404	-	-	-	-	-
Total expenditures	3,841	14,804	4,365	220,272	21,341	318	104,616	-	-
Excess (deficiency) of revenues over (under) expenditures	8,702	-	3,970	(9,966)	(13,241)	(318)	(8,375)	-	-
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	9,966	518	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	9,966	518	-	-	-	-
NET CHANGE IN FUND BALANCE	8,702	-	3,970	-	(12,723)	(318)	(8,375)	-	-
FUND BALANCE, BEGINNING OF YEAR	122,979	-	3,036	-	18,253	7,469	631,112	47,421	3,182
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-	-
FUND BALANCE, END OF YEAR	\$ 131,681	\$ -	\$ 7,006	\$ -	\$ 5,530	\$ 7,151	\$ 622,737	\$ 47,421	\$ 3,182

CITY OF MERCEDES, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS COMBINING
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CONTINUED
SEPTEMBER 30, 2021

Hike and Bike Program	Emergency Management Program	Census 2020 Fund	P.P.F.C.O. Series 2013	Series 2015 Certificates of Obligation	TPWL Grant Sports Complex	Series 2018		Streets - Right of Way	Mile 1 East Project	Total Non Major Governmental Funds
						Bond Construction Fund	RGV Flooding			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95,355
-	492,431	-	-	-	-	-	-	-	-	717,541
-	-	-	-	-	-	5,581	-	578	-	35,389
-	-	-	3	-	-	837	-	-	-	1,474
-	492,431	-	3	-	-	6,418	-	578	-	849,759
-	137,093	-	-	-	-	58,406	-	-	30,000	299,078
-	164,773	-	-	-	-	-	-	-	-	334,982
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	54,365
-	439,030	-	-	-	-	62,319	-	-	-	572,753
-	740,896	-	-	-	-	120,725	-	-	30,000	1,261,178
-	(248,465)	-	3	-	-	(114,307)	-	578	(30,000)	(411,419)
-	168,900	-	-	-	-	-	-	-	-	179,384
-	-	(343)	-	-	-	(535,754)	-	-	-	(536,097)
-	168,900	(343)	-	-	-	(535,754)	-	-	-	(356,713)
-	(79,565)	(343)	3	-	-	(650,061)	-	578	(30,000)	(768,132)
-	-	343	3,470	2,440	-	1,188,513	-	280	-	2,028,498
-	78,989	-	-	-	-	-	-	-	-	78,989
\$ -	\$ (576)	\$ -	\$ 3,473	\$ 2,440	\$ -	\$ 538,452	\$ -	\$ 858	\$ (30,000)	\$ 1,339,355

CITY OF MERCEDES, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,957,682	\$ 574,641
Accounts Receivable, net		
Property taxes	394,569	404,815
Sales taxes	1,119,872	1,494,375
Intergovernmental	184,422	185,314
Other receivables	976,542	-
Due from other funds	3,727,877	4,950,080
Inventory	50,422	32,987
Redevelopment assets	144,612	144,612
	<u>8,555,998</u>	<u>7,786,824</u>
Total assets	<u>\$ 8,555,998</u>	<u>\$ 7,786,824</u>
LIABILITIES		
Accounts payable	\$ 785,282	\$ 522,481
Accrued liabilities	204,085	447,659
Intergovernmental payables	8,919	10,163
Other payables	75,322	56,034
Due to component unit	593,297	312,519
Due to other funds	1,023	16,897
	<u>1,667,928</u>	<u>1,365,753</u>
Total liabilities	<u>1,667,928</u>	<u>1,365,753</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	381,088	390,291
Unavailable revenue - other	563,168	350,904
	<u>944,256</u>	<u>741,195</u>
Total deferred inflows of resources	<u>944,256</u>	<u>741,195</u>
FUND BALANCE		
Nonspendable	195,034	177,599
Unassigned	5,748,780	5,502,277
	<u>5,943,814</u>	<u>5,679,876</u>
Total fund balance	<u>5,943,814</u>	<u>5,679,876</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,555,998</u>	<u>\$ 7,786,824</u>

CITY OF MERCEDES, TEXAS
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Property taxes	\$ 3,297,583	\$ 2,915,606
Nonproperty taxes	5,471,942	4,663,410
Fines and forfeitures	78,295	60,340
Intergovernmental	17,470	313,384
Charges for services	2,665,892	2,578,597
Licenses and permits	248,192	132,250
Miscellaneous income	234,811	428,295
Interest income	11,229	25,471
Rents and royalties	2,245	6,460
	<hr/>	<hr/>
Total revenues	12,027,659	11,123,813
EXPENDITURES		
General government	2,857,686	2,982,486
Public safety	4,249,231	3,104,580
Public works	390,010	369,377
Highways and streets	392,609	428,616
Health and welfare	1,836,206	1,966,261
Culture and recreation	1,122,198	1,259,194
Debt service		
Principal	384,974	398,886
Interest and fees	1,986	8,250
Capital outlay	573,528	260,702
	<hr/>	<hr/>
Total expenditures	11,808,428	10,778,352
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>
	219,231	345,461
OTHER FINANCING SOURCES (USES)		
Sale of assets	10,675	23,281
Capital leases	307,230	-
Insurance proceeds	41,133	13,581
Transfers in	363	134,916
Transfers out	(179,604)	(425,139)
	<hr/>	<hr/>
Total other financing sources (uses)	179,797	(253,361)
NET CHANGE IN FUND BALANCE	399,028	92,100
FUND BALANCE, BEGINNING OF YEAR	5,679,876	5,587,776
PRIOR PERIOD ADJUSTMENT	(135,090)	-
	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	<u>\$ 5,943,814</u>	<u>\$ 5,679,876</u>

CITY OF MERCEDES, TEXAS
 AMERICAN RESCUE PLAN
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Restricted cash and cash equivalents	\$ 2,057,319	\$ -
Total Assets	\$ 2,057,319	\$ -
LIABILITIES		
Accounts payable	\$ 61,714	\$ -
Unearned revenues	1,995,405	-
Total Deferred Inflows of Resources	2,057,119	-
FUND BALANCE		
Restricted	200	-
Total Fund Balance	200	-
Total liabilities, deferred inflows and fund balances	\$ 2,057,319	\$ -

CITY OF MERCEDES, TEXAS
 AMERICAN RESCUE PLAN
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ 61,714	\$ -
Total Revenues	61,714	-
EXPENDITURES		
General government	61,714	-
Total Expenditures	61,714	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-
OTHER FINANCING SOURCES (USES)		
Transfers in	200	-
Total Other Financing Sources (Uses)	200	-
NET CHANGE IN FUND BALANCE	200	-
FUND BALANCE, BEGINNING OF YEAR	-	-
FUND BALANCE, END OF YEAR	\$ 200	\$ -

CITY OF MERCEDES, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 733,270	\$ 612,135
Account receivable, net		
Property taxes	173,797	166,435
Other receivables	2,439	2,494
Due from other funds	210	210
Total Assets	\$ 909,716	\$ 781,274
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	\$ 163,797	\$ 156,434
Total Deferred Inflows of Resources	163,797	156,434
FUND BALANCE		
Restricted	745,919	624,840
Total Fund Balance	745,919	624,840
Total liabilities, deferred inflows and fund balances	\$ 909,716	\$ 781,274

CITY OF MERCEDES, TEXAS
DEBT SERVICE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Property taxes	\$ 1,924,099	\$ 1,900,186
Intergovernmental	143,911	-
Miscellaneous income	64,741	63,736
Interest income	665	8,228
Total Revenues	2,133,416	1,972,150
EXPENDITURES		
Debt Service		
Principal	1,346,716	1,310,214
Interest and fees	665,621	704,001
Total Expenditures	2,012,337	2,014,215
Excess (Deficiency) of Revenues over (under) Expenditures	121,079	(42,065)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	144,169
Total Other Financing Sources (Uses)	-	144,169
NET CHANGE IN FUND BALANCE	121,079	102,104
FUND BALANCE, BEGINNING OF YEAR	624,840	522,736
FUND BALANCE, END OF YEAR	\$ 745,919	\$ 624,840

