

City of La Joya

Audited Financial Report

Year Ended September 30, 2019



*Oscar R. González, CPA
&
Associates, PLLC
Certified Public Accountant*

CITY OF LA JOYA, TEXAS
Audited Financial Report
For the Year Ended September 30, 2019

I. FINANCIAL SECTION	<u>Page</u>
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis.....	4-11
 II. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position.....	12-13
Statement of Activities.....	14-15
Fund Financial Statements	
Governmental Funds:	
Balance Sheet.....	16-17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	19-20
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	21
Proprietary Funds:	
Statement of Net Position.....	22-23
Statement of Revenues, Expenses, and Changes in Net Position.....	24
Statement of Cash Flows.....	25-26
III. NOTES TO FINANCIAL STATEMENTS	27-61
 IV. REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for Retirement Plan (Unaudited).....	62
Schedule of Changes in Net Pension Liability and Related Ratios (Last 10 Years).....	63-64
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	65
 V. OTHER SUPPLEMENTARY INFORMATION	
Schedule of Delinquent Taxes Receivable.....	66-67
Combining Balance Sheet - Non-Major Governmental Funds.....	68-69
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non Major Governmental Funds.....	70-71

CITY OF LA JOYA, TEXAS
Audited Financial Report
For the Year Ended September 30, 2019

V. OTHER SUPPLEMENTARY INFORMATION (continued)	<u>Page</u>
Combining Balance Sheet - La Joya Economic Development Funds.....	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - La Joya Economic Development Funds.....	73
 VI. COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	74-75
Schedule of Findings and Questioned Costs.....	76-77
Summary Schedule of Prior Year Audit Findings.....	78
Corrective Action Plan.....	79

CITY OF LA JOYA, TEXAS
Audited Annual Financial Report
Year Ended September 30, 2019

BOARD OF DIRECTORS

ELECTED OFFICIALS

JOSE A. "FITO" SALINAS
Mayor

MARY SALINAS
Mayor Pro-Team

REYNALDO ACOSTA
Commissioner

ANNA LISA RUIZ
Commissioner

MARIA E. "GENY" SALINAS
Commissioner

City Administrador
JACQUELINE BAZAN

Finance director
GREGORIA JACKSON

FINANCIAL SECTION

 **Oscar R. González, CPA**
&
Associates, P.L.L.C.

Certified Public Accountants

208 W. Ferguson Unit #1 • Pharr, Texas 78577

Tel: (956) 787-9909 • Fax: (956) 787-3067

Email: org110n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the City Commission of
City of La Joya, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of City of La Joya, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of La Joya, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of the City of La Joya, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, and schedule of net pension liability and related ratios (last 10 years), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Joya, Texas' basic financial statements. The schedule of delinquent taxes receivable and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the budgetary information 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 budgetary comparison information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of delinquent taxes receivable has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the City of La Joya, 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 La Joya, 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 La Joya, Texas' internal control over financial reporting and compliance.

Oscar R. Gonzalez CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas

October 21, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of La Joya's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The City's total change in net position was \$180,772 as of September 30, 2019. This is composed of Governmental Activities' net position of \$8,184,662 and Business-Type Activities' net position of \$4,904,596

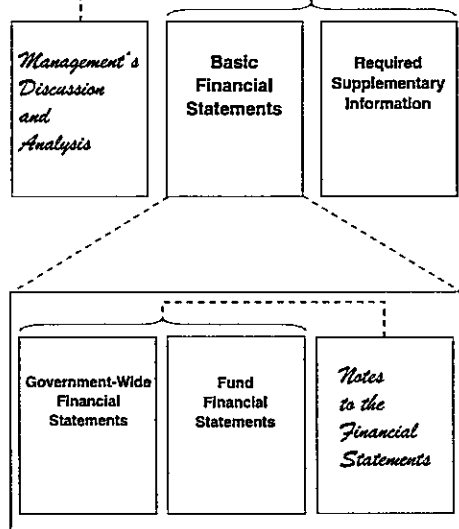
- During the year, the City's expenses were \$3,193,408 and \$3,299,803 were generated in taxes and other revenues for governmental activities. Additionally, the City's business type activities generated \$1,494,113 in expenditures and \$1,568,490 in revenues.
- The general fund reported a fund balance this year of \$1,112,918.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds statements* tell how *general government services* were financed in the *short term* as well as what remains for future spending.

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Government-wide Statements

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

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets, deferred outflows, liabilities and deferred inflows—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, health and welfare, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position	• Balance sheet	• Statement of Net Position	• Statement of Fiduciary Net
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund Net Position • Statement of cash flows	• Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position - The City's combined net position was \$13,089,258 at September 30, 2019. (See Table A-1 on page 7).

In 2019, net position for the Primary Government increased by \$175,302.

Referring to Table A-2, the City's total revenues of the Primary Government increased by \$110,450. The total cost of the Primary Government activities increased by \$315,264 due to a focused adherence to the overall budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1
City of La Joya, Texas
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Increase / Decrease 2019-2018
	2019	2018	2019	2018	2019	2018	
Current Assets:							
Cash and Cash Equivalents	\$ 1,103,644	\$ 804,990	\$ 953,951	\$ 723,011	\$ 2,057,595	\$ 1,528,001	\$ 529,594
Restricted Cash	-	-	3,833,470	4,106,429	3,833,470	4,106,429	(272,959)
Accounts Receivable-Taxes	180,838	210,852	-	-	180,838	210,852	(30,014)
Accounts Receivable-Court	2,527,595	2,640,777	-	-	2,527,595	2,640,777	(113,182)
Accounts Receivable-Customers	97,850	95,266	-	-	97,850	95,266	2,584
Accounts Receivable-Bond Proceeds	302,000	273,000	-	-	302,000	273,000	29,000
Accounts Receivable-Other	218,376	165,512	186,434	197,199	404,810	362,711	42,099
Due From Other Governments	864,663	836,620	-	20,350	864,663	856,970	7,693
Prepaid and Other Assets	-	-	27,620	-	27,620	-	27,620
Inventory	397,702	367,269	-	-	397,702	367,269	30,433
Note Receivable	585,848	1,232,016	-	-	585,848	1,232,016	(646,168)
Grants	35,000	35,000	-	-	35,000	35,000	-
Internal Balance	37,185	83,764	-	(83,764)	-	-	-
Total current assets	\$ 6,350,701	\$ 6,745,066	\$ 5,001,475	\$ 4,963,225	\$ 11,314,991	\$ 11,708,291	\$ (393,300)
Noncurrent Assets:							
Bonds Issuance Cost (Net)	\$ -	\$ -	\$ 150,456	\$ 158,695	\$ 150,456	\$ 158,695	\$ (8,239)
Capital Assets	13,440,598	12,971,914	7,868,487	7,706,413	21,309,085	20,678,327	630,758
Less: Accumulated Depreciation	(4,994,555)	(4,677,927)	(3,529,016)	(3,291,788)	(8,523,571)	(7,969,715)	(553,856)
Total Noncurrent Assets	8,446,043	8,293,987	4,489,927	4,573,320	12,935,970	12,867,307	68,663
Total Assets	14,796,744	15,039,053	9,491,402	9,536,545	24,250,961	24,575,598	(324,637)
Deferred Outflows of Resources							
Related to Pension	\$ 98,892	\$ 79,184	\$ 31,638	\$ 16,219	\$ 130,530	\$ 95,403	\$ 35,127
Related to OPEB	3,532	4,011	638	821	4,170	4,832	(662)
Total Deferred Outflows of Resources	\$ 102,424	\$ 83,195	\$ 32,276	\$ 17,040	\$ 134,700	\$ 100,235	\$ 34,465
Current Liabilities							
Accounts Payable	\$ 231,907	\$ 558,383	\$ 82,383	\$ 19,266	\$ 314,290	\$ 577,649	\$ (263,359)
Payroll Liabilities	21,821	38,935	1,724	-	23,545	38,935	(15,390)
Unearned Revenues	938,719	1,271,620	279,771	200,032	1,218,490	1,471,652	(253,162)
Other Current Liabilities	42,664	24,511	-	-	42,664	24,511	18,153
Deferred USDA Loan	302,000	-	-	-	302,000	-	302,000
Due to Other Funds	-	-	37,185	-	37,185	-	37,185
Accrued Wages and Benefits	-	-	-	12,525	-	12,525	(12,525)
Matured Debt Payable within One Year	148,500	144,828	283,000	283,000	431,500	427,828	3,672
Customer Deposits	-	-	58,610	52,035	58,610	52,035	6,575
Total Current Liabilities	\$ 1,685,611	\$ 2,038,277	\$ 742,673	\$ 566,858	\$ 2,428,284	\$ 2,605,135	\$ (176,851)
Non-Current Liabilities:							
Compensated Absences	\$ 27,788	\$ 6,681	\$ 13,718	\$ 4,198	\$ 41,506	\$ 10,879	\$ 30,627
Bond Payable (Net)	3,378,328	3,337,172	3,694,000	3,977,000	7,072,328	7,314,172	(241,844)
Loan Payable (Net)	638,292	664,721	-	-	638,292	664,721	(26,429)
Leases Payable (Net)	187,003	252,230	-	-	187,003	252,230	(65,227)
Net Pension Liability	693,512	654,688	147,823	132,937	841,335	787,625	53,710
Net OPEB Liability	59,881	59,858	12,163	12,155	72,044	72,013	31
Total Non-Current Liabilities	4,984,804	4,975,350	3,867,704	4,126,290	8,852,508	9,101,640	(249,132)
Total Liabilities	6,670,415	7,013,627	4,610,377	4,693,148	11,280,792	11,706,775	(425,983)
Deferred Inflows of Resources	44,091	45,735	8,705	9,367	52,796	55,102	(2,306)
Net Position:							
Net Invested in Capital Assets	\$ 4,501,923	\$ 3,895,036	\$ 1,872,279	\$ 4,419,749	\$ 6,374,202	\$ 8,314,785	\$ (1,940,583)
Restricted for:							
Special Revenues	822,740	134,785	-	-	822,740	134,785	687,955
Economic Development	426,326	959,611	-	-	426,326	959,611	(533,285)
Capital Projects	(174,190)	-	-	-	(174,190)	-	(174,190)
Unrestricted	2,607,863	3,073,454	3,032,317	431,321	5,640,180	3,504,775	2,135,405
Total Net Position	\$ 8,184,662	\$ 8,062,886	\$ 4,904,596	\$ 4,851,070	\$ 13,089,258	\$ 12,913,956	\$ 175,302

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Budgetary Highlights

Actual expenditures were \$47,908 less than the final budget amounts. This was due to periodic review of the budget during the year.

Resources available were \$65,325 more than the final budgeted amount. This was mostly due to revenue from court fines and fees being less than anticipated.

Table A-2
City of La Joya, Texas
(In dollars)

	Primary Government		Business-Type		Total		Increase / Decrease 2019-2018
	2019	2018	2019	2018	2019	2018	
Program Revenues:							
Charges for Services	\$ 972,537	\$ 1,121,145	\$ 1,546,080	\$ 1,626,597	\$ 2,518,617	\$ 2,747,742	\$ (229,125)
Operating Grants and Contributions	321,364	159,282	-	-	321,364	159,282	162,082
Capital Grants and Contributions	40,797	85,284	30,000	-	70,797	85,284	(14,487)
General Revenues							
Property Taxes, Levied for general purposes	884,797	800,640	-	-	884,797	800,640	84,157
Sales Taxes	522,298	499,372	-	-	522,298	499,372	22,926
Franchise Taxes	272,098	240,108	-	-	272,098	240,108	31,990
Miscellaneous	34,918	97,094	(8,239)	-	26,679	97,094	(70,415)
Interest Revenue	5,608	9,451	649	3,694	6,257	13,145	(6,888)
License and Permit	44,749	-	-	-	44,749	-	44,749
Federal Grants	259,056	73,213	-	-	259,056	73,213	185,843
Transfers	-	83,764	-	(83,764)	-	-	-
Sale of Assets	28,581	20,000	-	-	28,581	20,000	8,581
Debt Forgiveness	(87,000)	-	-	-	(87,000)	-	(87,000)
Total Revenues	\$ 3,299,803	\$ 3,189,353	\$ 1,568,490	\$ 1,546,527	\$ 4,868,293	\$ 4,735,880	132,413
General Government	\$ 1,440,604	\$ 1,333,255	\$ -	\$ -	\$ 1,440,604	\$ 1,333,255	107,349
Public Safety	813,022	700,088	-	-	813,022	700,088	112,934
Health and Welfare	213,314	165,019	-	-	213,314	165,019	48,295
Culture and Recreation	289,428	377,048	-	-	289,428	377,048	(87,620)
Economic Development	121,178	107,845	-	-	121,178	107,845	13,333
Debt Principal	-	80,644	-	-	-	80,644	(80,644)
Debt Interest	188,831	-	-	-	188,831	-	188,831
Municipal Court	127,031	114,245	-	-	127,031	114,245	12,786
Other Expenses	-	-	-	12,114	-	12,114	-
Water and Sewer	-	-	1,494,113	1,351,216	1,494,113	1,351,216	142,897
Total Expenses	\$ 3,193,408	\$ 2,878,144	\$ 1,494,113	\$ 1,363,330	\$ 4,687,521	\$ 4,241,474	446,047
Change in Net Position,	106,395	311,209	74,377	183,197	180,772	494,406	(313,634)
Net Position Beginning	8,062,886	7,768,777	4,851,069	4,660,865	12,913,955	12,429,642	484,313
Prior Period	15,381	(17,100)	(20,850)	7,008	(5,469)	(10,092)	4,623
Net Position Ending	\$ 8,184,662	\$ 8,062,886	\$ 4,904,596	\$ 4,851,070	\$ 13,089,258	\$ 12,913,956	\$ 175,302

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had invested \$13,440,598 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4).

