

# **City of La Joya**

**AUDIT REPORT**

**YEAR END 2020**

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**CITY OF LA JOYA, TEXAS**  
**AUDITED ANNUAL FINANCIAL REPORT**  
**FOR YEAR ENDED SEPTEMBER 30, 2020**

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CITY OF LA JOYA, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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**GUILLERMO REYNA**  
CERTIFIED PUBLIC ACCOUNTANT

## 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, blended component units, each major fund, and the aggregate remaining fund information of the CITY OF LA JOYA as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CITY OF LA JOYA's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, blended component units, each major fund, and the aggregate remaining fund information of the CITY OF LA

JOYA as of September 30, 2020, 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 discussion and analysis, schedule of funding progress, schedule of net pension liability and related ratios (last ten years), and budgetary comparison information 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's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of delinquent taxes receivable 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021 on our consideration of the CITY OF LA JOYA's 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's 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 CITY OF LA JOYA's internal control over financial reporting and compliance.

***Guillermo Reyna, CPA***

Guillermo Reyna  
Certified Public Accountant

McAllen, Texas

July 29, 2021

CITY LA JOYA, TEXAS  
Management's Discussion and Analysis

In this section of the Annual Financial and Compliance Report, we, the managers of CITY LA JOYA, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2020. Please read it in conjunction with the Independent Auditors' Report and the City's Basic Financial Statements.

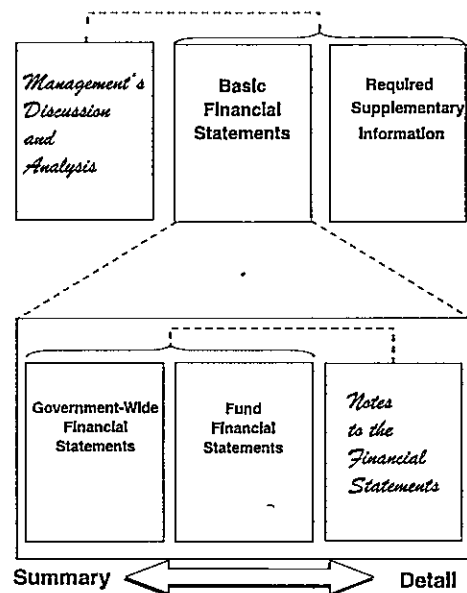
**FINANCIAL HIGHLIGHTS**

- The City's overall total change in net position was a decrease of \$(161,488) as of September 30, 2020. This is composed of Governmental Activities' net position of \$8,328,323 and Business-Type Activities' net position of \$4,606,729, for a total of \$12,935,052 ending balance.
- Assets from governmental activities exceeded its liabilities at the end of the most current fiscal year by \$8,328,323 in comparison with \$8,184,662 in the prior year.
- The General Fund ended the year with a fund balance of \$1,199,549.
- Unreserved fund balance for the general fund was \$1,199,549 for 2020 and \$1,112,918 for 2019.

**USING THIS ANNUAL REPORT**

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

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



- Government-wide financial statements- The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.
- Fund Financial statements focus on individual components of the Government, that demonstrates the City's operations in more depth than the government-wide statements.
- The governmental funds statements demonstrate how the general government services were financed in the short term as well as future expenditures

CITY LA JOYA, TEXAS  
**Management's Discussion and Analysis**

The financial statements also include notes that explains some information in the financial statements and provide more detailed date. 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 report are arranged and related to one another.

### **Reporting the City as a Whole**

**The Statement of Net position and the Statement of Activities-** Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such grants provided by the Outside Sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net position and the Statement of Activities, we report the activities of one fund type:

Governmental activities—Most of the City's basic services are reported here, including public safety, public works, culture and recreation, economic development and assistance, and general administration. Property taxes, sales taxes, franchise taxes, charges for services, and state and federal grants finance most of these activities.

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

**The fund financial statements-** provide detailed information about the most significant funds—not the City as a whole. Laws and/or contracts require the City to establish some funds, such as grants received under the Environmental Protection Agency program. The City's administration establishes several other funds to help it control and manage money for particular purposes. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

**Governmental funds-** Most of the City's basic services are reported in governmental funds. This use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between



CITY LA JOYA, TEXAS  
**Management's Discussion and Analysis**

governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

**Proprietary funds-** The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The City reports no proprietary funds.

**The Notes to the Financial Statements-** provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's Statement of Net Position along with the last fiscal year's numbers are presented for comparison in the table below.