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
MUNICIPAL COURT TECHNOLOGY/SPECIAL EXPENSE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 136,001	\$ 127,218
Due from other funds	56	-
Total Assets	\$ 136,057	\$ 127,218
LIABILITIES		
Accounts payable	\$ 8	\$ 50
Due to other funds	4,368	4,189
Total Liabilities	4,376	4,239
FUND BALANCE		
Restricted	131,681	122,979
Total Fund Balance	131,681	122,979
Total liabilities, deferred inflows and fund balances	\$ 136,057	\$ 127,218

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
MUNICIPAL COURT TECHNOLOGY/SPECIAL EXPENSE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Miscellaneous income	\$ 12,423	\$ 26,454
Interest income	<u>120</u>	<u>679</u>
Total Revenues	<u>12,543</u>	<u>27,133</u>
EXPENDITURES		
General government	<u>3,841</u>	<u>3,398</u>
Total Expenditures	<u>3,841</u>	<u>3,398</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8,702</u>	<u>23,735</u>
NET CHANGE IN FUND BALANCE	8,702	23,735
FUND BALANCE, BEGINNING OF YEAR	<u>122,979</u>	<u>99,244</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 131,681</u></u>	<u><u>\$ 122,979</u></u>

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
URBAN COUNTY GRANT FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Total assets	\$ -	\$ -
LIABILITIES		
Total liabilities	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	-	-
Total deferred inflows of resources	-	-
FUND BALANCE		
Restricted	-	-
Total fund balance	-	-
Total liabilities, deferred inflows and fund balances	\$ -	\$ -

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
URBAN COUNTY GRANT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ 14,804	\$ 192,912
Total revenues	14,804	192,912
EXPENDITURES		
General government	14,804	48,743
Total expenditures	14,804	48,743
Excess (deficiency) of revenues over (under) expenditures	-	144,169
OTHER FINANCING SOURCES (USES)		
Transfers out	-	(144,169)
Total other financing sources (uses)	-	(144,169)
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
LIBRARY FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 7,662	\$ 3,314
Other receivables	21	-
Total assets	\$ 7,683	\$ 3,314
LIABILITIES		
Accounts payable	\$ 491	\$ 92
Due to other funds	186	186
Total liabilities	677	278
FUND BALANCE		
Assigned	7,006	3,036
Total fund balance	7,006	3,036
Total liabilities, deferred inflows and fund balances	\$ 7,683	\$ 3,314

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
LIBRARY FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Miscellaneous income	\$ 8,335	\$ 2,386
	8,335	2,386
Total revenues		
EXPENDITURES		
Culture and recreation	4,365	3,088
	4,365	3,088
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	3,970	(702)
OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCE	3,970	(702)
FUND BALANCE, BEGINNING OF YEAR	3,036	3,738
FUND BALANCE, END OF YEAR	\$ 7,006	\$ 3,036

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,869	\$ 1,531
Intergovernmental	8,408	17,236
	<u>10,277</u>	<u>18,767</u>
Total assets	<u>\$ 10,277</u>	<u>\$ 18,767</u>
LIABILITIES		
Accounts payable	\$ 400	\$ 171
Accrued liabilities	2,113	134
Due to other funds	7,764	18,462
	<u>10,277</u>	<u>18,767</u>
Total liabilities	<u>10,277</u>	<u>18,767</u>
FUND BALANCE		
Unassigned	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,277</u>	<u>\$ 18,767</u>

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ 210,306	\$ 162,434
Total revenues	210,306	162,434
EXPENDITURES		
General government	-	828
Public safety	148,868	52,040
Capital outlay	71,404	115,658
Total expenditures	220,272	168,526
Excess (deficiency) of revenues over (under) expenditures	(9,966)	(6,092)
OTHER FINANCING SOURCES (USES)		
Transfers out	9,966	6,340
Total other financing sources (uses)	9,966	6,340
NET CHANGE IN FUND BALANCE	-	248
FUND BALANCE, BEGINNING OF YEAR	-	(248)
FUND BALANCE, END OF YEAR	\$ -	\$ -

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
LOCAL FORFEITURE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,362	\$ 18,253
Total assets	\$ 6,362	\$ 18,253
LIABILITIES		
Accounts payable	\$ 832	\$ -
Total liabilities	832	-
FUND BALANCE		
Restricted	5,530	18,253
Total fund balance	5,530	18,253
Total liabilities, deferred inflows and fund balances	\$ 6,362	\$ 18,253

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
LOCAL FORFEITURE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Miscellaneous income	\$ 8,100	\$ -
Total revenues	8,100	-
EXPENDITURES		
Public safety	21,341	-
Total expenditures	21,341	-
Excess (deficiency) of revenues over (under) expenditures	(13,241)	-
OTHER FINANCING SOURCES (USES)		
Transfers in	518	-
Total other financing sources (uses)	518	-
NET CHANGE IN FUND BALANCE	(12,723)	-
FUND BALANCE, BEGINNING OF YEAR	18,253	18,253
FUND BALANCE, END OF YEAR	\$ 5,530	\$ 18,253

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
KEEP MERCEDES BEAUTIFUL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 7,604	\$ 7,894
Total assets	\$ 7,604	\$ 7,894
LIABILITIES		
Accounts payable	\$ 28	\$ -
Due to other funds	425	425
Total liabilities	453	425
FUND BALANCE		
Restricted	7,151	7,469
Total fund balance	7,151	7,469
Total liabilities, deferred inflows and fund balances	\$ 7,604	\$ 7,894

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
KEEP MERCEDES BEAUTIFUL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Miscellaneous Income	\$ -	\$ -
Total revenues	-	-
EXPENDITURES		
General government	318	1,403
Total expenditures	318	1,403
Excess (deficiency) of revenues over (under) expenditures	(318)	(1,403)
NET CHANGE IN FUND BALANCE	(318)	(1,403)
FUND BALANCE, BEGINNING OF YEAR	7,469	8,872
FUND BALANCE, END OF YEAR	\$ 7,151	\$ 7,469

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
HOTEL/MOTEL TAX FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 652,164	\$ 579,277
Other receivables	9,800	54,892
Due from other funds	186	186
Total assets	\$ 662,150	\$ 634,355
LIABILITIES		
Accounts payable	\$ 39,413	\$ 3,243
Total liabilities	39,413	3,243
FUND BALANCE		
Restricted	622,737	631,112
Total fund balance	622,737	631,112
Total liabilities, deferred inflows and fund balances	\$ 662,150	\$ 634,355

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
HOTEL/MOTEL TAX FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Nonproperty taxes	\$ 95,355	\$ 83,576
Miscellaneous Income	372	2,115
Interest Income	514	6,660
	<u>96,241</u>	<u>92,351</u>
EXPENDITURES		
General government	<u>54,616</u>	<u>79,182</u>
Total expenditures	<u>104,616</u>	<u>79,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,375)</u>	<u>13,169</u>
NET CHANGE IN FUND BALANCE	(8,375)	13,169
FUND BALANCE, BEGINNING OF YEAR	<u>631,112</u>	<u>617,943</u>
FUND BALANCE, END OF YEAR	<u>\$ 622,737</u>	<u>\$ 631,112</u>

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
TIF FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 89,980	\$ 89,980
Intergovernmental	267,341	568,457
Total assets	\$ 357,321	\$ 658,437
LIABILITIES		
Due to other funds	\$ 42,559	\$ 42,559
Total liabilities	42,559	42,559
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - other	267,341	568,457
Total deferred inflows of resources	267,341	568,457
FUND BALANCE		
Restricted	47,421	47,421
Total fund balance	47,421	47,421
Total liabilities, deferred inflows and fund balances	\$ 357,321	\$ 658,437

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
TIF FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ -	\$ 128,382
Total revenues	-	128,382
EXPENDITURES		
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	-	128,382
NET CHANGE IN FUND BALANCE	-	128,382
FUND BALANCE, BEGINNING OF YEAR	47,421	(80,961)
FUND BALANCE, END OF YEAR	\$ 47,421	\$ 47,421