Table A-4

	Primary Governmental		Business Type		Total		2019-2018 Increase/ (Decrease)
	2019	2018	2019	2018	2019	2018	
Land	\$ 389,060	\$ 389,060	264,512	\$ 267,512	\$ 653,572	\$ 656,572	\$ (3,000)
Construction in Progress	-	3,301,715	553,604	553,604	553,604	3,855,319	(3,301,715)
Buildings	5,857,398	2,468,559	850,000	850,000	6,707,398	3,318,559	3,388,839
Machinery and Equipment	763,141	671,309	903,905	869,691	1,667,046	1,541,000	126,046
Vehicles	2,037,425	1,956,108	400,969	400,969	2,438,394	2,357,077	81,317
Infrastructure	4,393,574	4,185,163	4,895,474	4,764,637	9,289,048	8,949,800	339,248
	<u>\$ 13,440,598</u>	<u>\$ 12,971,914</u>	<u>\$ 7,868,464</u>	<u>\$ 7,706,413</u>	<u>\$ 21,309,062</u>	<u>\$ 20,678,327</u>	<u>630,735</u>
Less: Accumulated Depreciation	(4,994,555)	(4,677,927)	(3,528,993)	(3,291,788)	(8,523,548)	(7,969,715)	(553,833)
Total Capital Assets (Net)	<u>\$ 8,446,043</u>	<u>\$ 8,293,987</u>	<u>\$ 4,339,471</u>	<u>\$ 4,414,625</u>	<u>\$ 12,785,514</u>	<u>\$ 12,708,612</u>	<u>\$ 76,902</u>

The City's fiscal year 2019 capital projects spending was \$208,411 in the infrastructure. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Debt

	Primary Government		Business-Type Activity		Totals		2018-2019 Increase/(Decrease)
	2019	2018	2019	2018	2019	2018	
Bonds Payable (net)	\$ 1,204,000	\$ 3,432,000	3,694,000	\$ 3,977,000	\$ 4,898,000	\$ 7,409,000	\$ (2,511,000)
Other Long Term Debt (net)	2,999,624	822,123	-	-	2,999,624	822,123	2,177,501
Current Portion	148,500	144,828	283,000	283,000	431,500	427,828	3,672
Compensated Absences	27,788	6,681	13,718	4,198	41,506	10,879	30,627
	<u>\$ 4,379,912</u>	<u>\$ 4,405,632</u>	<u>\$ 3,990,718</u>	<u>\$ 4,264,198</u>	<u>\$ 8,370,630</u>	<u>\$ 8,669,830</u>	<u>\$ (299,200)</u>

Additional Information on the City's debt service can be found in the notes to the financial statements

	Beginning Balance	Increases	Decreases	Ending Balance
Pension Liability	\$ 787,625	\$ 53,710	\$ -	\$ 841,335

MANAGEMENT'S DISCUSSION AND ANALYSIS

The adoption of Statement No. 68 and No. 75 resulted in the City's reporting of net pension liabilities and net OPEB liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. The increase in the City's net pension liability (NPL) to \$841,335 at September 30, 2019 from \$787,625 at September 30, 2018 was the result of a decrease in net investment income in the TMRS plan during 2018.

The table below provides the City's key pension statistics related to the TMRS plan as of and for the fiscal year ended September 30, 2019:

PENSION Key Pension Statistics

Net Pension Liability (NPL)	\$ 841,335
Net OPEB Liability	\$ 72,044
Pension Expense	\$ 65,561

Additional information on the City's net pension liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2020 budget preparations is up to \$ 160,067,663 and continues to grow.
- General operating fund spending budget for 2020 was prepared based on history of actual definite revenues and essential expenses to operate.
- More Sales Tax revenues and properties taxes are expected to increase due to more developments for FY 2019-2020.
- The city will continue to utilize State Federal Grant funding for law Enforcement salaries, equipment and vehicles for FY 2019-2020. A new Grant of \$500,000 (COPS) has been awarded to the City for Fiscal year 2020.
- A grant of \$490,000 was received by the City for the prevention of COVID-19 infection for Fiscal year 2020.
- Several Residential and Apartments continue to develop which will generate additional ad valorem tax, sales tax and utility revenues for FY 2020.
- Construction of the new medical facility branch has been delayed; negotiations are still continuing with interested parties.
- The City and Tax Increment Reinvesting Zone have pre-approved numerous developments for residential and commercial properties.
- City officials are committed to securing and encouraging new businesses to come and invest in the City of La Joya.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Business Services Department or directly at our phone number (956) 581-7002.

BASIC FINANCIAL STATEMENTS

CITY OF LA JOYA, TEXAS
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 1,016,010	\$ 953,951	\$ 1,969,961
Restricted Cash	87,634	3,833,470	3,921,104
Accounts Receivable - Property Taxes	180,838	-	180,838
Accounts Receivable - Court	2,527,595	-	2,527,595
Accounts Receivable - Customers	97,850	186,434	284,284
Accounts Receivable - Bond Proceeds	302,000	-	302,000
Accounts Receivable - Other	254,320	-	254,320
Due from Other Governmental Entities	828,719	-	828,719
Due from Other Funds	37,185	-	37,185
Prepaid and Other Assets	-	27,620	27,620
Inventory	397,702	-	397,702
Note Receivable	585,848	-	585,848
Grants	35,000	-	35,000
Total Current Assets	6,350,701	5,001,475	11,352,176
<i>Non-Current Assets</i>			
Bond Issuance Cost (Net)	-	150,456	150,456
Land	389,060	264,512	653,572
Construction In Progress	-	553,604	553,604
Buildings and Improvements (Net)	4,967,214	1,920,763	6,887,977
Machinery and Equipment (Net)	785,320	523,017	1,308,337
Vehicles (Net)	293,845	138,983	432,828
Infrastructure (Net)	2,010,604	938,592	2,949,196
Total Non-Current Assets	8,446,043	4,489,927	12,935,970
Total Assets	\$ 14,796,744	\$ 9,491,402	\$ 24,288,146
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pension	98,892	31,638	130,530
Related to OPEB	3,532	638	4,170
Total Deferred Outflows of Resources	102,424	32,276	134,700

The notes to these statements are an integral part of these statements.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	\$ 231,907	\$ 82,383	\$ 314,290
Payroll Liabilities	21,821	1,724	23,545
Unearned Revenues	938,719	279,771	1,218,490
Other Current Liabilities	42,664	-	42,664
Deferred USDA Loan	302,000	-	302,000
Accrued Wages and Benefits	-	-	-
Due to Other Funds	-	37,185	37,185
Customers Deposits	-	58,610	58,610
Matured Debt Payable Within One Year	148,500	283,000	431,500
Total Current Liabilities	1,685,611	742,673	2,428,284
<i>Non-Current Liabilities</i>			
Compensated Absences	27,788	13,718	41,506
Bonds Payable (Net)	3,381,000	3,694,000	7,075,000
Loans Payable (Net)	478,243	-	478,243
Leases Payable (Net)	344,380	-	344,380
Net Pension Liability	693,512	147,823	841,335
Net OPEB Liability	59,881	12,163	72,044
Total Non-Current Liabilities	4,984,804	3,867,704	8,852,508
Total Liabilities	6,670,415	4,610,377	11,280,792
DEFERRED INFLOWS OF RESOURCES			
Related to Pension	39,656	7,004	46,660
Related to OPEB	4,435	1,701	6,136
Total Deferred Inflows of Resources	44,091	8,705	52,796
NET POSITION			
Net Invested In Capital Assets	4,501,923	1,872,279	6,374,202
<i>Restricted for:</i>			
Capital Projects	(174,190)	-	(174,190)
Special Program	426,326	-	426,326
Economic Development	822,740	-	822,740
<i>Unrestricted</i>	2,607,863	3,032,317	5,640,180
Total Net Position	\$ 8,184,662	\$ 4,904,596	\$ 13,089,258

CITY OF LA JOYA, TEXAS
Statement of Activities
For the Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contribution</u>
Primary Government				
Governmental Activities:				
General Government	\$ 1,440,604	\$ -	\$ 128,934	\$ 40,797
Public Safety	813,022	-	156,486	-
Health and Welfare	213,314	723,179	-	-
Culture and Recreation	289,428	-	-	-
Economic Development	121,178	-	35,944	-
Debt Interest	188,831	-	-	-
Municipal Court	127,031	249,358	-	-
Total Governmental Activities	3,193,408	972,537	321,364	40,797
Business-type Activities:				
Water & Sewer Services	1,494,113	1,546,080	-	30,000
Total Business-type Activities	1,494,113	1,546,080	-	30,000
Total Primary Government	\$ 4,687,521	\$ 2,518,617	\$ 321,364	\$ 70,797

**General Purpose Revenues and Transfers:
Revenues**

- Property Taxes
- Sales Taxes
- Franchise Taxes
- Licenses and Permits
- Miscellaneous
- Federal Grants
- Interest Revenue
- Sale of Assets
- Debt Forgiveness

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Prior Period Adjustments

Net Position at End of Period

The notes to these statements are an integral part of these statements.

Net (Expense) Revenue		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,270,873)	\$ -	\$ (1,270,873)
(656,536)	-	(656,536)
509,865	-	509,865
(289,428)	-	(289,428)
(85,234)	-	(85,234)
(188,831)	-	(188,831)
122,327	-	122,327
<u>(1,858,710)</u>	<u>-</u>	<u>(1,858,710)</u>
-	81,967	81,967
-	81,967	81,967
<u>\$ (1,858,710)</u>	<u>\$ 81,967</u>	<u>\$ (1,776,743)</u>
884,797	-	884,797
522,298	-	522,298
272,098	-	272,098
44,749	-	44,749
34,918	(8,239)	26,679
259,056	-	259,056
5,608	649	6,257
28,581	-	28,581
<u>(87,000)</u>	<u>-</u>	<u>(87,000)</u>
<u>1,965,105</u>	<u>(7,590)</u>	<u>1,957,515</u>
106,395	74,377	180,772
8,062,886	4,851,069	12,913,955
15,381	(20,850)	(5,469)
<u>\$ 8,184,662</u>	<u>\$ 4,904,596</u>	<u>\$ 13,089,258</u>

CITY OF LA JOYA, TEXAS
 Balance Sheet
 Governmental Funds
 September 30, 2019

ASSETS	General	La Joya Economic Development	Urban County Program
Cash and Cash Equivalents	\$ 256,857	\$ 365,718	\$ -
Restricted Cash	-	-	-
Accounts Receivable - Property Taxes	180,838	-	-
Accounts Receivable - Court	2,527,595	-	-
Accounts Receivable - Customers	97,850	-	-
Accounts Receivable - Other	100,432	24,297	-
Accounts Receivable - Bond Proceeds	-	-	-
Due From Other Governmental Entities	-	-	828,719
Note Receivable	-	585,848	-
Inventory	397,702	-	-
Grants Receivable	-	-	-
Due From Other Funds	353,896	85,001	-
Total Assets	3,915,170	1,060,864	828,719
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated Deferred Outflows	-	-	-
Total Assets/Deferred Outflows of Resources	\$ 3,915,170	\$ 1,060,864	\$ 828,719
LIABILITIES			
Accounts Payable	\$ 111,971	\$ 11,830	\$ -
Payroll Liabilities	21,821	-	-
Other Current Liabilities	42,664	-	-
Unearned Revenues	-	-	828,719
Deferred USDA Loans	-	-	-
Due To Other Funds	-	226,294	-
Total Liabilities	176,456	238,124	828,719
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	171,601	-	-
Deferred Court Fines	2,454,195	-	-
Total Liabilities/Deferred Inflows of Resources	2,802,252	238,124	828,719
FUND BALANCE			
Restricted For:			
Capital Projects	-	-	-
Economic Development	-	822,740	-
Special Program	-	-	-
Unassigned	1,112,918	-	-
Total Fund Balance	1,112,918	822,740	-
Total Liabilities, Deferred Inflows of Resources/Fund Balance	\$ 3,915,170	\$ 1,060,864	\$ 828,719

The notes to these statements are an integral part of these statements.