The City's overall net position decreased by \$(161,488) during the current fiscal year.

**CITY LA JOYA, TEXAS**  
**Management's Discussion and Analysis**

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

	Governmental Activities		Business-Type Activities		Totals		Increase
	2020	2019	2020	2019	2020	2019	(Decrease)
<b>Current Assets</b>							
Cash and Cash Equivalents	\$ 773,007	\$ 1,103,644	\$ 154,164	\$ 953,951	\$ 927,171	\$ 2,057,595	\$ (1,130,424)
Restricted Cash	-	-	4,127,548	3,833,470	4,127,548	3,833,470	294,078
Accounts Receivable- Taxes	327,469	180,838	-	-	327,469	180,838	146,631
Accounts Receivable- Net	3,272,450	3,145,821	195,973	186,434	3,468,423	3,332,255	136,168
Due From Other Governments	1,647,558	864,663	30,000	-	1,677,558	864,663	812,895
Prepaid and Other Assets	36,491	-	46,239	27,620	82,730	27,620	55,110
Inventory	397,702	397,702	-	-	397,702	397,702	-
Note Receivable	561,667	585,848	-	-	561,667	585,848	(24,181)
Grants	35,000	35,000	-	-	35,000	35,000	-
Internal Balance	-	37,185	-	-	-	37,185	(37,185)
<b>Total Current Assets</b>	<b>7,051,344</b>	<b>6,350,701</b>	<b>4,553,924</b>	<b>5,001,475</b>	<b>11,605,268</b>	<b>11,352,176</b>	<b>253,092</b>
<b>Non Current Assets:</b>							
Bonds Issuance Cost (Net)	-	-	141,360	150,456	141,360	150,456	(9,096)
Capital Assets	13,535,301	13,440,598	7,977,547	7,868,487	21,512,848	21,309,085	203,763
Less: Accumulated Depreciation	(5,384,894)	(4,994,555)	(3,771,840)	(3,529,016)	(9,156,734)	(8,523,571)	(633,163)
<b>Non-Current Assets</b>	<b>8,150,407</b>	<b>8,446,043</b>	<b>4,347,067</b>	<b>4,489,927</b>	<b>12,497,474</b>	<b>12,935,970</b>	<b>(438,496)</b>
<b>Total Assets</b>	<b>\$ 15,201,751</b>	<b>\$ 14,796,744</b>	<b>\$ 8,900,991</b>	<b>\$ 9,491,402</b>	<b>\$ 24,102,742</b>	<b>\$ 24,288,146</b>	<b>\$ (185,404)</b>
<b>Deferred Outflows of Resources</b>							
Related to Pension	-	98,892	14,683	31,638	14,683	130,530	(115,847)
Related to OPEB	12,550	3,532	-	638	12,550	4,170	8,380
<b>Total Deferred Outflows of Resources</b>	<b>12,550</b>	<b>102,424</b>	<b>14,683</b>	<b>32,276</b>	<b>27,233</b>	<b>134,700</b>	<b>(107,467)</b>
<b>Current Liabilities</b>							
Accounts Payable	140,664	231,907	52,749	82,383	193,413	314,290	(120,877)
Payroll Liabilities	62,703	21,821	12,186	1,724	74,889	23,545	51,344
Unearned Revenues	1,615,850	98,719	313,419	279,771	1,929,269	378,490	1,550,779
Other Current Liabilities	50,560	42,664	63,810	-	114,370	42,664	71,706
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 withing One year	161,459	148,500	288,000	283,000	449,459	431,500	17,959
Customer Deposits	-	-	-	52,035	-	52,035	(52,035)
<b>Total Current Liabilities</b>	<b>2,031,236</b>	<b>845,611</b>	<b>730,164</b>	<b>748,623</b>	<b>2,761,400</b>	<b>1,594,234</b>	<b>1,167,166</b>
<b>Non-Current Liabilities</b>							
Compensated Absences	-	27,788	22,803	13,718	22,803	27,788	(4,985)
Long Term Debt Payables(Net)	4,063,706	4,203,623	3,401,000	3,694,000	7,464,706	4,203,623	3,261,083
Net Pension Liability	651,473	693,512	147,976	147,823	799,449	-	799,449
Net OPEB Liability	92,273	59,881	-	12,163	92,273	59,881	32,392
<b>Total Non-Current Liabilities</b>	<b>4,807,452</b>	<b>4,984,804</b>	<b>3,571,779</b>	<b>3,867,704</b>	<b>8,379,231</b>	<b>4,984,804</b>	<b>3,394,427</b>
<b>Total Liabilities</b>	<b>\$ 6,838,688</b>	<b>\$ 5,830,415</b>	<b>\$ 4,301,943</b>	<b>\$ 4,616,327</b>	<b>\$ 6,838,688</b>	<b>\$ 5,830,415</b>	<b>\$ 1,008,273</b>
<b>Deferred Inflows of Resources</b>	<b>47,291</b>	<b>44,091</b>	<b>7,004</b>	<b>8,705</b>	<b>54,295</b>	<b>52,796</b>	<b>1,499</b>
<b>Net Position</b>							
Net Invested in Capital Assets	\$ 3,925,243	\$ 4,501,923	\$ 516,709	\$ 1,872,279	\$ 4,441,952	\$ 6,374,202	\$ (1,932,250)
Restricted For:							
Special Revenues	-	822,740	-	-	-	822,740	(822,740)
Economic Development	-	426,326	-	-	-	426,326	(426,326)
Capital Projects	-	(174,190)	-	-	-	(174,190)	174,190
Unrestricted	4,403,080	2,607,863	4,090,020	3,032,317	8,493,100	5,640,180	2,852,920
<b>Total Net Position</b>	<b>\$ 8,328,323</b>	<b>\$ 8,184,662</b>	<b>\$ 4,606,729</b>	<b>\$ 4,904,596</b>	<b>\$ 12,935,052</b>	<b>\$ 13,089,258</b>	<b>\$ (154,206)</b>