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
RECREATION PROGRAM
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,182	\$ 3,182
Total assets	\$ 3,182	\$ 3,182
LIABILITIES		
Total liabilities	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	-	-
FUND BALANCE		
Restricted	3,182	3,182
Total fund balance	3,182	3,182
Total liabilities, deferred inflows and fund balances	\$ 3,182	\$ 3,182

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
RECREATION PROGRAM
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Total revenues	\$ -	\$ -
EXPENDITURES		
Total expenditures	-	-
OTHER FINANCING SOURCES (USES)		
Total other financing sources (uses)	-	-
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	\$ 3,182	\$ 3,182
FUND BALANCE, END OF YEAR	\$ 3,182	\$ 3,182

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
HIKE AND BIKE PROGRAM
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Total assets	\$ -	\$ -
LIABILITIES		
Total liabilities	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	-	-
FUND BALANCE		
Unassigned	-	-
Total fund balance	-	-
Total liabilities, deferred inflows and fund balances	\$ -	\$ -

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
HIKE AND BIKE PROGRAM
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Total revenues	\$ -	\$ -
EXPENDITURES		
Culture and recreation	-	4,500
Total expenditures	-	4,500
Excess (deficiency) of revenues over (under) expenditures	-	(4,500)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	4,500
Total other financing sources (uses)	-	4,500
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
EMERGENCY MANAGEMENT PROGRAM
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Intergovernmental	\$ -	\$ 942,155
 Total assets	 <u>\$ -</u>	 <u>\$ 942,155</u>
 LIABILITIES		
Accounts payable	\$ 576	\$ 243,178
Accrued liabilities	-	677
Other payables	-	1
Due to other funds	-	698,299
 Total liabilities	 <u>576</u>	 <u>942,155</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	-	-
Unavailable revenue - other	-	-
 Total deferred inflows of resources	 <u>-</u>	 <u>-</u>
 FUND BALANCE		
Unassigned	(576)	-
 Total fund balance	 <u>(576)</u>	 <u>-</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ -</u>	 <u>\$ 942,155</u>

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
EMERGENCY MANAGEMENT PROGRAM
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ 492,431	\$ 1,699,297
Total revenues	492,431	1,699,297
EXPENDITURES		
General government	137,093	213,537
Public safety	164,773	1,327,902
Capital outlay	439,030	157,858
Total expenditures	740,896	1,699,297
Excess (deficiency) of revenues over (under) expenditures	(248,465)	-
OTHER FINANCING SOURCES (USES)		
Transfers in	168,900	-
Total other financing sources (uses)	168,900	-
NET CHANGE IN FUND BALANCE	(79,565)	-
FUND BALANCE, BEGINNING OF YEAR	-	-
PRIOR PERIOD ADJUSTMENT	78,989	-
FUND BALANCE, END OF YEAR	\$(576)	\$ -

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
CENSUS 2020 FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ -	\$ 833
Total assets	\$ -	\$ 833
LIABILITIES		
Accounts payable	\$ -	\$ 490
Total liabilities	-	490
FUND BALANCE		
Unassigned	-	343
Total fund balance	-	343
Total liabilities, deferred inflows and fund balances	\$ -	\$ 833

CITY OF MERCEDES, TEXAS
SPECIAL REVENUE FUND
CENSUS 2020 FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ -	\$ 10,000
Total revenues	-	10,000
EXPENDITURES		
General government	-	9,657
Total expenditures	-	9,657
Excess (deficiency) of revenues over (under) expenditures	-	343
OTHER FINANCING SOURCES (USES)		
Transfers out	(343)	-
Total other financing sources (uses)	(343)	-
NET CHANGE IN FUND BALANCE	(343)	343
FUND BALANCE, BEGINNING OF YEAR	343	-
FUND BALANCE, END OF YEAR	\$ -	\$ 343

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 P.P.F.C.O. SERIES 2013
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,473	\$ 3,470
Total assets	\$ 3,473	\$ 3,470
 LIABILITIES		
Total liabilities	\$ -	\$ -
 FUND BALANCE		
Restricted	3,473	3,470
Total fund balance	3,473	3,470
 Total liabilities, deferred inflows and fund balances	\$ 3,473	\$ 3,470

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 P.P.F.C.O. SERIES 2013
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Interest Income	\$ 3	\$ 42
Total revenues	3	42
EXPENDITURES		
General government	-	-
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	3	42
NET CHANGE IN FUND BALANCE	3	42
FUND BALANCE, BEGINNING OF YEAR	3,470	3,428
FUND BALANCE, END OF YEAR	\$ 3,473	\$ 3,470

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 SERIES 2015 CERTIFICATES OF OBLIGATION
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,440	\$ 2,440
Total assets	\$ 2,440	\$ 2,440
LIABILITIES		
Total liabilities	\$ -	\$ -
FUND BALANCE		
Restricted	2,440	2,440
Total fund balance	2,440	2,440
Total liabilities, deferred inflows and fund balances	\$ 2,440	\$ 2,440

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 SERIES 2015 CERTIFICATES OF OBLIGATION
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Interest Income	\$ -	\$ -
	<u>-</u>	<u>-</u>
Total revenues	-	-
EXPENDITURES		
Capital outlay	-	-
	<u>-</u>	<u>-</u>
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	<u>2,440</u>	<u>2,440</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,440</u>	<u>\$ 2,440</u>

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 TPWL GRANT SPORTS COMPLEX
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Intergovernmental	\$ -	\$ 470,675
Total assets	\$ -	\$ 470,675
LIABILITIES		
Accounts payable	\$ -	\$ 19,430
Due to other funds	-	451,245
Total liabilities	-	\$ 470,675
FUND BALANCE		
Unassigned	-	-
Total fund balance	-	-
Total liabilities, deferred inflows and fund balances	\$ -	\$ 470,675

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 TPWL GRANT SPORTS COMPLEX
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ -	\$ 97,337
Total revenues	-	97,337
EXPENDITURES		
Capital outlay	-	385,947
Total expenditures	-	385,947
Excess (deficiency) of revenues over (under) expenditures	-	(288,610)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	288,610
Total other financing sources (uses)	-	288,610
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 SERIES 2018 BOND CONSTRUCTION FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 604,482	\$ 1,617,078
Total assets	\$ 604,482	\$ 1,617,078
LIABILITIES		
Accounts payable	\$ 53,561	\$ 428,565
Due to other funds	12,469	-
Total liabilities	66,030	428,565
FUND BALANCE		
Restricted	538,452	1,188,513
Total fund balance	538,452	1,188,513
Total liabilities, deferred inflows and fund balances	\$ 604,482	\$ 1,617,078

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 SERIES 2018 BOND CONSTRUCTION FUND
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Miscellaneous Income	\$ 5,581	\$ 29,021
Interest Income	837	30,477
	<u>6,418</u>	<u>59,498</u>
Total revenues		
EXPENDITURES		
General government	58,406	201,842
Capital outlay	62,319	2,355,519
	<u>120,725</u>	<u>2,557,361</u>
Total expenditures		
Excess (deficiency) of revenues over (under) expenditures	<u>(114,307)</u>	<u>(2,497,863)</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	<u>(535,754)</u>	<u>-</u>
Total other financing sources (uses)	<u>(535,754)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(650,061)	(2,497,863)
FUND BALANCE, BEGINNING OF YEAR	<u>1,188,513</u>	<u>3,686,376</u>
FUND BALANCE, END OF YEAR	<u>\$ 538,452</u>	<u>\$ 1,188,513</u>

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 RGV FLOODING
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Total assets	\$ -	\$ -
LIABILITIES		
Total liabilities	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	-	-
FUND BALANCE		
Restricted	-	-
Total fund balance	-	-
Total liabilities, deferred inflows and fund balances	\$ -	\$ -