Other Governmental Funds	Total Governmental Funds
\$ 393,435	\$ 1,016,010
87,634	87,634
-	180,838
-	2,527,595
-	97,850
129,591	254,320
302,000	302,000
-	828,719
-	585,848
-	397,702
35,000	35,000
45,441	484,338
<u>993,101</u>	<u>6,797,854</u>

-	-
<u>\$ 993,101</u>	<u>\$ 6,797,854</u>

\$ 108,106	\$ 231,907
-	21,821
-	42,664
110,000	938,719
302,000	302,000
220,859	447,153
<u>740,965</u>	<u>1,984,264</u>

-	171,601
-	2,454,195
<u>740,965</u>	<u>4,610,060</u>

(174,190)	(174,190)
-	822,740
426,326	426,326
-	1,112,918
<u>252,136</u>	<u>2,187,794</u>

<u>\$ 993,101</u>	<u>\$ 6,797,854</u>
-------------------	---------------------

CITY OF LA JOYA, TEXAS

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2019**

Total Fund Balance - Governmental Funds	\$	2,187,794
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		8,446,043
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Position.		(27,788)
Long term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. GASB 68 and 75 are recorded in the Statement of Net Position.		(4,352,123)
Property taxes and Fines receivable unavailable to pay for current period expenditures are deferred in the funds.		2,625,796
Long term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(695,060)
Total Net Position-Governmental Funds	\$	<u>8,184,662</u>

The notes to these statements are an integral part of these statements.

CITY OF LA JOYA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2019

	<u>General</u>	<u>La Joya Economic Development</u>	<u>Urban County Program</u>
Revenues			
Property Taxes	\$ 911,974	\$ -	\$ -
Sales Taxes	261,148	130,575	-
Franchise Taxes	272,098	-	-
Court Fines and Fees	402,127	-	-
Intergovernmental	-	-	-
Licenses and Permits	44,749	-	-
Charges for Services	723,179	-	-
Miscellaneous Revenues	31,922	2,996	-
State Grants	-	-	-
Federal Grants	47,301	-	211,755
Other Governmental Grants	128,934	-	-
Interest Revenue	3,473	2,118	-
Total Revenues	<u>2,826,905</u>	<u>135,689</u>	<u>211,755</u>
Expenditures			
General Government	1,331,357	-	7,964
Public Safety	584,160	-	-
Health and Welfare	190,610	-	-
Culture and Recreation	253,770	-	23,935
Economic Development	-	108,281	-
Capital Outlay	-	-	179,856
Debt Principal	82,570	27,485	-
Debt Interest	125,869	4,353	-
Municipal Court	113,511	-	-
Total Expenditures	<u>2,681,847</u>	<u>140,119</u>	<u>211,755</u>
Excess of Revenues Over (Under) Expenditures	145,058	(4,430)	-
Proceeds from Loans	-	-	-
Sale of Assets	1,000	-	-
Debt Forgiveness	-	(87,000)	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	-	(45,441)	-
Net Other Financing Sources (Uses)	<u>1,000</u>	<u>(132,441)</u>	<u>-</u>
Net Change in Fund Balance	146,058	(136,871)	-
Fund Balance at Beginning of Period	951,479	959,611	-
Prior Period Adjustments	15,381	-	-
Fund Balance at End of Period	<u><u>\$ 1,112,918</u></u>	<u><u>\$ 822,740</u></u>	<u><u>\$ -</u></u>

The notes to these statements are an integral part of these statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 911,974
130,575	522,298
-	272,098
-	402,127
35,944	35,944
-	44,749
-	723,179
-	34,918
197,283	197,283
-	259,056
-	128,934
17	5,608
<u>363,819</u>	<u>3,538,168</u>
-	1,339,321
221,986	806,146
-	190,610
-	277,705
-	108,281
152,119	331,975
34,772	144,827
8,610	138,832
-	113,511
<u>417,487</u>	<u>3,451,208</u>
(53,668)	86,960
98,000	98,000
27,581	28,581
-	(87,000)
70,441	70,441
(25,000)	(70,441)
<u>171,022</u>	<u>39,581</u>
117,354	126,541
134,782	2,045,872
-	15,381
<u>\$ 252,136</u>	<u>\$ 2,187,794</u>

CITY OF LA JOYA, TEXAS
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended September 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	126,541
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful life and depreciated.		468,684
Governmental funds do not report capital assets, and accordingly do not record depreciation expense. Capital assets are recorded on the Statement of Net Position and accordingly depreciation is charged to its allocable function.		(316,627)
Principal payments on long-term are expensed in the governmental fund statements, and treated as reductions of outstanding debt in Statement of Net Position.		144,828
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Position.		(21,107)
Long term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(98,000)
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		(179,946)
Long term liabilities applicable to the city's governmental activities are not due in the current period and accordingly are not reported as fund liabilities. GASB 68 and 75 are recorded in the Statement of Net Position.		(17,974)
Rounding Differences		(4)
Changes in Net Position-Governmental Funds	\$	<u>106,395</u>

The notes to these statements are an integral part of these statements.

CITY OF LA JOYA, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2019

	Business-Type Activities - Enterprise Funds	
	Water & Sewer Fund - Enterprise	Total Enterprise Funds
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 953,951	\$ 953,951
Restricted Cash	3,833,470	3,833,470
Accounts Receivable - Customers	186,434	186,434
Prepaid and Other Assets	27,620	27,620
<i>Total Current Assets</i>	5,001,475	5,001,475
<i>Noncurrent Assets</i>		
Bond Issuance Cost (Net)	150,456	150,456
Land	264,512	264,512
Construction In Progress	553,604	553,604
Buildings and Improvements (Net)	1,920,763	1,920,763
Machinery and Equipment (Net)	523,017	523,017
Vehicles (Net)	138,983	138,983
Infrastructure (Net)	938,592	938,592
<i>Total Assets</i>	\$ 9,491,402	\$ 9,491,402
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pension	\$ 31,638	\$ 31,638
Related to OPEB	638	638
<i>Total Deferred Outflows of Resources</i>	32,276	32,276

The notes to these statements are an integral part of these statements.

	Business-Type Activities - Enterprise Funds	
	Water & Sewer Fund - Enterprise	Total Enterprise Funds
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 82,383	\$ 82,383
Accrued Wages	1,724	1,724
Unearned Revenues	279,771	279,771
Customers Deposits	58,610	58,610
Due To Other Funds	37,185	37,185
Mature Debt Payable Within One Year	283,000	283,000
Total Current Liabilities	742,673	742,673
<i>Noncurrent Liabilities</i>		
Bonds Payable More than a Year	3,694,000	3,694,000
Compensated Absences	13,718	13,718
Net Pension Liability	147,823	147,823
OPEB Liability	12,163	12,163
Total Liabilities	4,610,377	4,610,377
DEFERRED INFLOWS OF RESOURCES		
Related to Pension	7,004	7,004
Related to OPEB	1,701	1,701
Total Deferred Inflows of Resources	8,705	8,705
NET POSITION		
Net Invested in Capital Assets	1,872,279	1,872,279
<i>Unrestricted</i>	3,032,317	3,032,317
Total Net Position	\$ 4,904,596	\$ 4,904,596

CITY OF LA JOYA, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds	
	Water & Sewer Fund - Enterprise	Total Enterprise Funds
Operating Revenues		
Charges For Services	\$ 1,546,080	\$ 1,546,080
Total Operating Revenues	<u>1,546,080</u>	<u>1,546,080</u>
Operating Expenses		
Personnel services	416,126	416,126
Supplies and Materials	255,511	255,511
Contractual Services	585,248	585,248
Depreciation	237,228	237,228
Total Operating Expenses	<u>1,494,113</u>	<u>1,494,113</u>
Operating Income (Loss)	<u>51,967</u>	<u>51,967</u>
Non-Operating Revenues (Expenses)		
Interest Revenue	3,774	3,774
Interest Expense	(3,125)	(3,125)
Other Non Operating Expenses - Amortization Expense	(8,239)	(8,239)
Net Non-Operating Revenues (Expenses)	<u>(7,590)</u>	<u>(7,590)</u>
Income Before Contributions and Transfers	44,377	44,377
Transfers From Other Funds	-	-
Transfers To Other Funds	-	-
Contributed Capital	30,000	30,000
Change In Net Position	<u>74,377</u>	<u>74,377</u>
Net Position at Beginning of Period	4,851,069	4,851,069
Prior Period Adjustments	(20,850)	(20,850)
Net Position at End of Period	<u>\$ 4,904,596</u>	<u>\$ 4,904,596</u>

The notes to these statements are an integral part of these statements.

CITY OF LA JOYA, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

	Water & Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,535,315
Cash Payments to Employees for Services	(416,126)
Cash Payments to Other Suppliers for Goods and Services	(716,783)
Net Cash Provided (Used) by Operating Activities	402,406
 Cash Flows from Non-Capital Financing Activities:	
Bond Expense	8,239
Amortization Expense	(8,239)
Net Cash Provided (Used) by Non-Capital Financing Activities	-
 Cash Flows from Financing Activities:	
Principal Paid	(283,000)
Interest Paid	(3,125)
Net Cash Provided (Used) for Financing Activities	(286,125)
 Cash Flows from Investing Activities:	
Capital Asset Acquisition	(162,074)
Interest and Dividends on Investments	3,774
Net Cash Provided (Used) for Investing Activities	(158,300)
 Net Increase (Decrease) in Cash and Cash Equivalents	(42,019)
Cash and Cash Equivalents at Beginning of Year	4,829,440
Cash and Cash Equivalents at End of Year	\$ 4,787,421

The notes to these statements are an integral part of these statements.

	<u>Water & Sewer Fund</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 50,957
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	237,228
Change in Assets and Liabilities:	
(Increase) Decrease in receivables	10,765
(Increase) Decrease in prepaid and other assets	(27,620)
Increase (Decrease) in account payable	46,048
Increase (Decrease) in payroll deductions and compensated absences	9,520
Increase (Decrease) in wages payable	(10,801)
Increase (Decrease) in customer deposits	6,575
Increase (Decrease) in deferred revenue	79,739
Increase (Decrease) in deferred inflows, outflows and liability due to pension	(5)
Total Adjustments	<u>351,449</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 402,406</u>

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of La Joya, Texas (City) founded June 1961 and was incorporated as a general law city on June 1963. The charter established a City Administrator form of government. The municipal government provided by the Charter of the City of La Joya shall be known as the Board of Commissioners. The Board of Commissioners shall consist of a Mayor and five Commissioners and which shall enact local legislation, adopt budgets, determine policies, and appoint the City Administrator, who is held responsible to the Board of Commissioners for the execution of the laws and the administration of the government of the City.

The general governmental functions include law enforcement, fire and other public safety activities, streets, sanitation, public improvements, public charities, parks and recreation, library services, zoning and general administrative services. Enterprise funds are used to account for the operations of its utility operations.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to toe state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units by the Financial Accounting Standards Board (FASB), when applicable.