**CITY LA JOYA, TEXAS**  
**Management's Discussion and Analysis**

**Governmental activities.** Governmental activities increased the City's net position by \$ 136,379

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

	Governmental		Business- Type		Totals		Increase (Decrease)
	2020	2019	2020	2019	2020	2019	
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for Services	\$ 769,327	\$ 972,537	\$ 1,622,774	\$ 1,546,080	\$ 2,392,101	\$ 2,518,617	\$ (126,516)
Operating Grants and Contributions	936,401	321,364	-	-	936,401	321,364	615,037
Capital Grants and Contributions	-	40,797	-	30,000	-	70,797	(70,797)
<b>General Revenues</b>							
Property Taxes, Levied for general purposes	1,092,144	884,797	-	-	1,092,144	884,797	207,347
Sales Taxes	850,929	522,298	-	-	850,929	522,298	328,631
Franchise Taxes	-	272,098	-	-	-	272,098	(272,098)
Miscellaneous	583,305	34,918	-	-	583,305	34,918	548,387
Interest Revenue	6,902	5,608	-	(8,239)	6,902	(2,631)	9,533
License and Permit	-	44,749	-	649	-	45,398	(45,398)
Federal Grants	-	259,056	-	-	-	259,056	(259,056)
Transfers	-	-	-	-	-	-	-
Sale of Assets	-	28,581	-	-	-	28,581	(28,581)
Debt Forgiveness	-	(87,000)	-	-	-	(87,000)	87,000
<b>Total Revenues</b>	<b>4,239,008</b>	<b>3,299,803</b>	<b>1,622,774</b>	<b>1,568,490</b>	<b>5,861,782</b>	<b>4,868,293</b>	<b>993,489</b>
<b>Expenses</b>							
General Government	2,044,679	1,440,604	-	-	2,044,679	1,440,604	604,075
Public Safety	1,126,416	813,022	-	-	1,126,416	813,022	313,394
Health and Welfare	301,400	213,314	-	-	301,400	213,314	88,086
Culture and Recreational	304,979	289,428	-	-	304,979	289,428	15,551
Economic Development	275,941	121,178	-	-	275,941	121,178	154,763
Debt Principal	-	-	-	-	-	-	-
Debt Interest	49,214	188,831	-	-	49,214	188,831	(139,617)
Municipal Court	-	127,031	-	-	-	127,031	(127,031)
Other Expenses	-	-	-	-	-	-	-
Water and Sewer	-	-	1,920,641	1,494,113	1,920,641	1,494,113	426,528
<b>Total Expenses</b>	<b>\$ 4,102,629</b>	<b>\$ 3,193,408</b>	<b>\$ 1,920,641</b>	<b>\$ 1,494,113</b>	<b>\$ 6,023,270</b>	<b>\$ 4,687,521</b>	<b>\$ 1,335,749</b>
<b>Change in Net Position</b>	<b>136,379</b>	<b>106,395</b>	<b>(297,867)</b>	<b>74,377</b>	<b>(161,488)</b>	<b>180,772</b>	<b>(342,260)</b>
<b>Net Position Beginning</b>	<b>8,184,657</b>	<b>8,062,886</b>	<b>4,904,596</b>	<b>4,851,069</b>	<b>12,913,955</b>	<b>17,818,551</b>	<b>(4,904,596)</b>
<b>Prior Period Adjustment</b>	<b>7,287</b>	<b>15,381</b>	<b>-</b>	<b>(20,850)</b>	<b>7,287</b>	<b>(5,469)</b>	<b>12,756</b>
<b>Net Position Ending</b>	<b>\$ 8,328,323</b>	<b>\$ 8,184,662</b>	<b>\$ 4,606,729</b>	<b>\$ 4,904,596</b>	<b>\$ 12,935,052</b>	<b>\$ 13,089,258</b>	<b>\$ (154,206)</b>