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 RGV FLOODING
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Intergovernmental	\$ -	\$ 30,000
Total revenues	-	30,000
EXPENDITURES		
General government	-	20,772
Total expenditures	-	20,772
Excess (deficiency) of revenues over (under) expenditures	-	9,228
OTHER FINANCING SOURCES (USES)		
Transfers out	-	(9,228)
Total other financing sources (uses)	-	(9,228)
NET CHANGE IN FUND BALANCE	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 STREETS MAINTENANCE – RIGHT OF WAY
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 858	\$ 280
Total assets	\$ 858	\$ 280
LIABILITIES		
Total liabilities	\$ -	\$ -
FUND BALANCE		
Restricted	858	280
Total fund balance	858	280
Total liabilities, deferred inflows and fund balances	\$ 858	\$ 280

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 STREETS MAINTENANCE – RIGHT OF WAY
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Miscellaneous Income	\$ 578	\$ 280
Total revenues	578	280
EXPENDITURES		
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	578	280
NET CHANGE IN FUND BALANCE	578	280
FUND BALANCE, BEGINNING OF YEAR	280	-
FUND BALANCE, END OF YEAR	\$ 858	\$ 280

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 MILE 1 EAST PROJECT
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Total assets	\$ -	\$ -
LIABILITIES		
Accounts payable	\$ 30,000	\$ -
Total liabilities	30,000	-
FUND BALANCE		
Unassigned	(30,000)	-
Total fund balance	(30,000)	-
Total liabilities, deferred inflows and fund balances	\$ -	\$ -

CITY OF MERCEDES, TEXAS
 CAPITAL PROJECTS
 MILE 1 EAST PROJECT
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Total revenues	\$ -	\$ -
EXPENDITURES		
General government	30,000	-
Total expenditures	30,000	-
Excess (deficiency) of revenues over (under) expenditures	(30,000)	-
NET CHANGE IN FUND BALANCE	(30,000)	-
FUND BALANCE, BEGINNING OF YEAR	-	-
FUND BALANCE, END OF YEAR	\$(30,000)	\$ -

CITY OF MERCEDES, TEXAS
ENTERPRISE FUND
WATER AND SEWER (UTILITY) FUND
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 704	\$ -
Restricted cash and cash equivalents	267,309	267,054
Receivables, net of allowance for uncollectible accounts	726,056	761,762
Due from other funds	13,226	16,687
Total current assets	1,007,295	1,045,503
Capital assets		
Land	199,100	199,100
Machinery and equipment	3,538,331	3,333,744
Water system	32,346,611	32,270,890
Sewer system	27,935,508	27,461,446
	64,019,550	63,265,180
Accumulated Depreciation	(28,142,830)	(24,644,501)
Total capital assets	35,876,720	38,620,679
Total assets	36,884,015	39,666,182
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pensions	60,320	62,697
Deferred outflows of resources for OPEB	14,865	11,715
Deferred charges on refunding	103,164	110,357
Total deferred outflows of resources	178,349	184,769
Total assets and deferred outflows of resources	\$ 37,062,364	\$ 39,850,951

CITY OF MERCEDES, TEXAS
ENTERPRISE FUND
WATER AND SEWER (UTILITY) FUND
COMPARATIVE STATEMENTS OF NET POSITION - CONTINUED
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 648,040	\$ 533,988
Accrued expenses	15,254	19,084
Customer deposits	469,674	456,610
Accrued interest on revenue bonds	19,924	23,084
Current portion of long-term debt	623,700	983,049
Total current liabilities	<u>1,776,592</u>	<u>2,015,815</u>
Noncurrent liabilities		
Due to other funds	3,672,761	3,734,901
Revenue bonds payable	5,238,513	5,879,843
Compensated absences	23,259	18,945
Net pension liability	235,232	264,775
OPEB liability	35,520	25,405
Total noncurrent liabilities	<u>9,205,285</u>	<u>9,923,869</u>
Total liabilities	<u>10,981,877</u>	<u>11,939,684</u>
Deferred inflows of resources		
Deferred inflows of resources related to pensions	99,916	114,980
Deferred inflows of resources related to OPEB	9,115	10,522
Total deferred inflows of resources	<u>109,031</u>	<u>125,502</u>
NET POSITION		
Net investment in capital assets	29,971,324	31,872,794
Unrestricted	<u>(3,999,868)</u>	<u>(4,087,029)</u>
Total net position	<u>25,971,456</u>	<u>27,785,765</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 37,062,364</u>	<u>\$ 39,850,951</u>

CITY OF MERCEDES, TEXAS
ENTERPRISE FUND
WATER AND SEWER (UTILITY) FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Operating revenues		
Water revenues	\$ 2,840,198	\$ 2,591,787
Sewer revenues	2,195,608	2,072,417
Total operating revenues	5,035,806	4,664,204
Operating expenses		
Water and sewer services	5,224,412	5,511,095
Total operating expenses	5,224,412	5,511,095
Operating income (loss)	(188,606)	(846,891)
Non operating revenues (expenses)		
Miscellaneous	802	1,050
Interest income	255	3,194
Interest expense	(171,721)	(196,832)
Total nonoperating revenues (expenses)	(170,664)	(192,588)
Net income (loss) before transfers	(359,270)	(1,039,479)
Transfers		
Transfers in (out)	535,754	-
Total transfers	535,754	-
NET INCOME (LOSS)	176,484	(1,039,479)
Net position, beginning of year	27,785,765	28,825,244
Prior period adjustments	(1,990,793)	-
Net position, end of year	\$ 25,971,456	\$ 27,785,765

CITY OF MERCEDES, TEXAS
ENTERPRISE FUND
WATER AND SEWER (UTILITY) FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
<u>Cash flows from operating activities</u>		
Receipts from customers	\$ 5,071,512	\$ 4,534,277
Payments to suppliers	(3,055,960)	(3,357,409)
Payments to employees	(629,397)	(616,013)
Net cash provided (used) by operating activities	1,386,155	560,855
 Cash flows from non-capital financing activities		
Operating transfers in (out)	535,754	598,408
Net cash provided (used) by non-capital financing activities	535,754	598,408
 Cash flows from (to) capital related financing activities		
Purchase of capital assets	(754,370)	-
Principal paid on long-term debt	(995,916)	(972,440)
Interest paid on long-term debt	(170,664)	(187,873)
Net cash provided (used) by capital and related financing activities	(1,920,950)	(1,160,313)
 Cash flows from (to) investing activities		
Interest and other income received	-	4,244
Net cash provided (used) by investing activities	-	4,244
 Net increase (decrease) in cash and cash equivalents	959	3,194
 Cash and cash equivalents, beginning of year	267,054	263,860
 Cash and cash equivalents, end of year	\$ 268,013	\$ 267,054
 Reconciliation of operating income from operations to net cash from operating		
Operating income (loss)	\$(188,606)	\$(846,891)
Adjustments to reconcile net income from operations to net cash from operating activities:		
Depreciation and amortization	1,507,542	1,585,826
(Increase) decrease in receivables	35,706	(135,376)
(Increase) decrease in due from other funds	3,461	(16,687)
(Increase) decrease in deferred outflows	6,420	75,689
Increase (decrease) in accounts payable	114,020	27,776
Increase (decrease) in accrued expenses	(6,964)	7,555
Increase (decrease) in customer deposits	13,064	22,136
Increase (decrease) in due to other funds	(62,140)	-
Increase (decrease) in compensated absences	(449)	2,141
Increase (decrease) inflows of resources	(16,471)	52,933
Increase (decrease) in net pension liability	(29,543)	(205,518)
Increase (decrease) in OPEB liability	10,115	(8,729)
Net cash provided (used) by operating activities	\$ 1,386,155	\$ 560,855