B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government: City of La Joya

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units with the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Blended Component Unit

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same of substantially the same as the City Commission or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial Reporting Entity (continued)

The City has one blended component unit, the La Joya Economic Development Corporation (LJEDC). LJEDC information is stated below:

La Joya Economic Development Corporation - (LJEDC) is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. Sales Taxes are collected under Section 4B of the Development Corporation Act of 1979 for these purposes. LJEDC was incorporated on June 1998. The LJEDC board is fully appointed by the City Board of Commissioners. The reason it is a blended component unit is, because the City appoints all LJEDC board members and can remove them at will, the LJEDC board is substantially the same as the City governing body.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of the net position and the statement of activities. These statements report information on all of the non-fiduciary financial information for the City and its component units. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Eliminations have been made to minimize the double-counting of internal activities. Individual funds are not displayed, but the statements distinguish governmental activities (generally supported by taxes and the city general revenue) from business-type activities (generally financed in whole or in part with fees charged to external customers). The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

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

The fund financial statements provide reports on the financial condition and results of operations about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increase (revenues) and decrease (expenses) in net total assets.

Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are sales taxes, franchise taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Types and Major Funds

Governmental Funds

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations

- *General Fund* – reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.
- *La Joya Economic Development Corporation* – is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City.
- *Urban County Program Fund* – is a special revenue fund utilized to account for the receipt and management of urban county funds.

Proprietary Funds

The City reports the following major enterprise funds:

- *Water & Sewer Fund* – accounts for the provision of water and sewer services to the residents of the City.
For cash flow purposes, the City of La Joya, Texas considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Additionally, the city reports internal service funds which are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These services include fleet management. These are proprietary funds that are reported with governmental activities in the government-wide financial statements, because the majority of activity is for governmental activities. Direct expenses are not eliminated from the various functional categories, whereas indirect expenses are. Reimbursements are treated as reduction of expenses.

F. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Cash of all funds, including restricted cash, are 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 are available upon demand and are considered to be "cash equivalents" when preparing financial statements. All investments are recorded at fair value based on quoted market prices. Fair Value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities and Net Position or Equity (continued)

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable property. The valuations are subject to county-wide revaluation every five years. The effective rate is based upon the previous year's total assessed valuation.

Allowances for uncollectible tax receivables within the General and Debt Service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and included as part of the allowance for uncollectible; except for tax receivables over 20 year, the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The City does no write off tax receivable greater than 20 years.

3. Inventories

The inventories are recorded at cost and are accounted for by the consumption method.

4. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectible.

5. Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities and Net Position or Equity (continued)

6. Capital Assets

Capital assets include property, plant, and equipment, 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. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are capital assets valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Infrastructure	30 Years
Improvements	20 Years
Water and Sewer System	30-50 Years
Machinery and Equipment	3-15 Years

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated annual and compensation time leave balances. The City's policy allows employees to carry unused time forward to the next 60 days (only with management approval) bringing down the balance to zero, otherwise vacation will be lost. Unused sick leave benefits will be allowed to accumulate until the employee has accrued a total of 10 calendar days worth of sick leave benefits. If the employee's benefits reach the maximum, further accrual of sick leave benefits will be suspended until the employee has reduced the balance below the limit.

8. Long-Term Obligations

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance cost are deferred and amortized over the life of the bonds using the straight-line method as the amount is immaterial against the effective interest method. Unamortized bond premium and discount, issuance cost and gain or loss on refunding are not netted against the liability, but recorded in the asset portion of the financial statements. In the fund financial statements, long-term liabilities are not recorded in the governmental funds as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources.

9. Restricted Assets

The proceeds and required reserves of debt issuances are recorded as restricted assets as they are restricted for debt service and/or capital projects, payments and/or purchases.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities and Net Position or Equity (continued)

10. Net Position / Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available or are legally restricted by outsource parties for use for a specific purpose.

11. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The city follows the procedures outlined below in establishing budgetary data reflected in the financial statements:

Annual Budgets are legally adopted for all City funds with revenue and expense/expenditure activity. The City Charter states that between sixty (60) and ninety (90) days prior to the end of the fiscal year, the City Manager is required to submit to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures/expenses and the proposed method to finance them.

Dates for public hearings, the purpose of which are to obtain taxpayer's comments are set by the Board of Commissioners at the same time the budget is submitted to that body. The Board of Commissioners may add to, subtract from or change appropriations, but may not change the form of the proposed budget. Any changes must be within the revenue and reserves estimated as available by the City Administrator. Prior to September 25 of each year, the budget is legally enacted through the passage of an ordinance.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations between/within a department in the same fund with the City Administrator's approval. Transfers of appropriations between funds require the approval of the Board of Commissioners. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. At any time during the fiscal year, the City Administrator can reallocate expenditures within a fund without the approval of the Board of Commissioners. However, any revisions to the budget which increase the total budgeted expenditures/expenses within any fund must be approved by the Board of Commissioners.

The Board of Commissioners made several budget amendments during the fiscal year. The major reasons for the amendment were to increase or decrease the budget for revenue increase or decrease.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

Expenditures in Excess of Budget

Expenditures exceeded appropriations in the following line items:

<u>Budget to Actual</u>	<u>Excess</u>
General Government	\$ 46,393
Health & Welfare	12,954

Deficit Fund Equity / Net Position

There were not any funds with a deficit fund balance/net position.

Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	Not Applicable

General Fund's Fund Balance Policy

The City has adopted GASB 54 as part of its fiscal year ending September 30, 2011. Implementation of GASB 54 is required of all cities for the fiscal year ending in 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.

Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, noncurrent advances to other funds that not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The City has inventories that are considered non-spendable, an encumbrance, and a non-current advance to the Hotel/Motel fund. The City does not have any prepaid items or nonspendable funds related to an endowment. In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budget Basis of Accounting

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP Basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are stated in the statement and schedules associated with the analysis of actual results to the budgeted expectations.

Expenditures in Excess of Budget

Expenditures exceeded appropriations in the following line items:

<u>Budget to Actual</u>	<u>Excess</u>
General Government	\$ 46,393
Health & Welfare	12,954

Deficit Fund Equity / Net Position

There were not any funds with a deficit fund balance/net position.

Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	Not Applicable

General Fund's Fund Balance Policy

The City has adopted GASB 54 as part of its fiscal year ending September 30, 2011. Implementation of GASB 54 is required of all cities for the fiscal year ending in 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.

Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, noncurrent advances to other funds that not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The City has inventories that are considered non-spendable, an encumbrance, and a non-current advance to the Hotel/Motel fund. The City does not have any prepaid items or non-spendable funds related to an endowment. In addition to non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

General Fund's Fund Balance Policy (continued)

-Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation. All of the City's restricted funds are from Special Revenue Funds, whose funds are revenues legally restricted to expenditures for a particular purpose.

-Committed: Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The responsibility to commit funds rests with the elected City Commissioners and Mayor. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.

The City formally approved the recording of its self-named "Contingency" fund balance as committed. The Contingency fund balance policy is as follows:

The City shall strive to maintain the General Fund (not the combined reporting General Fund which consists of the Payroll, Contingency, and the General funds) committed fund balance at 90 days (25%) of the current year's original budget appropriation for operations and maintenance, which is defined as the total budget less capital outlay purchase and the annual transfer from the General Fund to the other funds (Charter mandated contingency funding will not take place so long as the contingency fund is fully funded).

These funds shall be used only for emergencies, non-recurring expenditures, or major capital purchases that cannot be accommodated through current year savings. The use of these funds will be approved by the City Commission. Use of these funds will be disclosed to the City Commission. If the required amount goes below the stated policy amount, the City will set aside a sufficient portion of the upcoming fiscal year's budget to meet the required reserve amount. Any surpluses realized at year end shall be used first to meet reserve policies, then capital replacement purposes, then retirement/extinguishing of debt.

-Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the City Manager. The only funds assigned relate to the accumulation of funds for future capital projects.

-Unassigned: Fund balance of the general fund that is not constrained for any particular purpose. This is also where negative amounts from the other categories of fund balance are recognized. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City typically first applies restricted resources, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of assigned, then unassigned, and finally committed funds.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Cash and Cash Equivalents

City's funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2019, the carrying amount of the City's deposits was \$5,891,065, including restricted cash. The City has three depository accounts at BBVA Compass, Lone Star National Bank, and Wells Fargo.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial credit risk. As of September 30, 2019, the City's bank balance of \$6,034,449 was not exposed to custodial credit risk and was over-insured and over-collateralized, by FDIC insurance and pledged securities held by financial institutions.

B. Restricted Cash

The balances of restricted asset as of September 30, 2019 are as follows:

	Bond Year	Required 9/30/2019	Bank Balance 9/30/2019
Escrow Bond	2009	\$ 3,737,691	\$ 3,737,691
Reserve	2007	107,750	-
Int/Sinking	2007	56,500	56,795
Reserve	2009	152,167	-
Int/Sinking	2009	12,917	38,984
TIRZ	-	83,764	83,764
USDA Const./Loan	2017	3,870	3,870
		<u>\$ 4,154,659</u>	<u>\$ 3,921,104</u>

C. Investments

The City is required by Government code Chapter 2256, the public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purposes financial statements disclosed that in the areas of

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

C. Investments (continued)

investment practices, management reports and establish appropriate policies. The City adheres to the requirements of the Act. Additionally, investment practices of the City are in accordance with local policies.

The City has investments at September 30, 2019, in the form of Money Market Accounts with Wells Fargo Bank in the amount of \$3,737,691. The funds are available immediately as needed and are considered cash and cash equivalents as a result.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk. The City's investment policy states that no investment shall exceed 24 months in maturity. By limiting the exposure of its investments, the City reduces its risk to the rising or decreasing interest rates

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was exposed to concentration of credit risk, but highly collateralized. With the City's investment policy, diversification is stressed. The City was in compliance with its diversification investment guidelines.

Foreign Currency Risk

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

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

A. Disaggregation of Receivables

Receivables for the City at September 30, 2019, were as follows:

<u>Governmental Funds</u>	Account		<u>Total (Net)</u>
	<u>Receivable</u>	<u>Uncollectible</u>	
Property Taxes	\$ 200,243	\$ 19,405	\$ 180,838
Sale Taxes	48,594	-	48,594
Franchise Taxes	34,972	-	34,972
Court Fines and Fees	7,019,889	4,492,294	2,527,595
Utility Customers	97,850	-	97,850
Note Receivables	585,848	-	585,848
Bond Proceeds	302,000	-	302,000
Other	170,754	-	170,754
	<u>\$ 8,460,150</u>	<u>\$ 4,511,699</u>	<u>\$ 3,948,451</u>

<u>Water and Sewer Fund</u>	Account		<u>Total (Net)</u>
	<u>Receivable</u>	<u>Uncollectible</u>	
Utility Customer	\$ 219,367	\$ 42,696	\$ 176,671
Due from Agua SUD	9,763	-	9,763
	<u>\$ 229,130</u>	<u>\$ 42,696</u>	<u>\$ 186,434</u>

B. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred revenue and unearned revenue reported in the fund financial statements were as follows:

<u>Deferred Inflows Description</u>	<u>General Fund</u>	<u>Urban County</u>	<u>Water & Sewer</u>	<u>Total</u>
Property Taxes	\$ 171,601	\$ -	\$ -	\$ 171,601
Court Fines	2,454,195	-	-	2,454,195
Total	<u>\$ 2,625,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,625,796</u>

Total Deferred Inflows for Primary Government \$ 2,625,796

<u>Unearned Revenue Description</u>	<u>Capital Projects</u>	<u>Urban County</u>	<u>Water & Sewer</u>	<u>Total</u>
2007 and 2009 Bond Interest	\$ -	\$ -	\$ 279,771	\$ 279,771
2014-2019 CDBG	-	828,719	-	828,719
USDA Project T 2015	35,000	-	-	35,000
Walter Street Project	75,000	-	-	75,000
Total	<u>\$ 110,000</u>	<u>\$ 828,719</u>	<u>\$ 279,771</u>	<u>\$ 1,218,490</u>

Total Unearned Revenues for Primary Government \$ 1,218,490

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

C. Due from Other Funds

The City reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net position / balance sheets for governmental and proprietary funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2019 considered the following:

Funds	Due From	Due To
General Fund		
RBEG	\$ 15,000	\$ -
Police Grant Fund	17,795	-
La Joya EDC	25,666	-
IRP	56,561	-
Water & Sewer	35,810	-
USDA Capital Project	203,064	-
Total General Fund	<u>353,896</u>	<u>-</u>
TIRZ Fund		
La Joya EDC	45,441	-
Total TIRZ Fund	<u>45,441</u>	<u>-</u>
USDA Capital Project		
City General Fund	-	203,064
Total USDA Fund	<u>-</u>	<u>203,064</u>
La Joya EDC Fund		
Advance	-	25,666
TIRZ Fund	-	45,441
RBEG	-	79,662
Water & Sewer	1,375	-
IRP to GF	3,266	-
Total La Joyda EDC Fund	<u>4,641</u>	<u>150,769</u>
RBEG USDA Grant Fund		
RBEG	698	-
City General Fund	-	15,000
La Joya EDC	79,662	-
Total RBEG USDA Grant Fund	<u>80,360</u>	<u>15,000</u>
IRP USDA Loan Fund		
City General Fund	-	56,561
RBEG	-	698
La Joya EDC	-	3,266
Total IRP USDA Loan Fund	<u>-</u>	<u>60,525</u>
Water and Sewer		
City General Fund	-	35,810
La Joya EDC	-	1,375
Total Water and Sewer Fund	<u>-</u>	<u>37,185</u>
Police Grant Fund		
City General Fund	-	17,795
Total Police Grant Fund	<u>-</u>	<u>17,795</u>
	<u>\$ 484,338</u>	<u>\$ 484,338</u>

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

D. Note Receivables

Note receivables at September 30, 2019 are comprised of the following:

Borrower	Date of Loan	Balance 9/30/2018	Increase	Decrease	Balance 9/30/2019	Status
Program: RBEG						
First Choice Self-Storage Facility loan for \$225,000 for ten years with interest rate of 5% with payment of \$3,605.	June - 2006	\$ 145,660	\$ -	\$ (145,660)	\$ -	Paid off
Pete's Muffler loan for \$15,000 for seven years with interest rate of 5% with payment of \$211.	August - 2014	6,930	-	(2,049)	4,881	Current
Total program RBEG		<u>152,590</u>	<u>-</u>	<u>(147,709)</u>	<u>4,881</u>	
Program: IRP						
Flores loan for \$25,000 for three years with interest rate of 6.50% with payment of \$765.	April - 2012	23,734	-	-	23,734	Delinquent
Pete's Muffler Loan for \$50,000 for seven years with interest of 5% with payment of \$707.	August - 2014	22,933	-	(6,873)	16,060	Current
Big Red for \$35,000 for five years with interest rate of 5% with payment of \$660.49.	December - 2014	30,515	-	-	30,515	Delinquent
Arco Iris Daycare Loan for \$217,000 for ten years with interest of 6% with payment of \$2,409.	April - 2016	217,000	-	(217,000)	-	Litigated Below
Mark Sierra Loan for \$8,500 for five years with interest of 6% with payment of \$164.	April - 2016	8,378	-	-	8,378	Delinquent
Amanda Valdez Loan for \$36,000 for seven years with interest of 6% with payment of \$526.	April - 2016	35,654	-	-	35,654	Delinquent
Note receivable Campos restitution No interest-no payment schedule Dated 2/28/2019	-	-	130,000	(4,586)	125,414	Current
Total Program IRP		<u>338,214</u>	<u>130,000</u>	<u>(228,459)</u>	<u>239,755</u>	
Program: EDC						
Arco Iris Daycare LLC Construction advances to 9/30/2018 loan agreement is pending.	September - 2016	341,212	-	-	341,212	Delinquent
Total Notes Receivable		<u>\$ 832,016</u>	<u>\$ 130,000</u>	<u>\$ (376,168)</u>	<u>\$ 585,848</u>	

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

E. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

Primary Government Governmental Activities:	Beginning Balance 10/1/2018	Increases	Decreases	Ending Balance 9/30/2019
<i>Capital assets not being depreciated:</i>				
Land and right of way	\$ 389,060	\$ -	\$ -	\$ 389,060
Construction in progress	3,301,715	87,124	3,388,839	-
Total capital assets not being depreciated	3,690,775	87,124	3,388,839	389,060
<i>Capital assets being depreciated:</i>				
Buildings	2,468,559	3,388,839	-	5,857,398
Machinery and equipment	671,309	91,832	-	763,141
Vehicles	1,956,108	81,317	-	2,037,425
Infrastructure	4,185,163	208,411	-	4,393,574
Total capital assets being depreciated	9,281,139	3,770,399	-	13,051,538
<i>Less accumulated depreciation for:</i>				
Buildings	773,370	116,814	-	890,184
Machinery and equipment	429,792	39,504	-	469,296
Vehicles	1,116,817	135,288	-	1,252,105
Infrastructure	2,357,948	25,022	-	2,382,970
Total accumulated depreciation	4,677,927	316,628	-	4,994,555
Total capital assets being depreciated, net	4,603,212	3,453,771	-	8,056,983
Governmental activities capital assets, net	\$ 8,293,987	\$ 3,540,895	\$ 3,388,839	\$ 8,446,043

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental Activities	Depreciation By Function
General Governmnet	\$ 150,169
Public Safety	86,533
Health and Welfare	22,704
Recreation & Cultural	30,805
Economic Development	12,897
Municipal Courts	13,520
Total Governmental Activities	\$ 316,628

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

E. Capital Assets (continued)

	Beginning Balance 10/01/2018	Increases	Decreases	Ending Balance 9/30/2019
Business-Type Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land and right of way	\$ 267,512	\$ -	\$ -	\$ 267,512
Construction in progress	553,604	-	3,000	550,604
Total capital assets not being depreciated	821,116	-	3,000	818,116
<i>Capital Assets Being Depreciated:</i>				
Plant	850,000	-	-	850,000
Machinery and equipment	869,666	81,810	-	951,476
Vehicles	400,969	-	-	400,969
Improvements-WS District	1,425,031	83,264	-	1,508,295
Storage tank	100,000	-	-	100,000
Infrastructure	3,239,608	-	-	3,239,608
Total capital assets being depreciated	6,885,274	165,074	-	7,050,348
<i>Less Accumulated Depreciation For:</i>				
Plant	340,000	17,000	-	357,000
Machinery and equipment	345,986	82,473	-	428,459
Vehicles	226,788	35,198	-	261,986
Storage tank	59,998	9,988	-	69,986
Infrastructure	2,318,993	92,569	-	2,411,562
Total accumulated depreciation	3,291,765	237,228	-	3,528,993
Total capital assets being depreciated, net	3,593,509	(72,154)	-	3,521,355
Business-Type Activities capital assets, net	4,414,625	(72,154)	3,000	4,339,471
Total Primary Government	\$ 10,252,170	\$ 2,456,469	\$ 3,000	\$ 12,708,612

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

F. Long Term Obligations

The following schedule summarizes the changes in long-term debt during year ended September 30, 2019 with compensated absences:

Primary Government	Beginning Balance 10/1/2018	Issued	Retired	Ending Balance 9/30/2019	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 6,681	\$ 46,601	\$ 25,494	\$ 27,788	\$ -
 Loans Payable					
USDA Intermediary Re-Lending for \$727,500 with interest rate at 1% with annual payments, maturity date of January 1, 2034.	435,489	-	27,485	408,004	27,760
Total Loan Payable	435,489	-	27,485	408,004	27,760
 Bonds Payable					
USDA Series 2016 refunding Bonds: \$1,240,000 with interest rate of 3.25% dated 8/28/2017 payable in 40 years. Final payment on 8/15/2057 first year interest only.	1,240,000	-	18,000	1,222,000	18,000
Total Bond Payable	1,240,000	-	18,000	1,222,000	18,000
 Certificate of Obligation					
USDA Series 2016 for \$2,242,000 with interest rate or 3.25% dated 8/2/28/2017 payable in 40 years Final payment on 8/15/2057 first year interest only.	2,242,000	-	32,000	2,210,000	33,000
Total Certificate of Obligation	2,242,000	-	32,000	2,210,000	33,000
 Community Facility Loan					
USDA Series 2017 for \$400,000 dated 8/28/17 Advances Unclosed Loan	-	98,000	-	98,000	-
Total Loan Payable	-	98,000	-	98,000	-
 Capital Leases					
Wells Fargo Equipment finance in the amount of \$344,892 for two Fire Department Trucks Payable t \$41,020.24 a month including Intest at 3.35%. Lease payable through 2024.	252,230	-	32,570	219,660	33,662
Governmental Capital Corporation \$269,232 for six police vehicles payable \$43,382 annually and \$40,000 at signing. Payable to 4/19/2024 at 3.75% interest.	229,232	-	34,772	194,460	36,078
Total Capital Leases	481,462	-	67,342	414,120	69,740
 Total Long-Term Debt - Governmental Activities	\$ 4,405,632	\$ 144,601	\$ 170,321	\$ 4,379,912	\$ 148,500

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

F. Long Term Obligations (continued)

	Beginning Balance 10/1/2018	Issued	Retired	Ending Balance 9/30/2019	Due Within One Year
Business-Type Activities:					
Compensated Absences	\$ 4,198	\$ 30,837	\$ 21,317	\$ 13,718	\$ -
Certificate of Obligation (COS) & Bonds:					
Combination Tax and Sewer System Revenue Certificates of Obligation Series 1983 for \$340,000 with annual payments of \$10,000 for forty years with interest rate of 5%.	70,000	-	15,000	55,000	15,000
Texas Waterworks and Wastewater System First Lien Revenue Bond Series 2007 for \$2,155,000 with annual payments of \$113,000 for thirty years with interest rate of 0.0%.	1,020,000	-	113,000	907,000	113,000
Texas Waterworks and Wastewater System First Lien Revenue Bond Series 2009 for \$4,565,000 with annual payments of \$155,000 for thirty years with interest rate of 0.0%.	3,170,000	-	155,000	3,015,000	155,000
Total Certificate of Obligation (COS) & Bonds	4,260,000	-	283,000	3,977,000	283,000
Total Long-Term Debt - Business-Type Activities	4,264,198	30,837	304,317	3,990,718	283,000
GRAND TOTAL LONG-TERM DEBT	\$ 8,669,830	\$ 175,438	\$ 474,638	\$ 8,370,630	\$ 431,500

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

F. Long Term Obligations (continued)

Capital Leases, Loans Payable, and Bonds Payable – Governmental Activities

Debt service payables at September 30, 2019 is comprised of the following:

<u>Fiscal year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payable</u>
2020	\$ 78,674	\$ 115,025	\$ 193,699
2021	81,037	113,683	194,720
2022	82,317	111,682	193,999
2023	84,601	109,641	194,242
2023	85,887	107,822	193,709
2025-2029	459,824	504,565	964,389
2030-2034	474,664	443,722	918,386
2035-2039	411,000	379,231	790,231
2040-2044	477,000	308,534	785,534
2045-2049	550,000	226,152	776,152
2050-2054	632,000	131,332	763,332
2055-2057	423,000	27,715	450,715
Totals	<u>\$ 3,840,004</u>	<u>\$ 2,579,104</u>	<u>\$ 6,419,108</u>

Capital leases payable at September 30, 2019 is comprised of the following:

<u>Fiscal year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Capital Leases</u>
2020	\$ 69,740	\$ 14,662	\$ 84,402
2021	72,222	12,180	84,402
2022	74,794	9,608	84,402
2023	77,457	6,945	84,402
2024	80,216	4,186	84,402
2025-2029	39,691	1,329	41,020
	<u>\$ 414,120</u>	<u>\$ 48,910</u>	<u>\$ 463,030</u>

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (CONTINUED)

F. Long Term Obligations (continued)

<u>Governmental Activities</u> Obligations	Beginning Balance	Increase	Decrease	Ending Balance
Net Pension Liability	\$ 654,688	\$ 38,824	\$ -	\$ 693,512

<u>Business Type</u> Obligations	Beginning Balance	Increase	Decrease	Ending Balance
Net Pension Liability	\$ 132,938	\$ 14,885	\$ -	\$ 147,823

<u>OPEB Liabilities</u>				
<u>Governmental Activities</u> OPEB	Beginning Balance	Increase	Decrease	Ending Balance
	\$ 59,858	\$ 23	\$ -	\$ 59,881

<u>Business Type</u> OPEB	Beginning Balance	Increase	Decrease	Ending Balance
	\$ 12,155	\$ 8	\$ -	\$ 12,163

Certificate of Obligation & Bonds – Business-Type Activities

Debt service requirements of bonds payables at September 30, 2019 are as follows:

<u>Fiscal year Ending September 30,</u>	Principal	Interest	Total COS & Bonds
2020	\$ 283,000	\$ 2,750	\$ 285,750
2021	283,000	2,000	285,000
2022	283,000	1,250	284,250
2023	273,000	500	273,500
2024	263,000	-	263,000
2025-2029	1,092,000	-	1,092,000
2030-2034	750,000	-	750,000
2035-2039	750,000	-	750,000
2040-2041	-	-	-
	<u>\$ 3,977,000</u>	<u>\$ 6,500</u>	<u>\$ 3,983,500</u>

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION

A. Arbitrage

The City has issued long-term debt for capital construction projects. These bonds are subject to the arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At September 30, 2019, there was no liability of arbitrage that would have been owed to the federal government.