CITY LA JOYA, TEXAS  
Management's Discussion and Analysis

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

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

**Governmental funds-** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular unreserved fund balance may serve as a useful measure of a Government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund had a balance of \$ 1,199,549.

**Capital Assets and Debt Administration**

**Capital Assets**

The City LA JOYA's investments in capital assets for its governmental activities amount to \$8,150,407 and \$ 8,446,043 (net of accumulated depreciation) for 2020 and 2019. This investment in capital assets includes land, buildings, construction in progress, machinery and equipment, infrastructure/streets and vehicles. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-3

	Primary Government		Business Type		Totals		Increase (Decrease)
	2020	2019	2020	2019	2020	2019	
Capital Assets							
Land	\$ 389,060	\$ 389,060	\$ 264,512	\$ 264,512	\$ 653,572	\$ 653,572	\$ -
Construction In Progress	-	-	553,604	553,604	553,604	553,604	-
Buildings	5,890,398	5,857,398	850,000	850,000	6,740,398	6,707,398	33,000
Machinery & Equipment	768,637	763,141	1,013,580	903,905	1,782,217	1,667,046	115,171
Vehicles	2,068,098	2,037,425	418,447	400,969	2,486,545	2,438,394	48,151
Infrastructure/Streets	4,419,109	4,393,574	4,877,404	4,895,474	9,296,513	9,289,048	7,465
	<u>\$ 13,535,302</u>	<u>\$ 13,440,598</u>	<u>\$ 7,977,547</u>	<u>\$ 7,868,464</u>	<u>\$ 21,512,849</u>	<u>\$ 21,309,062</u>	<u>\$ 203,787</u>
Less: Accumulated Depreciation	\$ (5,384,895)	\$ (4,994,555)	\$ (3,771,840)	\$ (3,528,993)	\$ (9,156,735)	\$ (8,523,548)	\$ (633,187)
Total Capital Assets (Net)	<u>\$ 8,150,407</u>	<u>\$ 8,446,043</u>	<u>\$ 4,205,707</u>	<u>\$ 4,339,471</u>	<u>\$ 12,356,114</u>	<u>\$ 12,785,514</u>	<u>\$ (429,400)</u>

**CITY LA JOYA, TEXAS**  
**Management's Discussion and Analysis**

**Long-Term Debt**

Below is a table summarizing the long-term debt of the City.

**City La Joya's Long-Term Obligations**

Table A-4

	Governmental Activities		Business- Type Activity		Totals		Increase (Decrease)
	2020	2019	2020	2019	2020	2019	
Long-Term Obligations							
Bonds Payable (Net)	\$1,204,000	\$1,204,000	\$3,401,000	\$3,694,000	\$4,605,000	\$4,898,000	\$ (293,000)
Other Long Term Debt (Net)	2,859,706	2,999,624	-	-	2,859,706	2,999,624	(139,918)
Current Portion	161,459	148,500	288,000	283,000	449,459	431,500	17,959
Compensated Absences	-	27,788	22,803	13,718	22,803	41,506	(18,703)
	<u>\$4,225,165</u>	<u>\$4,379,912</u>	<u>\$3,711,803</u>	<u>\$3,990,718</u>	<u>\$7,936,968</u>	<u>\$8,370,630</u>	<u>\$ (433,662)</u>

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

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

The City's elected and appointed officials considered many factors when setting the fiscal year end 2020/21 budget.