CITY OF MERCEDES, TEXAS
 COMPONENT UNITS
 COMBINING BALANCE SHEETS
 SEPTEMBER 30, 2021

	Development Corporation of Mercedes				Mercedes Industrial Foundation	Total
	General Fund	RBEG Grant Fund	IRP Loan Fund	MEDC Totals		
ASSETS						
Cash and cash equivalents	\$ 704,153	\$ -	\$ -	\$ 704,153	\$ 18,827	\$ 722,980
Restricted cash and cash equivalents	272,798	274,415	289,478	836,691	-	836,691
Receivables, net	279,968	-	-	279,968	-	279,968
Due from primary government	391,324	-	-	391,324	-	391,324
Notes receivable, net	122,879	535,493	226,805	885,177	-	885,177
Redevelopment assets	3,373,406	-	-	3,373,406	-	3,373,406
Total assets	\$ 5,144,528	\$ 809,908	\$ 516,283	\$ 6,470,719	\$ 18,827	\$ 6,489,546
LIABILITIES						
Accounts payable	\$ 4,340	\$ -	\$ -	\$ 4,340	\$ -	\$ 4,340
Accrued expenditures	10,527	-	-	10,527	-	10,527
Due to primary government	78,805	-	-	78,805	-	78,805
Total liabilities	93,672	-	-	93,672	-	93,672
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue notes receivable	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Fund Balance						
Nonspendable	3,373,406	-	-	3,373,406	-	3,373,406
Restricted	395,677	809,908	516,283	1,721,868	-	1,721,868
Unassigned	1,281,773	-	-	1,281,773	18,827	1,300,600
Total fund balance	5,050,856	809,908	516,283	6,377,047	18,827	6,395,874
Total liabilities, deferred inflows of resources and fund balance	\$ 5,144,528	\$ 809,908	\$ 516,283	\$ 6,470,719	\$ 18,827	\$ 6,489,546

CITY OF MERCEDES, TEXAS
 COMPONENT UNITS
 RECONCILIATION OF THE COMBINING BALANCE SHEETS OF THE COMPONENT UNITS TO THE
 COMPONENT UNITS STATEMENT OF NET POSITION
 SEPTEMBER 30, 2021

Total fund balances - governmental funds		\$ 6,395,874
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.		
Capital assets	11,885	
Less: Accumulated depreciation	<u>(11,885)</u>	-
Long-term receivable due from the City of Mercedes is not available to pay current expenditures and is not reported in the funds.		
		593,753
Long-term payable due to City not due in the current period and therefore not reported in the funds.		
		(29,575)
Interest on long-term debt is not accrued in the governmental funds, but is recognized as an expenditure in the funds.		
		(11,051)
Deferred outflows and (inflows) of resources related to net pension and OPEB Liabilities are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual.		
Pension outflows	20,035	
Pension inflows	(33,187)	
OPEB outflows	4,937	
OPEB inflows	<u>(3,027)</u>	(11,242)
Long-term liabilities, including net pension and total OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(78,132)	
Net OPEB liability	(11,798)	
Bonds and notes payable	<u>(5,573,034)</u>	<u>(5,662,964)</u>
Net position of governmental activities		<u>\$ 1,274,795</u>

CITY OF MERCEDES, TEXAS
 COMPONENT UNITS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	Development Corporation of Mercedes				Mercedes Industrial Foundation	Total
	General Fund	RBEG Grant Fund	IRP Loan Fund	MEDC Totals		
Revenue						
Sales taxes	\$ 1,616,316	\$ -	\$ -	\$ 1,616,316	\$ -	\$ 1,616,316
Interest income	3,011	18,899	8,103	30,013	-	30,013
Miscellaneous	94,093	-	-	94,093	-	94,093
Total revenues	<u>1,713,420</u>	<u>18,899</u>	<u>8,103</u>	<u>1,740,422</u>	<u>-</u>	<u>1,740,422</u>
Expenditures						
Administrative services	340,833	-	-	340,833	-	340,833
Economic development	515,377	1,293	17,062	533,732	-	533,732
Debt service						
Principal	506,286	-	25,056	531,342	-	531,342
Interest and fees	155,083	-	5,792	160,875	-	160,875
Total expenditures	<u>1,517,579</u>	<u>1,293</u>	<u>47,910</u>	<u>1,566,782</u>	<u>-</u>	<u>1,566,782</u>
Net change in fund balance	195,841	17,606	(39,807)	173,640	-	173,640
Fund balance, beginning of year	4,724,077	257,219	203,899	5,185,195	18,827	5,204,022
Prior period adjustment	130,938	535,083	352,191	1,018,212	-	1,018,212
Fund balance, end of year	<u>\$ 5,050,856</u>	<u>\$ 809,908</u>	<u>\$ 516,283</u>	<u>\$ 6,377,047</u>	<u>\$ 18,827</u>	<u>\$ 6,395,874</u>

CITY OF MERCEDES, TEXAS
 COMPONENT UNITS
 RECONCILIATION OF THE COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALNCES OF THE COMPONENT UNITS TO THE COMPONENT UNITS
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balance - governmental funds \$ 173,640

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following represents depreciation expense reported in the current period. (483)

Repayment of long-term debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. 602,956

Repayment of notes receivable from the city are recorded as revenue in the governmental funds but reduces the receivable in the statement of net position. (93,750)

Governmental funds do not accrue for interest expense on long-term debt. This is the net change in accrued interest payable for the year. 1,114

Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable and available financial resources. In the statement of activities, however, which is presented in the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Change in deferred outflow of resources - pensions	2,232	
Change in deferred outflow of resources - OPEB	1,610	
Change in deferred inflow of resources - pensions	(538)	
Change in deferred inflow of resources - OPEB	(40)	
Change in net pension obligations	(2,949)	
Change in net OPEB obligations	(4,584)	(4,269)

Change in net position of governmental activities \$ 679,208

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SUPPLEMENTAL SCHEDULES

CITY OF MERCEDES, TEXAS
TAX RATES AND NET TAXABLE VALUES
TEN YEAR HISTORY

Fiscal Year	Total Tax Rate	Maintenance and Operations	Interest and Sinking	Net Taxable Amount
2012	\$ 0.7850	\$ 0.5157	\$ 0.2693	\$ 455,530,825
2013	0.7850	0.5157	0.2693	450,593,970
2014	0.7600	0.5378	0.2222	456,451,377
2015	0.7550	0.5176	0.2374	521,888,570
2016	0.7450	0.4409	0.3041	522,712,943
2017	0.7450	0.4409	0.3041	577,976,682
2018	0.7450	0.5091	0.2359	585,166,815
2019	0.7450	0.5091	0.2359	635,586,824
2020	0.7450	0.4528	0.2922	669,348,507
2021	0.7450	0.4660	0.2790	669,348,507

CITY OF MERCEDES, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
TEN YEAR HISTORY

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percentage of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percentage of Current Levy
2012	3,587,640	3,333,061	93%	224,227	3,557,288	99%	47,422	1.32%
2013	3,541,510	3,330,104	94%	177,228	3,507,332	99%	50,947	1.44%
2014	3,542,376	3,313,596	94%	189,859	3,503,455	99%	54,102	1.53%
2015	3,975,791	3,759,812	95%	156,370	3,916,182	99%	71,390	1.80%
2016	3,975,665	3,778,859	95%	128,570	3,907,429	98%	78,523	1.98%
2017	4,066,335	3,807,527	94%	157,674	3,965,201	98%	118,087	2.90%
2018	4,315,025	4,124,206	96%	171,490	4,295,696	100%	190,819	4.42%
2019	4,443,868	4,226,463	95%	81,035	4,307,498	97%	217,405	4.89%
2020	4,706,991	4,503,695	96%	178,770	4,682,465	99%	203,296	4.32%
2021	5,063,682	4,824,465	95%	-	4,824,465	95%	239,217	4.72%