IV. OTHER INFORMATION (Continued)

B. Risk Management

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

Texas Municipal League
1821 Rutherford Lane, Suite 400
Austin, TX 78754-5128

C. Employee Retirement Benefits

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Benefits (continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees Covered by Benefits Terms

At December 31, 2018 the following employees were covered by the benefits terms:

Members

Number of Inactive employees of beneficiaries currently receiving benefits	8
Number of Inactive employees entitled to but not yet receiving benefits	78
Active employees	<u>36</u>
Total	122

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Benefits (continued)

Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the actuarial assumptions. No additional changes were made for the 2016 valuation. The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building - block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding expected inflation.

Asset Class	Minimum Allocation %	Target Allocation %	Maximum Allocation %
U.S. Equities	12.5%	17.5%	22.5%
International Equities	12.5%	17.5%	22.5%
Core Fixed Income	5.0%	10.0%	15.0%
Non-Core Fixed Income	15.0%	20.0%	25.0%
Real Estate	5.0%	10.0%	15.0%
Real Return	5.0%	10.0%	15.0%
Absolute Return	0.0%	10.0%	15.0%
Private Equity	0.0%	5.0%	10.0%
Cash Equivalents	0.0%	0.0%	10.0%
Total		100.0%	

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.

At September 30, 2019, the City reported a net pension liability of \$841,335.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Benefits (continued)

Net Pension Liability	12/31/2018	12/31/2017
Total Pension Liability	\$ 1,577,588	\$ 1,501,155
Plan Fiduciary Net Position	736,253	713,530
Net Pension Liability	\$ 841,335	\$ 787,625
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	46.67%	47.53%
Net Pension Liability as a Percentage of Covered Payroll	77.69%	64.85%

For the year ended September 30, 2019, the City recognized a pension expense of \$86,644.

Schedule of Pension Expense

1. Total Service Cost	\$ 70,280
2. Interest on the Total Pension Liability	101,165
3. Current Period Benefit Charges	-
4. Employee Contributions (Reduction of Expense)	(54,145)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(48,163)
6. Administrative Expense	413
7. Other Fiduciary Net Position	22
8. Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(5,421)
9. Recognition of Current Year Outflow (Inflow) of Resources - Assets	13,919
10. Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	9,204
11. Amortization of Prior Year Outflows (Inflows) of Resources - Assets	(630)
12. Total Pension Expense	<u>\$ 86,644</u>

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,039,406	\$ 841,335	\$ 679,768

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Employee Retirement Benefits (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

	Recognition Period (or Amortization <u>Years)</u>	Total (Inflow) or Outflow of <u>Resources</u>	2018 Recognized in Current <u>Pension Expense</u>	Deferred (Inflow)/Outflow in Future <u>Expense</u>
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.67	\$ (19,896)	\$ (5,421)	\$ (14,475)
Difference in assumption changes [actuarial (gains) or losses]	3.67	\$ -	\$ -	\$ -
			<u>\$ (5,421)</u>	<u>\$ (14,475)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	\$ (69,595)	\$ 13,919	\$ 55,676
			<u>\$ 13,919</u>	<u>\$ 55,676</u>
Total				<u>\$ 41,201</u>

\$841,335 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019.

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

Net Deferred Outflows/ (Inflows) of Resources	
2019	3,066
2020	2,933
2021	2,249
2022	13,919
2023	-
Thereafter	-
Total	<u>\$ 22,167</u>

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

D. Other Post Employment Benefit (OPEB) Programs

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Funds ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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 earning, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment 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 an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractual 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.

GASB 75 requires employee to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

In the year of implementation, the employer should make a prior period adjustment for the total OPEB liability as of the 12/31/2018 measurement date (provided) and record a deferred outflow of resources for contributions recorded by the city (retiree porting of SDB rate only) from December 31, 2018 to its prior fiscal year end. TMRS has elected to not calculate other deferrals as of the December 31, 2018 measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2018 and a measurement date of December 31, 2018; as such, no roll-forward is required.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

D. Other Post Employment Benefit (OPEB) Programs (continued)

Supplemental Death Benefit (SDBF) Plan Contributions

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 pre-fund retiree term life insurance during employees' entire careers.

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2019	0.20%	0.03%
2018	0.19%	0.02%
2017	0.18%	0.02%

The Other Post-Employment benefits (OPEB) was measured as of December 31, 2018, and the Total Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount rate*	3.71%
Retirees' Share of benefit-related costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement 68.
Mortality Rates-service retirees	RP2000 Combined Mortality table with blue collar adjustments with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates-disabled retirees	RP2000 Combined Mortality table with blue collar adjustments with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both makes and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

D. Other Post Employment Benefit (OPEB) Programs (continued)

The change in the City's OPEB for City of La Joya for the fiscal year ended September 30, 2019 is as follow:

	12/31/2018
Membership*	
Number of:	
-Inactive employees currently receiving benefits	7
-Inactive employees entitled to but not yet receiving benefits	5
-Active employees	36
-Total	48
Covered Payroll	\$ 1,082,894
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$ 72,013
Changes for the year	
Service Cost	\$ 4,765
Interest on Total OPEB Liability	2,459
Changes of benefit terms	-
Difference between expected and actual experience	(1,920)
Changes in assumptions or other inputs	(5,056)
Benefit payments**	(217)
Net changes	31
Total OPEB Liability - end of year	\$ 72,044
Total OPEB Liability as a Percentage of Covered Payroll	6.65%

*Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit.

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Net Position liability changes in discount rate

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB Liability	\$85,687	\$72,044	\$61,558

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

D. Other Post Employment Benefit (OPEB) Programs (continued)

For the year ended September 30, 2019, the City recognized OPEB expense of \$7,046.

Service cost	\$ 4,765
Interest on total OPEB liability	2,459
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience*	(231)
Changes in assumptions or other inputs**	53
Total OPEB expense	\$ 7,046

*In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be experience loss/(gain).

**Generally, this will only be the annual change in the municipal bond index rate.

OPEB Expense and Deferred Outflows of Resources and deferred inflows of resources related to Pensions

At September 30, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Due to Liabilities	Recognition Period (or amortization years)*	Total (Inflow) or Outflow of Resources	2018 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Difference in expected and actual experience [actuarial (gains) or losses]	8.3000	\$ (1,920)	\$ (231)	\$ (1,689)
Difference in assumption [actuarial (gains) or losses]	8.3000	(5,056)	(609)	(4,447)
Contributions made subsequent to measurement date				
Total (excluding city provided contributions made subsequent to measurement date):				<u>\$ (6,136)</u>

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

D. Other Post Employment Benefit (OPEB) Programs (continued)

OPEB Expense and Deferred Outflows of Resources and deferred inflows of resources related to Pensions (continued)

		Net deferred outflows (Inflows) of
2019	\$	(178)
2020		(178)
2021		(178)
2022		(178)
2023		(178)
Thereafter		(1,076)
Total	\$	(1,966)

*The recognition period for liability (gains) or losses may differ from GASB 68 reporting due to differences in the covered inactive populations

E. Urban County

The City of La Joya, Texas and other municipalities in Hidalgo County participate in the Hidalgo County's "Urban County" program. By being designated as an "Urban County", Hidalgo County and the participating cities are entitled to receive a formula share of entitlement CDBG program funds from the U.S. Department of Housing and Urban Development (HUD).

Monies received from HUD are allocated to the cities participating in the program based on agreed upon formulas. The County is responsible for the administration of the program and is ultimately responsible for including the grant activity related to the Urban County Program in its audit report as per CDBG guidelines. All monies received from HUD on this program are handled by the county. The County pays the vendors or contractors directly for goods or services which benefit the different cities. The County also reimburses the Cities for general administration costs incurred by those cities. Monies paid by the Urban County Program are considered federal assistance and is included in the City's schedule of expenditures of federal awards using CFDA number 14.218, Community Development Block Grant, and is subject to A-133 Single Audit requirements.

F. New Accounting Pronouncements

In fiscal year 2019, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

Statement No. 87, Leases

Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

F. New Accounting Pronouncements (continued)

- a. **Statement No. 87** The objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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. 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. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- b. **Statement No. 84** The primary objectives of this Statement are to improve 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. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

The adoption of Statement No. 90 has no impact on the City's financial statements.

G. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

G. Fair Value of Financial Instruments (continued)

The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the City.

The following methods and assumptions were used by the City in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

Time deposits: Fair values of certificates of deposit are at cost plus accrued interest.

Accounts Receivable: The carrying amount approximates fair value because of the short maturity of these instruments.

Accounts Payable: The carrying amount approximate fair value because of the short maturity period.

Financial Assets:	Carrying Amount	Fair Value
Cash and Cash Equivalents	\$ 1,969,961	\$ 1,969,961
Account Receivable	3,549,037	3,549,037
Restricted Cash	3,921,104	3,921,104
Inventory	397,702	397,702
Financial Liabilities:		
Accounts Payable	\$ 314,290	\$ 314,290
Payroll Liabilities	23,545	23,545
Unearned Revenue	1,218,490	1,218,490
Other Liabilities	42,664	42,664
Customer Deposits	58,610	58,610

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

H. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the option of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2019.

I. Related Party Transaction

The La Joya Economic Development Corporation has an outstanding loan of \$30,515 from Commissioner Anna Lisa Ruiz. After November 2019 Ms. Ruiz was no longer a member of the Commission.

J. Prior Period Adjustment

Prior period adjustments were needed in several funds in order to properly state the correct financial position of the City. The prior period adjustment amounts and the reason are as follows:

Fund Level:

General Fund

To record revenues not included in prior year	\$ 21,522
To correct other miscellaneous amounts	621
To record payables not recognized in prior year	<u>(6,762)</u>
Total Governmental Fund	<u>15,381</u>

Government-Wide Level:

Governmental Funds

To record aggregate general fund level adjustments	<u>15,381</u>
--	---------------

Proprietary Funds

Water and Sewer Fund

To record adjustment related to accounts receivable	<u>(20,850)</u>
---	-----------------

Total Primary Government	<u>\$ (5,469)</u>
---------------------------------	-------------------

K. Subsequent Events

In preparing the financial statements, the City's Management has evaluated events and transactions for potential recognition or disclosure through October 21, 2020, the date the financial statements will be available to be issued.

(1) The City has approval for an additional USDA loan of \$ 400,000 to complete the new Municipal building, forty-year loan is dated 8/28/17 at 3.25%. The loan has not been closed. At 9/30/19 only \$ 98,000 has been advanced.

CITY OF LA JOYA, TEXAS
Notes To Financial Statements
For the Year Ended September 30, 2019

IV. OTHER INFORMATION (CONTINUED)

K. Subsequent Events (continued)

- (2) On August 14, 2018 the City of La Joya Texas entered into an interlocal agreement with the County of Hidalgo Texas and created Reinvestment Zone Number One, City of La Joya pursuant to Chapter 311 of the Texas Tax Code for future development projects.

Under terms of the agreement the City transferred \$45,440.75 for the 2018 tax year in 2019.

On February 12, 2019 the Tax Increment Reinvestment Zone (TIRZ) Directors entered into a development agreement to build 71 single family lots, 2 eight (8) plex lots and 1 six (6) plex lots. TIRZ has committed \$620,800.00 as maximum available project cost reimbursement.

- (3) On July 29, 2016 the city deeded 1.5 acres as incentive to a developer to build a medical facility. The 1.5 acres of land with a book value of \$100,636 has not been deleted on city books due to the construction in process not yet started. Agreement says if project not started land incentive will be forfeited by the developer.