1. The ad valorem property tax rate was set at \$.5904 to generate the revenues necessary for the operation of the City. This tax rate should increase total property taxes as compared to the prior year.
2. General operating fund spending budget for 2021 was prepared based on history of actual definite revenues and essential expenses to operate.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or the component unit (EDC) should be addressed to the Office of the City La Joya, City Administrator: 701 E Expressway 83, La Joya, TX 78560

CITY OF LA JOYA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 773,007	\$ 154,164	\$ 927,171
Taxes Receivable, Net	327,469	-	327,469
Accounts Receivable, Net	3,272,450	195,973	3,468,423
Due from Other Governments	1,647,558	30,000	1,677,558
Due from Others	561,667	-	561,667
Inventories	397,702	-	397,702
Prepaid Items	36,491	46,239	82,730
Temporarily Restricted Asset	35,000	4,127,548	4,162,548
Capital Assets:			
Land Purchase and Improvements	389,060	264,512	653,572
Infrastructure, Net	1,926,575	863,570	2,790,145
Buildings, Net	4,889,025	1,903,249	6,792,274
Furniture and Equipment, Net	945,747	498,393	1,444,140
Capital Assets, Net	-	122,381	122,381
Construction in Progress	-	553,604	553,604
Other Assets	-	141,360	141,360
Total Assets	<u>15,201,751</u>	<u>8,900,993</u>	<u>24,102,744</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	-	14,683	14,683
Deferred Outflow Related to OPEB	12,550	-	12,550
Total Deferred Outflows of Resources	<u>12,550</u>	<u>14,683</u>	<u>27,233</u>
<b>LIABILITIES</b>			
Accounts Payable	140,664	52,749	193,413
Wages and Salaries Payable	62,703	12,186	74,889
Compensated Absences Payable	-	22,803	22,803
Unearned Revenues	1,615,850	313,419	1,929,269
	50,560	63,810	114,370
Noncurrent Liabilities:			
Debt Due Within One Year	161,459	288,000	449,459
Bonds Payable - Noncurrent	4,063,706	3,401,000	7,464,706
Net Pension Liability	651,473	147,976	799,449
Net OPEB Liability	92,273	-	92,273
Total Liabilities	<u>6,838,688</u>	<u>4,301,943</u>	<u>11,140,631</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	44,220	7,004	51,224
Deferred Inflow Related to OPEB	3,071	-	3,071
Total Deferred Inflows of Resources	<u>47,291</u>	<u>7,004</u>	<u>54,295</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,925,243	516,709	4,441,952
Unrestricted	4,403,080	4,090,020	8,493,100
Total Net Position	<u>\$ 8,328,323</u>	<u>\$ 4,606,729</u>	<u>\$ 12,935,052</u>

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

CITY OF LA JOYA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Expenses	Program Revenues
		Charges for Services
<b>Primary Government:</b>		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 2,044,679	\$ 769,327
Public Safety	1,126,416	-
Public Works	301,400	-
Culture and Recreation	304,979	-
Conservation and Development	275,941	-
Other Debt Service	49,214	-
Total Governmental Activities	4,102,629	769,327
BUSINESS-TYPE ACTIVITIES:		
Total Business-Type Activities	1,920,641	1,622,774
Total Business-Type Activities	1,920,641	1,622,774
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,023,270</b>	<b>\$ 2,392,101</b>

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- General Sales and Use Taxes
- Penalty and Interest on Taxes
- Grants and Contributions
- Miscellaneous Revenue
- Investment Earnings

Total General Revenues

Change in Net Position

- Net Position - Beginning
- Prior Period Adjustment
- Net Position - Ending

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,275,352)	\$ -	\$ (1,275,352)
(1,126,416)	-	(1,126,416)
(301,400)	-	(301,400)
(304,979)	-	(304,979)
(275,941)	-	(275,941)
(49,214)	-	(49,214)
<u>(3,333,302)</u>	<u>-</u>	<u>(3,333,302)</u>
-	(297,867)	(297,867)
-	(297,867)	(297,867)
<u>(3,333,302)</u>	<u>(297,867)</u>	<u>(3,631,169)</u>
1,092,144	-	1,092,144
850,929	-	850,929
5,340	-	5,340
936,401	-	936,401
583,305	-	583,305
1,562	-	1,562
<u>3,469,681</u>	<u>-</u>	<u>3,469,681</u>
136,379	(297,867)	(161,488)
8,184,657	4,904,596	13,089,253
7,287	-	7,287
<u>\$ 8,328,323</u>	<u>\$ 4,606,729</u>	<u>\$ 12,935,052</u>