CITY OF MERCEDES, TEXAS
TOP 20 TAXPAYERS
FOR FISCAL YEAR 2021

Taxpayer Name	Total Assessed Value	Percentage of Total Assessed Valuation
1 CPG MERCEDES LP	110,000,000	16.43%
2 WOODCRAFTERS HOME PRODUCTS LLC	17,564,428	2.62%
3 LLANO GRANDE HOLDINGS COMPANY LLC	10,856,079	1.62%
4 SETZER PROPERTIES HRL LLC	8,501,780	1.27%
5 AEP TEXAS INC-27H	7,340,890	1.10%
6 FEDEX FREIGHT INC	6,098,854	0.91%
7 MERCEDES APARTMENTS LLC	5,031,672	0.75%
8 MAGIC VALLEY ELEC COOP-27H	4,835,490	0.72%
9 TOUCHSTONE REALTY-MERCEDES LLC	4,517,660	0.67%
10 RAYBEC MERCEDES PLACE LLC & RAYBEC MERCE	4,460,315	0.67%
11 BUILDERS FIRST SOURCE SO TX LP	4,031,181	0.60%
12 MILE ONE EAST AT EXPRESSWAY 83 LLC	3,726,162	0.56%
13 H E BUTT GROCERY COMPANY	3,581,459	0.54%
14 RAYBEC HERENCIA LLC	3,133,338	0.47%
15 PROBUILD CO LLC	3,091,018	0.46%
16 MAGIC VALLEY ELECTRIC CO-OP	3,062,648	0.46%
17 CASA KORIMA HOUSING DEVELOPMENT LP	2,358,867	0.35%
18 MORENO FRANCISCO & RAFAEL ORTEGA	2,300,000	0.34%
19 LILY OF THE DESERT	2,210,787	0.33%
20 JWTC HOMES LTD	2,124,971	0.32%
	<u>\$ 208,827,599.00</u>	<u>31.20%</u>
	Total Assessed	\$ 669,348,507

CITY OF MERCEDES, TEXAS
PROPERTY VALUE AND CONSTRUCTION
TEN YEAR HISTORY

Year	Property Value (1)	Construction	
		Number of Units	Value
2012	\$ 589,751,006	286	\$ 7,527,235
2013	589,998,219	353	15,842,973
2014	664,970,257	441	11,048,969
2015	665,454,859	985	53,836,291
2016	691,949,511	875	36,406,894
2017	738,305,929	829	7,945,885
2018	757,146,569	216	83,611,703
2019	798,684,436	334	112,016,565
2020	838,121,504	402	9,138,878
2021	853,450,257	438	27,907,626

CITY OF MERCEDES, TEXAS
TOP 20 WATER CONSUMERS
FOR FISCAL YEAR 2021

	<u>Utility Customer Name</u>	<u>Consumption in Gallons</u>
1	Lily of the Desert Corp, Inc	23,431,600
2	R Contreras Affordable Housing	17,905,100
3	Mercedes Housing Authority	16,671,700
4	Llano Grande East	14,422,800
5	Mercedes ISD	12,928,800
6	Saladino Park (Queen City)	11,174,200
7	South Texas ISD	11,049,100
8	La Herencia Apartments	11,048,900
9	Anacuitas Manor Apts	9,870,100
10	Llano Grande North	8,475,300
11	Brink, James	6,577,500
12	Encore of Mercedes	5,152,100
13	True Palm Oak Rentals	4,914,600
14	Mid Valley Nursing & Rehab	3,858,500
15	Fed-Ex Freight, Inc	2,741,100
16	Landa Property Management	2,673,400
17	Amigos Del Valle	2,438,200
18	E-Z Clean Car Wash	2,382,900
19	La Quinta Inn & Suites	2,180,900
20	GWA Laundry #3	2,153,500
		<u>172,050,300</u>

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Commission
City of Mercedes, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mercedes, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Mercedes, Texas' basic financial statements and have issued our report thereon dated June 20, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mercedes, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mercedes, State Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mercedes, State Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items, 2021-001, 2021-002, 2021-003 and 2021-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2021-004, 2021-006 and 2021-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mercedes, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Mercedes, Texas' Response to Findings

City of Mercedes, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Mercedes, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to management of the City in a separate letter dated June 20, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burton McCall & Longo, LLP

McAllen, Texas
June 20, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Commission
City of Mercedes, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Mercedes, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Mercedes, Texas' major federal programs for the year ended September 30, 2021. City of Mercedes, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Mercedes, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mercedes, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Mercedes, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Mercedes, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the City of Mercedes, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mercedes, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mercedes, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brenton McHugh & Longo, LLP

McAllen, Texas
June 20, 2022

CITY OF MERCEDES, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<i>Assistance Listing Number (ALN)</i>	<i>Name of Federal Program or Cluster</i>
21.019	Coronavirus Aid, Relief, and Economic Security Act (CARES Act) – COVID-19

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualifies as a low-risk auditee? yes X no

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

Finding 2021-001 – Accounting for EMS Services (Material Weakness)

Criteria

Internal controls should be suitably designed and implemented to ensure the accounting for EMS services revenues are recognized in accordance with generally accepted accounting principles. Revenues should be recognized in the period in which services are provided.

Condition

We reviewed the EMS fund balances as of September 30, 2021 and noted accounts receivable, allowance for doubtful accounts and deferred inflows of resources balances were the same as they were at the end of the previous fiscal year. Upon further review it was also noted EMS revenues were being recognized at the time payments were received (cash basis). The City has not implemented processes and procedures to ensure revenues are recognized in accordance with generally accepted accounting principles. Additionally, the City did not have a methodology for determining the allowance for uncollectible accounts.

Cause

The City does not have the appropriate processes and procedures in place to ensure EMS revenues for services provided are recognized in accordance with generally accepted accounting principles.

Repeat Finding: 2020-001

Effect

Account balances related to EMS services, including revenues, accounts receivables and deferred inflows of resources were misstated and required adjustments.

Recommendation

The City should establish internal controls to ensure revenues are recognized in accordance with generally accepted accounting principles. These internal controls should include a monthly reconciliation to ensure revenues, receivables and deferred inflows of resources are fairly stated. Additionally, the City should develop a methodology for determining the allowance for uncollectible accounts.

Corrective Action Plan

See management corrective action plan.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

Finding 2021-002 – Recording of Accruals (Material Weakness)

Criteria

The City's year-end cutoff process should incorporate appropriate cutoff procedures to ensure receipts and disbursements (or invoices) are recorded in the correct period. All revenue and related receivables and expenditure and related payable transactions should be posted in the correct period to ensure proper cutoff.

Condition

The City did not have proper cutoff to ensure revenues and expenditures are recognized in the proper period. Accounts receivables and accounts payables were misstated in several areas (accounts payables related to expenditures, including the acquisition of capital assets, as well as utility, sales tax and EMS receivables).

Cause

Cutoff issues were a result of the following:

1. Internal controls were not suitably designed to ensure supporting documentation is carefully reviewed to determine whether transactions include revenues or expenditures that should be accrued. For example, certain expenditures were posted in the period in which the invoice was dated rather than in the period in which the goods or services were received.
2. In an effort to produce a trial balance for audit purposes soon after fiscal year-end, the City estimates certain revenues based on historical trends and other known factors. As the audit progressed and revenues materialized, these balances were not adjusted to actual amounts.

Repeat Finding: 2020-002, 2019-002

Effect

The lack of proper cutoff results in revenues and expenditures not being posted in the proper period which resulted in misstatements.

Recommendation

The City should develop processes and procedures as part of its fiscal year end closing process to ensure all revenues and expenditures are recognized in the proper period. These processes and procedures should include reviewing supporting documentation in more detail to determine the period the revenues and expenditure pertain to.

Corrective Action Plan

See management's response in the corrective action plan.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

Finding 2021-003 – Capital Assets (Material Weakness)

Criteria

Internal controls should be designed to ensure capital asset balances are free from material misstatements. A key control to achieve this objective is maintaining a complete and accurate capital asset listing and depreciation schedule.

Condition

The following issues were noted as they relate to capital assets:

1. The beginning balances for accumulated depreciation for capital assets were understated by \$432,173 and \$1,990,787 of the governmental-activities and business-type activities, respectively.
2. As described in finding 2021-002, certain assets were not included on depreciation schedule within the correct period.
3. The construction in progress schedule and related general ledger balance at fiscal year-end was overstated by \$126,792.