- (4) On March 18, 2019 the City was notified that a court settlement of \$130,000 was to be paid to the City by a defendant. This was for damages occurred by the City on advances on a \$217,000 note receivable loan that had been misused. Monthly payments are being received by the City.

A bad debt expense for write off of the \$87,000 difference is recorded in EDC – IRP Fund 420 at 9/30/19.

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect collectability of future revenue billings of the City due to the significant economic impact on unemployment of the City's customers.

No further subsequent events were noted.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF LA JOYA, TEXAS
Schedule of Funding Progress for Retirement Plan
For the Year ended September 30, 2019
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$ 155,313	\$ 854,782	18.2%	\$ 699,469	\$ 1,232,734	56.70%
12/31/2012	279,891	1,013,469	27.6%	733,578	1,229,714	59.65%
12/31/2013	391,805	1,149,411	34.1%	757,606	1,080,138	70.14%
12/31/2014	466,650	1,151,284	40.50%	684,634	1,056,618	64.80%
12/31/2015	478,116	1,274,174	37.5%	796,058	1,080,910	73.65%
12/31/2016	575,087	1,379,882	41.7%	804,795	1,212,496	66.38%
12/31/2017	686,341	1,501,155	45.7%	814,814	1,245,759	65.41%
12/31/2018	772,156	1,577,588	48.9%	805,432	1,082,894	74.38%

(1) - Actuarial valuation performed under the original fund structure.
(2) - Actuarial valuation performed under the new fund structure.

CITY OF LA JOYA, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years*
For the Year Ended September 30, 2019

	2018
Total Pension Liability	
Service Cost	\$ 70,280
Interest (on the total pension liability)	101,165
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(19,896)
Change of Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	(75,116)
Net Change in Total Pension Liability	\$ 76,433
Net Pension Liability - Beginning	1,501,155
Total Pension Liability - Ending	\$ 1,577,588
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 65,560
Contributions - Employee	54,145
Net Investment Income	(21,432)
Benefit Payments, including Refunds of Employee Contributions	(75,116)
Administrative Expense	(412)
Other	(22)
Net Change in Plan Fiduciary Net Position	\$ 22,723
Plan Fiduciary Net Position - Beginning	713,530
Plan Fiduciary Net Position - Ending	\$ 736,253
 Net Pension Liability	\$ 841,335
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	46.67%
Covered Employee Payroll	\$ 1,082,894
Net Pension Liability as a Percentage of Covered Employee Payroll	77.69%

*GASB 68 required 10 fiscal years of data (built prospectively) to be provided in this schedule most current year is displayed above. As information becomes available, it will be added to table.

<u>2017</u>	<u>2016</u>
\$ 78,705	\$ 78,206
93,672	86,505
-	-
11,902	4,437
-	-
(63,006)	(63,440)
\$ 121,273	\$ 105,708
1,379,882	1,274,174
\$ 1,501,155	\$ 1,379,882

\$ 74,935	\$ 67,409
60,729	60,625
78,195	31,631
(63,006)	(63,440)
(404)	(357)
(21)	(19)
\$ 150,427	\$ 95,849
563,103	467,254
\$ 713,530	\$ 563,103

\$ 787,625	\$ 816,779
47.53%	40.81%
\$ 1,214,583	\$ 1,212,496
64.85%	67.36%

CITY OF LA JOYA, TEXAS
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (NON-GAAP BUDGETARY BASIS)
For the Year Ended September 30, 2019

	Budgeted Amounts			Final Variance Budget
	Original	Final	Actual Budget Basis	
Revenues				
Property Taxes	\$ 753,000	\$ 753,000	\$ 911,974	\$ 158,974
Sales Taxes	263,500	263,500	261,148	(2,352)
Franchise Taxes	217,800	217,800	272,098	54,298
Court Fines and Fees	420,000	420,000	402,127	(17,873)
Licenses and Permits	48,100	48,100	44,749	(3,351)
Charges for Services	794,000	794,000	723,179	(70,821)
Miscellaneous Revenues	91,000	91,000	31,922	(59,078)
State Grants	-	-	-	-
Federal Grants	39,680	39,680	47,301	7,621
Other Governmental Grants	134,500	134,500	128,934	(5,566)
Interest Revenue	-	-	3,473	3,473
Total Revenues	2,761,580	2,761,580	2,826,905	65,325
Expenditures				
General Government	1,399,007	1,284,964	1,331,357	(46,393)
Public Safety	679,742	605,180	584,160	21,020
Health and Welfare	177,684	177,656	190,610	(12,954)
Culture and Recreation	318,533	279,272	253,770	25,502
Debt Service	41,000	247,368	208,439	38,929
Municipal Court	92,647	135,315	113,511	21,804
Total Expenditures	2,708,613	2,729,755	2,681,847	47,908
Sale of Assets	-	-	1,000	1,000
Transfers to Other Funds	-	-	-	-
Net Other Financing Sources (Uses)	-	-	1,000	1,000
Total Expenditures and Other Financing Uses	2,708,613	2,729,755	2,680,847	48,908
Net Change in Fund Balance	52,967	31,825	146,058	114,233
<i>Fund Balance at Beginning of Period</i>	951,479	951,479	951,479	-
<i>Prior Period Adjustments</i>	-	-	15,381	(15,381)
Fund Balance at End of Period	\$ 1,004,446	\$ 983,304	\$ 1,112,918	\$ 98,852

CITY OF LA JOYA, TEXAS
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (NON-GAAP BUDGETARY BASIS)
For the Year Ended September 30, 2019

	Budgeted Amounts			Final Variance
	Original	Final	Actual Budget Basis	
Revenues				
Property Taxes	\$ 753,000	\$ 753,000	\$ 911,974	\$ 158,974
Sales Taxes	263,500	263,500	261,148	(2,352)
Franchise Taxes	217,800	217,800	272,098	54,298
Court Fines and Fees	420,000	420,000	402,127	(17,873)
Licenses and Permits	48,100	48,100	44,749	(3,351)
Charges for Services	794,000	794,000	723,179	(70,821)
Miscellaneous Revenues	91,000	91,000	31,922	(59,078)
State Grants	-	-	-	-
Federal Grants	39,680	39,680	47,301	7,621
Other Governmental Grants	134,500	134,500	128,934	(5,566)
Interest Revenue	-	-	3,473	3,473
Total Revenues	2,761,580	2,761,580	2,826,905	65,325
Expenditures				
General Government	1,399,007	1,284,964	1,331,357	(46,393)
Public Safety	679,742	610,180	584,160	26,020
Health and Welfare	177,684	177,656	190,610	(12,954)
Culture and Recreation	318,533	304,272	253,770	50,502
Debt Service	288,368	247,368	208,439	38,929
Municipal Court	92,647	159,520	113,511	46,009
Total Expenditures	2,955,981	2,783,960	2,681,847	102,113
Sale of Assets	-	-	1,000	1,000
Transfers to Other Funds	-	-	-	-
Net Other Financing Sources (Uses)	-	-	1,000	1,000
Total Expenditures and Other Financing Uses	2,955,981	2,783,960	2,680,847	103,113
Net Change in Fund Balance	(194,401)	(22,380)	146,058	168,438
<i>Fund Balance at Beginning of Period</i>	951,479	951,479	951,479	-
<i>Prior Period Adjustments</i>	-	-	15,381	(15,381)
Fund Balance at End of Period	\$ 757,078	\$ 929,099	\$ 1,112,918	\$ 153,057

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial information and disclosures not required by the Governmental Accounting Standards Board, and not considered a part of the basic financial statements.

It may, however, include information which is required by other entities.

CITY OF LA JOYA, TEXAS
Schedule of Delinquent Taxes Receivable
For the Year Ended September 30, 2019

<u>Year Ended September 30,</u>	<u>1 Tax Rates Maintenance</u>	<u>2 Debt Service</u>	<u>3 Assessed/ Appraised Value for City Tax Purposes</u>	<u>10 Beginning Balance October 1, 2018</u>
2010 & Prior Years	\$ Various	\$ Various	\$ Various	\$ 44,320
2011	0.5323	0.0000	117,935,629	8,125
2012	0.5452	0.0000	125,191,739	8,978
2013	0.5678	0.0000	125,170,724	11,086
2014	0.5678	0.0000	123,842,059	13,237
2015	0.5700	0.0000	123,235,002	31,420
2016	0.5435	0.0000	132,056,980	36,656
2017	0.5394	0.0000	132,056,980	30,197
2018	0.5251	0.0000	146,447,639	49,401
2019	0.5668	0.0000	152,157,375	-
				<u>\$ 233,420</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30, 2019
\$ -	\$ 7,174	\$ -	\$ 3,514	40,660
-	641	-	(59)	7,425
-	887	-	(60)	8,031
-	1,831	-	(162)	9,093
-	4,226	-	(63)	8,948
-	2,910	-	(19,154)	9,356
-	6,829	-	(15,143)	14,684
-	12,855	-	(58)	17,284
-	20,454	-	226	29,173
862,428	802,951	-	(3,888)	55,589
<u>\$ 862,428</u>	<u>\$ 860,758</u>	<u>\$ -</u>	<u>\$ (34,847)</u>	<u>\$ 200,243</u>

Allowance for Uncollectible Taxes \$ (19,405)

Total \$ 180,838

CITY OF LA JOYA, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019

	Special Revenue				Total Special Revenue
	Asset Forfeiture Fund	Tax Abatement Fund	Police Grants Fund	TIRZ Fund	
ASSETS					
Cash and Cash Equivalents	\$ 9,753	\$ 283,678	\$ -	\$ -	\$ 293,431
Restricted Cash	-	-	-	83,764	83,764
Accounts Receivable - Other	-	24,297	69,350	35,944	129,591
Accounts Receivable - Bond Proceeds	-	-	-	-	-
Grants	-	-	-	-	-
Due From Other Funds	-	-	-	45,441	45,441
Total Assets	9,753	307,975	69,350	165,149	552,227
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated Deferred Outflows	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 9,753	\$ 307,975	\$ 69,350	\$ 165,149	\$ 552,227
LIABILITIES					
Accounts Payable	\$ 1,321	\$ 55,230	\$ 51,555	\$ -	\$ 108,106
Unearned Revenues	-	-	-	-	-
Deferred USDA Loans	-	-	-	-	-
Due To Other Funds	-	-	17,795	-	17,795
Total Liabilities	1,321	55,230	69,350	-	125,901
DEFERRED INFLOWS OF RESOURCES					
Aggregated Deferred Inflows	-	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	1,321	55,230	69,350	-	125,901
FUND BALANCE					
Restricted For:					
Capital Projects	-	-	-	-	-
Economic Development	-	-	-	-	-
Special Program	8,432	252,745	-	165,149	426,326
Unrestricted	-	-	-	-	-
Total Fund Balance	8,432	252,745	-	165,149	426,326
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 9,753	\$ 307,975	\$ 69,350	\$ 165,149	\$ 552,227

Capital Projects

Capital Projects T 2015	Walker Street Project	Total Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ 100,004	\$ 100,004	\$ 393,435
3,870	-	3,870	87,634
-	-	-	129,591
302,000	-	302,000	302,000
35,000	-	35,000	35,000
-	-	-	45,441
<u>340,870</u>	<u>100,004</u>	<u>440,874</u>	<u>993,101</u>
-	-	-	-
<u>\$ 340,870</u>	<u>\$ 100,004</u>	<u>\$ 440,874</u>	<u>\$ 993,101</u>
\$ -	\$ -	\$ -	\$ 108,106
35,000	75,000	110,000	110,000
302,000	-	302,000	302,000
203,064	-	203,064	220,859
<u>540,064</u>	<u>75,000</u>	<u>615,064</u>	<u>740,965</u>
-	-	-	-
<u>540,064</u>	<u>75,000</u>	<u>615,064</u>	<u>740,965</u>
-	25,004	25,004	25,004
-	-	-	-
-	-	-	426,326
<u>(199,194)</u>	<u>-</u>	<u>(199,194)</u>	<u>(199,194)</u>
<u>(199,194)</u>	<u>25,004</u>	<u>(174,190)</u>	<u>252,136</u>
<u>\$ 340,870</u>	<u>\$ 100,004</u>	<u>\$ 440,874</u>	<u>\$ 993,101</u>