CITY OF LA JOYA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	General Fund	Urban County Program	Capital Projects
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 48,946	\$ -	\$ 3,881
Taxes Receivable	248,299	-	-
Allowance for Uncollectible Taxes (credit)	(48,577)	-	-
Accounts Receivable, Net	2,942,158	-	302,000
Due from Other Governments	542,776	1,104,782	-
Due from Other Funds	236,064	-	-
Due from Others	-	-	-
Inventories	397,702	-	-
Prepaid Items	36,491	-	-
Temporarily Restricted Asset	-	-	35,000
<b>Total Assets</b>	<b>\$ 4,403,859</b>	<b>\$ 1,104,782</b>	<b>\$ 340,881</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 107,207	\$ -	\$ -
Wages and Salaries Payable	62,703	-	-
Due to Other Funds	-	-	236,064
Unearned Revenues	2,799,864	1,104,782	337,000
Other Current Liabilities	50,560	-	-
<b>Total Liabilities</b>	<b>3,020,334</b>	<b>1,104,782</b>	<b>573,064</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	183,976	-	-
<b>Total Deferred Inflows of Resources</b>	<b>183,976</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Other Restricted Fund Balance	-	-	-
Other Assigned Fund Balance	-	-	(232,183)
Unassigned Fund Balance	1,199,549	-	-
<b>Total Fund Balances</b>	<b>1,199,549</b>	<b>-</b>	<b>(232,183)</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 4,403,859</b>	<b>\$ 1,104,782</b>	<b>\$ 340,881</b>

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

Other Funds	Total Governmental Funds
\$ 720,180	\$ 773,007
127,747	376,046
-	(48,577)
28,292	3,272,450
-	1,647,558
-	236,064
561,667	561,667
-	397,702
-	36,491
-	35,000
<u>\$ 1,437,886</u>	<u>\$ 7,287,408</u>
\$ 33,457	\$ 140,664
-	62,703
-	236,064
-	4,241,646
-	50,560
<u>33,457</u>	<u>4,731,637</u>
-	183,976
-	183,976
1,423,161	1,423,161
-	(232,183)
(18,732)	1,180,817
<u>1,404,429</u>	<u>2,371,795</u>
<u>\$ 1,437,886</u>	<u>\$ 7,287,408</u>

CITY OF LA JOYA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	\$	2,371,795
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		4,066,131
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase (decrease) net position.		249,451
The impact of GASB 68 for the TMRS Pension Plan and GASB 75 Other Post Employment Benefits		(778,487)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(390,339)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		2,809,772
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>8,328,323</b>

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

CITY OF LA JOYA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Urban County Program	Capital Projects
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 908,168	\$ -	\$ -
General Sales and Use Taxes	560,040	-	-
Penalty and Interest on Taxes	5,340	-	-
Licenses and Permits	271,784	-	-
Intergovernmental Revenue and Grants	611,253	50,055	-
Charges for Services	769,327	-	-
Fines	150,965	-	-
Investment Earnings	-	-	-
Rents and Royalties	46,630	-	-
Other Revenue	91,562	-	11
Total Revenues	3,415,069	50,055	11
<b>EXPENDITURES:</b>			
Current:			
General Government	1,661,147	-	-
Public Safety	927,096	-	-
Public Works	264,783	-	-
Culture and Recreation	267,927	-	-
Conservation and Development	-	50,055	-
Debt Service:			
Debt Service	206,652	-	-
Other Debt Service	-	-	-
Capital Outlay:			
Capital Outlay	7,925	-	33,000
Total Expenditures	3,335,530	50,055	33,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,539	-	(32,989)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	79,539	-	(32,989)
Fund Balance - October 1 (Beginning)	1,112,918	-	(199,194)
Prior Period Adjustment	7,092	-	-
Fund Balance - September 30 (Ending)	\$ 1,199,549	\$ -	\$ (232,183)