Cause

The issues noted above were caused by the following:

1. The City maintains its capital asset depreciation schedules on an excel spreadsheet. The schedule is updated manually each year to reflect current year activity including capital asset additions and disposals as well as updating accumulated depreciation for current year depreciation expense. Due to the volume of data and high degree of manual input, the computations included within the excel spreadsheet contained errors which resulted in accumulated depreciation to be understated.
2. The City did not maintain proper cutoff by posting the capital outlay in the period in which purchased assets were received.
3. The general ledger balance should reflect the cumulative costs incurred to date on ongoing construction projects. However, we noted the general ledger balance and related construction in progress schedule reflected the balance remaining to be spent on the respective projects rather than the costs incurred to date. Controls were not suitably designed to detect and correct this error timely.

Repeat Finding: 2020-003. 2019-003

Effect

Capital assets including construction in progress and accumulated depreciation were misstated.

Recommendation

The City should strengthen internal controls over capital assets by updating the capital asset schedules throughout the year and implementing a review of the schedule by an individual other than the preparer. We recommend the schedule be reconciled to the general ledger throughout the year to ensure accuracy at fiscal year-end.

Corrective Action Plan

See management's response in the corrective action plan.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

Finding 2021-004 – Cash Management (Significant Deficiency)

Criteria

The City maintains cash balances in a pooled cash account. Cash balances should be monitored on a monthly basis through bank reconciliations. There should be periodic monitoring to ensure no fund significantly overspends its share of pooled cash.

Condition

Over the years the utility fund has overspent its share of cash held in the pooled cash account creating a cash shortfall in the fund of approximately \$3.4 million. At September 30, 2021, the utility fund also had a deficit in its unrestricted net position which leaves doubt that the fund will be able to repay amounts borrowed from the general fund. Additionally, the bank reconciliation for the pooled cash account was not being reconciled to the correct general ledger balance. Adjustments were necessary to correct certain errors and reduce the unreconciled difference from approximately \$260,000 to approximately \$16,000.

Cause

The lack of monitoring over the years has resulted in a significant cash shortfall in the utility fund. As it relates to bank reconciliations, the City was reconciling its pooled cash balance to the general ledger pooled cash account in fund 99. Fund 99 is a tracking fund whose pooled cash balance should always be equal to the sum of pooled cash balances maintained within the City's individual funds. Because the balance in pooled cash in fund 99 did not agree to the pooled cash balance in the individual funds, the City was reconciling its pooled cash account to an incorrect general ledger balance.

Repeat Finding: 2020-004

Effect

Failure to properly maintain monthly bank reconciliations may result in errors going undetected. The lack of monitoring of cash deficits within a fund may result in serious cash problems if not addressed timely.

Recommendation

The City should regularly monitor cash balances by fund and address any identified cash shortfalls. Additionally, we recommend the City ensure the pooled cash balance in fund 99 agrees to the total pooled cash balances in the funds to ensure the reconciliation is being performed properly.

Corrective Action Plan

See management's response in the corrective action plan.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

Finding 2021-005 – General Ledger Maintenance (Material Weakness)

Criteria

Management is responsible for designing, implementing, establishing and maintaining effective internal controls and for ensuring that financial information is reliable and properly recorded.

Condition

In addition to items included in previously listed findings, we identified various instances where financial information had not been properly recorded and the internal control systems in place neither prevented nor detected these errors. Items noted included the following:

1. Revenue in the American Rescue Plan fund was overstated by \$1,995,405. The City recognized revenue for the total amount of funds received, however, based on generally accepted accounting principles revenues in an expenditure-driven grant are to be recognized as qualifying eligible expenditures are incurred.
2. Two grant revenue accounts with a combined balance of \$390,062 reflected debit balances. A debit balance in a revenue account would indicate that there is negative revenue which is not possible.
3. Two expense accounts with a combined balance of \$182,823 reflected credit balances. A credit balance in an expense account would indicate that there is a negative expense, which is not possible. Of this balance, \$164,773 was included in payroll and payroll related expense accounts.
4. Account balances in the due to and due from other funds were not properly reconciled. The amounts payable and receivable between funds did not agree to each other.

Cause

The internal controls in place were not suitably designed to prevent and/or detect the errors noted. We recommend the finance department strengthen internal controls by performing frequent reviews of general ledger activity as well as monthly account reconciliations.

Repeat Finding: N/A

Effect

The lack of effective internal controls in place to ensure financial information is reliable and properly recorded increases the risk of errors from occurring and not being detected and corrected timely. These errors resulted in misstatements to the financial statements which required adjustments. Throughout the audit process a total of 59 adjustments were posted to the general ledger.

Recommendation

We recommend the finance department strengthen internal controls by performing frequent reviews of general ledger activity as well as monthly account reconciliations.

Corrective Action Plan

See management's response in the corrective action plan.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

Finding 2021-006 – TIRZ Receivable (Significant Deficiency)

Criteria

The TIRZ receivable balance should reflect the correct amount owed to the City.

Condition

In reviewing general ledger activity, we noted the account balance for the TIRZ receivable did not change as compared to the prior year. Given the nature of the account, we expected to see the balance change to reflect any activity for the current year. We confirmed the balance with County of Hidalgo and noted the City's receivable balance was \$301,116 greater than the balance confirmed by County of Hidalgo. An adjustment was necessary to correct this overstated receivable.

Cause

It is our understanding that there have been compliance issues in the past as it relates to certain requirements the City must abide by while participating in the TIRZ. The City has been working on resolving this issue and has a consultant assisting in resolving these matters. Based on our discussion with the Finance Director it was noted the receivable balance was an amount determined by the consultant. The City did not communicate with County of Hidalgo to determine what they reflect as being owed to the City related to the TIRZ.

Repeat Finding: N/A

Effect

The condition noted resulted in the TIRZ receivable balance potentially being overstated by \$301,116.

Recommendation

We recommend the City communicate with third parties, in this case with County of Hidalgo, to confirm the balances due to the City to ensure account balances are correct and accurate.

Corrective Action Plan

See management corrective action plan.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Section II – Financial Statement Findings

Finding 2021-007 – Journal Entry Posting (Significant Deficiency)

Criteria

Controls should be suitably designed to ensure all journal entries are reviewed and approved prior to posting. This control should be documented with signatures and dates by both the preparer and reviewer of the journal entries.

Condition

We reviewed 23 journal entries that met scope for testing. Of these, we noted two instances where the journal entry lacked the signature of the individual who prepared it, two instances where both the preparer and reviewer of the journal entry did not sign it, and one instance where only the reviewer did not sign the journal entry.

Cause

The application of the internal controls in place were not followed consistently.

Repeat Finding: N/A

Effect

We were unable to verify that the review and approval process took place for the journal entries noted. Signatures by both the preparer and reviewer provide a clear audit trail and provides evidence that the control in place was followed. The lack of a review and approval of journal entries may result in errors that may result in misstatements to the financial statements.

Recommendation

We recommend all journal entries be signed and dated by both the preparer and reviewer prior to the journal entries being posted to the general ledger.

Corrective Action Plan

See management corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None noted.