CITY OF LA JOYA, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

	Special Revenue				Total Special Revenue
	Asset Forfeiture Fund	Tax Abatement Fund	Police Grants Fund	TIRZ Fund	
Revenues					
Sales Taxes	\$ -	\$ 130,575	\$ -	\$ -	\$ 130,575
Intergovernmental Grants	-	-	-	35,944	35,944
Interest Revenue	40,797	-	156,486	-	197,283
	-	-	-	-	-
Total Revenues	<u>40,797</u>	<u>130,575</u>	<u>156,486</u>	<u>35,944</u>	<u>363,802</u>
Expenditures					
Public Safety	65,500	-	156,486	-	221,986
Capital Outlay	-	64,993	-	-	64,993
Debt Principal	34,772	-	-	-	34,772
Debt Interest	8,610	-	-	-	8,610
Total Expenditures	<u>108,882</u>	<u>64,993</u>	<u>156,486</u>	<u>-</u>	<u>330,361</u>
Excess of Revenues Over (Under) Expenditures	(68,085)	65,582	-	35,944	33,441
Other Financing Sources (Uses)					
Proceeds from Loans	-	-	-	-	-
Sale of Assets	27,581	-	-	-	27,581
Transfers from other funds	-	-	-	45,441	45,441
Transfers to other funds	-	(25,000)	-	-	(25,000)
Net Other Financing Sources (Uses)	<u>27,581</u>	<u>(25,000)</u>	<u>-</u>	<u>45,441</u>	<u>48,022</u>
Net Change in Fund Balance	<u>(40,504)</u>	<u>40,582</u>	<u>-</u>	<u>81,385</u>	<u>81,463</u>
Fund Balance at Beginning of Period	<u>48,936</u>	<u>212,163</u>	<u>-</u>	<u>83,764</u>	<u>344,863</u>
Fund Balance at End of Period	<u>\$ 8,432</u>	<u>\$ 252,745</u>	<u>\$ -</u>	<u>\$ 165,149</u>	<u>\$ 426,326</u>

Capital Projects

USDA Capital Projects T 2015	Walker Street Project	Total Capital Projects	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 130,575
-	-	-	35,944
-	-	-	197,283
13	4	17	17
<u>13</u>	<u>4</u>	<u>17</u>	<u>363,819</u>
-	-	-	221,986
87,126	-	87,126	152,119
-	-	-	34,772
-	-	-	8,610
<u>87,126</u>	<u>-</u>	<u>87,126</u>	<u>417,487</u>
(87,113)	4	(87,109)	(53,668)
98,000	-	98,000	98,000
-	-	-	27,581
-	25,000	25,000	70,441
-	-	-	(25,000)
<u>98,000</u>	<u>25,000</u>	<u>123,000</u>	<u>171,022</u>
<u>10,887</u>	<u>25,004</u>	<u>35,891</u>	<u>117,354</u>
(210,081)	-	(210,081)	134,782
<u>\$ (199,194)</u>	<u>\$ 25,004</u>	<u>\$ (174,190)</u>	<u>\$ 252,136</u>

CITY OF LA JOYA, TEXAS
 Combining Balance Sheet- La Joya Economic Development Fund
 September 30, 2019

	<u>EDC</u>	<u>RBEG</u>	<u>IRP</u>	<u>TOTALS</u>
ASSETS				
Cash and Cash Equivalents	\$ 62,446	\$ 256,112	\$ 47,160	\$ 365,718
Accounts Receivable - Other	24,297	-	-	24,297
Note Receivable	341,212	4,881	239,755	585,848
Due From Other Funds	4,641	80,360	-	85,001
Total Assets	<u>432,596</u>	<u>341,353</u>	<u>286,915</u>	<u>1,060,864</u>
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated Deferred Outflows	-	-	-	-
Total Assets/Deferred Outflows of Resources	<u>\$ 432,596</u>	<u>\$ 341,353</u>	<u>\$ 286,915</u>	<u>\$ 1,060,864</u>
LIABILITIES				
Accounts Payable	11,830	-	-	11,830
Due To Other Funds	150,769	15,000	60,525	226,294
Total Liabilities	<u>162,599</u>	<u>15,000</u>	<u>60,525</u>	<u>238,124</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	-	-	-	-
Deferred Court Fines	-	-	-	-
Total Liabilities/Deferred Inflows of Resources	<u>162,599</u>	<u>15,000</u>	<u>60,525</u>	<u>238,124</u>
FUND BALANCE				
Restricted For:				
Economic Development	269,997	326,353	226,390	822,740
Total Fund Balance	<u>269,997</u>	<u>326,353</u>	<u>226,390</u>	<u>822,740</u>
Total Liabilities, Deferred Inflows of Resources/Fund Balance	<u>\$ 432,596</u>	<u>\$ 341,353</u>	<u>\$ 286,915</u>	<u>\$ 1,060,864</u>

CITY OF LA JOYA, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-
La Joya Economic Development Fund
For the Year Ended September 30, 2019

	<u>EDC</u>	<u>RBEG</u>	<u>IRP</u>	<u>TOTALS</u>
Revenues				
Sales Taxes	\$ 130,575	\$ -	\$ -	\$ 130,575
Miscellaneous Revenues	-	2,996	-	2,996
Interest Revenue	192	914	1,012	2,118
Total Revenues	<u>130,767</u>	<u>3,910</u>	<u>1,012</u>	<u>135,689</u>
Expenditures				
Economic Development	84,297	11,000	12,984	108,281
Debt Principal	-	-	27,485	27,485
Debt Interest	-	-	4,353	4,353
Total Expenditures	<u>84,297</u>	<u>11,000</u>	<u>44,822</u>	<u>140,119</u>
Excess of Revenues Over (Under) Expenditures	46,470	(7,090)	(43,810)	(4,430)
Other Financing Sources (Uses)				
Debt Forgiveness	-	-	(87,000)	(87,000)
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(45,441)	-	-	(45,441)
Net Other Financing Sources (Uses)	<u>(45,441)</u>	<u>-</u>	<u>(87,000)</u>	<u>(132,441)</u>
Net Change in Fund Balance	<u>1,029</u>	<u>(7,090)</u>	<u>(130,810)</u>	<u>(136,871)</u>
Fund Balance at Beginning of Period	<u>268,968</u>	<u>333,443</u>	<u>357,200</u>	<u>959,611</u>
Fund Balance at End of Period	<u>\$ 269,997</u>	<u>\$ 326,353</u>	<u>\$ 226,390</u>	<u>\$ 822,740</u>

COMPLIANCE SECTION



Oscar R. González, CPA
&
Associates, P.L.L.C.
Certified Public Accountants
208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Oscar R. González
Melissa González

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 City Commission of
City of La Joya, 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 blended component units, each major fund, and the aggregate remaining fund information of the City of La Joya, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of La Joya, Texas' basic financial statements and have issued our report thereon dated October 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of La Joya, Texas' internal control over financial reporting (internal control) to determine the 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 La Joya, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of La Joya, Texas' internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items #2019-1 and #2019-2, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Joya, 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 determination of financial statement amounts. 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 La Joya, Texas' Response to Findings

City of La Joya, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of La Joya, 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.

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.

Oscar R. Gonzalez, CPA & Associates, PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas
October 21, 2020

CITY OF LA JOYA, TEXAS
Schedule of Findings and Responses
Year Ended September 30, 2019

SUMMARY OF AUDITOR RESULTS

I. Financial Statement Audit

- A. The auditor's report expressed an unqualified opinion on general purpose financial statements.
- B. Significant deficiencies disclosed during the audit of the general purpose financial statements. Items are listed as #2019-1 and 2019-2.
- C. No instance(s) of non-compliance material to the general-purpose financial statements of City of La Joya, Texas which would be required to be reported in accordance with Government Auditing Standards was disclosed during the audit.
- D. City of La Joya, Texas did not qualify for a single audit within the context of the OMB-Uniform Guidance.

II. Financial Statement Findings

Schedule Reference: (2019-1) Controls over Reporting of Financial Information to State Agency

Criteria: Texas Local Government Code 103.003 and or Texas Water Development Board (TWDB) Rules require that the City completes the annual audit within 180 days of the close of the fiscal year.

Condition: A copy of the annual audit report, was not approved by the Board of Commissioners, and was not filed by the City with the TWDB before the 180th day after the end of the fiscal year for which the audit was made.

Cause: The delay was caused by the COVID-19 pandemic and its effect on all entities preparing the audit.

Effect: The COVID-19 Pandemic and its effect on municipalities, delayed the completion of the audit and consequently delayed the submission of the report to the State Agency.

Recommendation: Management should ensure that financial information is prepared on a timely and is accurate, by the time that it is initially requested by the auditor, to prevent any delays in the submission of audit report to the various State agencies.

Auditee's Response: Refer to corrective action plan.

II. Financial Statement Findings (Continued)

Schedule Reference: (2019-2) Controls over La Joya Economic Development Corporation Loans

Criteria: A City's Economic Development Corporation (EDC) provides a variety of loan assistance programs to business entities under the RBEG, IRP, and EDC program.

Condition: At fiscal year-end, the City had a total of \$585,848 in outstanding loans receivable. Of the total amount, over half were deemed significantly delinquent.

Effect: Funds otherwise available under these loan programs would be available for other businesses.

Recommendation: The City should establish more enforcement action related to recovering loan proceeds and take legal remedies as seemed appropriate.

Auditee's Response: Refer to corrective action plan.

CITY OF LA JOYA, TEXAS
Schedule of Prior Year Findings
For the Year Ended September 30, 2019

SUMMARY OF AUDITOR RESULTS - PRIOR FISCAL YEAR

Schedule Reference (2018-1) Controls over La Joya Economic Development Corporation Loans

Type of Finding: Significant Deficiency

Criteria: A City's Economic Development Corporation (EDC) provides a variety of loan assistance programs to business entities under the RBEG, IRP, and EDC program.

Condition: At fiscal year-end, the City had a total of \$832,016 in outstanding loans receivable. Of the total amount, over half were deemed significantly delinquent.

Effect: Funds otherwise available under these loan programs would be available for other businesses.

Recommendation: The City should establish more enforcement action related to recovering loan proceeds and take legal remedies as seemed appropriate.

Status: Not Corrected.



"Jewel of the Valley"

P.O. BOX H * LA JOYA, TEXAS 78560

Mayor Isidro Casanova
Commissioner Place#1: Reynaldo Acosta
Commissioner Place#2: Rogelio Hernandez
Commissioner Place#3: Mary Salinas
Commissioner Place#4: Laura M. Macias

October 21, 2020

City of La Joya Corrective Action Plan

The Corrective Action Plan below provides the city's key remedial measures as of and for the fiscal year ended September 30, 2019.

1. Management will see that preparation of financial information will be completed through the COVID-19 pandemic in an expedient manner following and instituting all CDC and local guidelines – for the preparation of future audits.
2. Management will continue its efforts to clear the status of all delinquent note receivables.

Respectfully,

Jacqueline Bazan

Jacqueline Bazan
City Administrator



Oscar R. González, CPA

*&
Associates, P.L.L.C.*

Certified Public Accountants

208 W. Ferguson Unit #1 • Pharr, Texas 78577

Tel: (956) 787-9909 • Fax: (956) 787-3067

Email: org110n@aol.com

*Oscar R. González
Melissa González*

October 21, 2020

City Commission of
City of La Joya, Texas

In planning and performing our audit of the financial statements of City of La Joya, Texas for the year ended September 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We do not intend to imply that our audit failed to disclose commendable aspects of your system and structure. For your consideration we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of the City Commission and management, and others within the City of La Joya, Texas.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with management. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

We commend the management for the well prepared audit package and we appreciate the courtesy and assistance given to us by the entire District staff.

Oscar R. Gonzalez CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

RECOMMENDATIONS

Improve Controls over Appropriations

The City has policies and procedures requiring the periodic review, analysis and comparison of actual expenditures versus budget appropriations in order to comply with State law requiring budget amendments to be made prior to exceeding a major functional category; however, those controls are not operating effectively to ensure there are is not an excess of expenditures over appropriations. During our audit, we identified several functional categories exceeding budget. Furthermore, we recommend that management review budget versus actual comparisons on a monthly basis. This review should be done to include a review of available budget amounts prior to approval of purchase orders and the budget should be amended as needed.