CITY OF MERCEDES, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor Pass Through Grantor/ Program Title	Federal ALN**	Pass-Through Entity Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Federal Awards				
U.S. Department of Housing and Urban Development				
Passed through Hidalgo County				
CDBG - Entitlement Grant Cluster				
Community Development Block Grant/Entitlement Grant*	14.218	B-20-UC-48-0501	\$ -	\$ 14,804
Community Development Block Grant/Entitlement Grant*	14.218	B-21-UC-48-0501	-	143,912
Total CDBG - Entitlement Grant Cluster			-	158,716
Total passed through Hidalgo County			-	158,716
Total U.S. Department of Housing and Urban Development			\$ -	\$ 158,716
U.S. Department of Treasury				
Direct Programs				
Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan) - COVID-19				
	21.027		\$ -	\$ 61,714
Total direct programs			-	61,714
Passed through Hidalgo County				
Coronavirus Relief Fund - COVID-19	21.019	2020-HID-CFR-MER-09	-	492,431
Total passed through Hidalgo County			-	492,431
Total U.S. Department of Treasury			\$ -	\$ 554,145
Department of Homeland Security				
Passed through the Texas Office of the Governor - Homeland Security Grants Division (HSGD)				
Homeland Security Grant Program - Stonegarden 2018	97.067	EMW-2018-SS-00022-S01	\$ -	\$ 33,084
Homeland Security Grant Program - Stonegarden 2019	97.067	EMW-2019-SS-00034-S01	-	81,042
Homeland Security Grant Program - Stonegarden 2020	97.067	EMW-2020-SS-00054	-	29,104
Total passed through the Texas Office of the Governor - Homeland Security Grants Division (HSGD)			-	143,230
Total Department of Homeland Security			\$ -	\$ 143,230
U.S. Department of Justice, Office of Justice Program				
Passed through the Texas Office of the Governor				
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0002	\$ -	\$ 52,224
Total passed through the Texas Office of the Governor			-	52,224
Total U.S. Department of Justice, Office of Justice Program			\$ -	\$ 52,224
Total Federal Awards Expended			\$ -	\$ 908,315

* Cluster of programs

** Assistance Listing Number (ALN) formerly known as Catalog of Federal Domestic Assistance (CFDA).

CITY OF MERCEDES, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Mercedes, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2: INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: FEDERAL LOANS AND LOAN GUARANTEES

During the fiscal year ended September 30, 2021, the City had no outstanding federal loans payable or loan guarantees.

NOTE 4: SUB-RECIPIENTS

During the fiscal year ended September 30, 2021, the City did not have any sub-recipients.

NOTE 5: NONCASH AWARDS

During the fiscal year ended September 30, 2021, the City did not receive any non-cash assistance.

NOTE 6: FEDERALLY FUNDED INSURANCE

During the fiscal year ended September 30, 2021, the City had no outstanding federally funded insurance.

**CITY OF MERCEDES, TEXAS
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

Findings Related to the Financial Statements

Schedule Reference Number: (2020-001)

Accounting for EMS Services

Status:

Due to the audit being finalized in the middle of the fiscal year and staffing shortages and workload, the entries were not done until the end of the fiscal year in 2021. In fiscal year 21-22, this has been corrected and entries are being recorded on monthly basis. As for the calculation of allowance for doubtful accounts, it was indicated by the agent of record Mr. A. Martinez that 40% of the outstanding balance would be considered uncollectible. This is the amount recorded as uncollectible.

Schedule Reference Number: (2020-002)

Recording of accruals

Status:

Accruals for property taxes, utility, hotel/motel are accrued based on an estimated amount in order to provide the trial balance as soon as possible. Auditors wanted these items accrued based on actuals. As for accounts payable, there are invoices that will arrive months after the fiscal year has closed. We do try to keep an eye out for invoices that are prior year expenditures and we do ask department heads to indicate that on the payment request when it is submitted to Finance, but there are still going to be a few that might slip through without us noticing due to the high volume of invoices that are processed.

Schedule Reference Number: (2020-003)

Capital Assets

Status:

A database was created this fiscal year 21-22, which will help us track the assets more efficiently. We are also working on a more streamlined process to make sure we get all the assets recorded.

**CITY OF MERCEDES, TEXAS
STATUS OF PRIOR YEAR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Findings Related to the Financial Statements - Continued

Schedule Reference Number: (2020-004) Cash Management

Status:

This finding is related to the Utility fund and its negative balance. We are already addressing this issue. We increased water/sewer rates as of October 2021 and we are waiting on the results of the water rate study as well. We have passed an ordinance to collect water tap/water rights fees, which range between \$800 and \$1,600. Management is also working on reducing the cost of sludge removal by making improvements to the water plant. Eventually the Utility fund should be able to sustain itself and pay back the General Fund.

**CITY OF MERCEDES, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor’s reports.”

Findings Related to the Financial Statements

Finding 2021-001 – Accounting for EMS Services (Material Weakness)

Corrective Action Plan

Recognition of revenue has been corrected as of FY 21-22. Entries are being recognized every month.

Due to the delay of the audit last fiscal year and the loss of the Chief Accountant and other staff, we were unable to get the entries recognized during the year until the end of the fiscal year for 2020-2021

Proposed Completion Date – September 30, 2022

Contact Person – Nereida Perez, Finance Director (Phone: 956-565-3114)

Finding 2021-002 – Recording of Accruals (Material Weakness)

Corrective Action Plan

We will keep a closer eye on these items for next fiscal year in order to accrue all prior year expenditures.

We tried correcting this finding in FY 20-21 by asking all department heads to make sure they indicate on the payment request for FY21-22, if the expenditure was for last fiscal year.

We also asked department heads and department administrators to contact vendors that had outstanding PO’s to submit invoices by no later than the end of the fiscal year. This deadline was extended to mid-October

Due to staffing shortages and some of the invoices coming in until early 2022, some of these were overlooked and were not accrued to FY 20-21.

Proposed Completion Date – September 30, 2022

Contact Person – Nereida Perez, Finance Director (Phone: 956-565-3114)

**CITY OF MERCEDES, TEXAS
CORRECTIVE ACTION PLAN - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Findings Related to the Financial Statements - Continued

Finding 2021-003 – Capital Assets (Material Weakness)

Corrective Action Plan

The city is working on a database to track fixed assets, but due to staffing changes we were unable to use the database for fiscal year 2020-2021.

The City is currently working on correcting this finding by updating the database and possibly hiring a fixed asset accountant for capital assets.

Accumulated depreciation has been corrected in the current schedule. A majority of the discrepancies on accumulated depreciation was on older assets from prior years and these discrepancies were not brought up to the attention of the City until now.

Proposed Completion Date – September 30, 2022

Contact Person – Nereida Perez, Finance Director (Phone: 956-565-3114)

Finding 2021-004 – Cash Management (Significant Deficiency)

Corrective Action Plan

As it relates to the bank reconciliations, the City has corrected the balances for each fund and the total now agrees to the balance in Fund 99 (Pool Cash).

As it relates to the Utility fund deficit, the City has been actively trying to correct this by approving several ordinances to generate more revenue for the utility fund, such as water rights fees, utility meter fees, water tap fees and a water rate study currently being conducted.

With these new fees, the City is confident that the Utility fund will be able to generate more revenue for operations and to pay back the \$3.4M owed to the General Fund.

Proposed Completion Date – September 30, 2022

Contact Person – Nereida Perez, Finance Director (Phone: 956-565-3114)

Finding 2021-005 – General Ledger Maintenance (Material Weakness)

Corrective Action Plan

In FY 20-21, the Finance Department lost key staff, such as the Chief Accountant (2 months) and the AP Clerk (3 ½ months), and was unable to keep up with reconciliations and adjustments timely and therefore there were some discrepancies and pending adjustments in some funds. The finance department consists of four staff, each with different duties, so when they lose even one staff member for a long period of time it becomes a challenge to keep up with all duties timely.

The Finance department is now fully staffed again and all funds are monitored and reconciliations, including the due to/due from, are being prepared and reviewed monthly.

Proposed Completion Date – September 30, 2022

Contact Person – Nereida Perez, Finance Director (Phone: 956-565-3114)

**CITY OF MERCEDES, TEXAS
CORRECTIVE ACTION PLAN - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Findings Related to the Financial Statements - Continued

Finding 2021-006 – TIRZ Receivable (Significant Deficiency)

Corrective Action Plan

The County Auditor and the City are still in negotiation over the amount due from the County.

Per our consultant, the auditor should footnote the City and County numbers, that the City and County are currently in negotiation over the amounts due from the city and county

Proposed Completion Date – September 30, 2022

Contact Person – Nereida Perez, Finance Director (Phone: 956-565-3114)

Finding 2021-007 – Journal Entry Posting (Significant Deficiency)

Corrective Action Plan

This is the first time we have been required to include the preparers signature on all journal entries, we only require the approval signature on the journal entry registers.

We will make sure all journal entry registers are initialed/signed by the preparer and approver.

Proposed Completion Date – June 30, 2022

Contact Person – Nereida Perez, Finance Director (Phone: 956-565-3114)