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

Other Funds	Total Governmental Funds
\$ -	\$ 908,168
290,889	850,929
-	5,340
-	271,784
275,093	936,401
-	769,327
-	150,965
1,561	1,561
-	46,630
<u>22,353</u>	<u>113,926</u>
<u>589,896</u>	<u>4,055,031</u>
-	1,661,147
62,470	989,566
-	264,783
-	267,927
192,361	242,416
-	206,652
49,214	49,214
<u>155,683</u>	<u>196,608</u>
<u>459,728</u>	<u>3,878,313</u>
<u>130,168</u>	<u>176,718</u>
41,240	41,240
<u>(41,240)</u>	<u>(41,240)</u>
-	-
<u>130,168</u>	<u>176,718</u>
1,274,066	2,187,790
195	7,287
<u>\$ 1,404,429</u>	<u>\$ 2,371,795</u>

CITY OF LA JOYA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	176,718
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase (decrease) the change in net position.		249,451
The effects of the requirements of GASB 68 and GASB 75.		(83,427)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(390,340)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		183,976
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>136,378</b>

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

CITY OF LA JOYA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2020

	Business Type Activities
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 154,164
Restricted Assets - Current:	
Temporarily Restricted Asset	4,127,548
Accounts Receivable, Net	195,973
Due from Other Governments	30,000
Prepaid Items	46,239
Total Current Assets	4,553,924
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	264,512
Infrastructure	3,450,154
Accumulated Depreciation - Infrastructure	(2,586,584)
Buildings	2,277,249
Accumulated Depreciation - Buildings	(374,000)
Furniture and Equipment	1,013,581
Accumulated Depreciation - Furniture & Equipment	(515,188)
Capital Assets	418,447
Accumulated Depreciation - Capital Assets	(296,066)
Construction in Progress	553,604
Other Assets	141,360
Total Noncurrent Assets	4,347,069
Total Assets	8,900,993
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	14,683
Total Deferred Outflows of Resources	14,683

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

CITY OF LA JOYA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2020

	Business Type Activities
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	52,749
Wages and Salaries Payable	12,186
Compensated Absences Payable	22,803
Unearned Revenues	313,419
Bonds Payable - Current	288,000
Other Current Liabilities	63,810
Total Current Liabilities	752,967
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	3,401,000
Net Pension Liability	147,976
Total Noncurrent Liabilities	3,548,976
Total Liabilities	4,301,943
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	7,004
Total Deferred Inflows of Resources	7,004
<b>NET POSITION</b>	
Net Investment in Capital Assets	516,709
Unrestricted	4,090,020
Total Net Position	\$ 4,606,729

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



CITY OF LA JOYA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 1,592,774
Total Operating Revenues	1,592,774
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	387,621
Personnel Services - Employee Benefits	69,557
Purchased Professional & Technical Services	587,181
Purchased Property Services	520
Other Operating Costs	596,351
Supplies	34,341
Depreciation	242,820
Interest Expense	2,250
Total Operating Expenses	1,920,641
Income (Loss) Before Contributions	(327,867)
Capital Contributions	30,000
Change in Net Position	(297,867)
Total Net Position - October 1 (Beginning)	4,904,596
Total Net Position - September 30 (Ending)	\$ 4,606,729

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

**CITY OF LA JOYA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Cash Receipts From Customers	\$ 1,592,774
Cash Payments to Employees and Suppliers	(1,735,364)
Net Cash Provided(Used) by Operating Activities	(142,590)
Cash Flow From Noncapital Financing Activities:	
Transfers In (Out) to Primary Government	-
Net Cash Provided(Used) by Noncapital Financing Activities	-
Cash Flow From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(80,119)
Principal Paid on Long-Term Debt	(283,000)
Interest Paid on Long-Term Debt	-
Net Cash Provided(Used) by Capital and Related Financing Activities	(363,119)
Cash Flow From Investing Activities:	
Interest Income Received	-
Net Cash Provided(Used) by Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	(505,709)
Cash and Cash Equivalents, Beginning of Year	4,787,421
Cash and Cash Equivalents, End of Year	\$ 4,281,712
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income(Loss)	\$ (259,148)
Depreciation Expenses	242,820
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
(Increase) Decrease in Accounts Receivable	(9,539)
(Increase) Decrease in Accounts Receivable-Intergovt.	(30,000)
(Increase) Decrease in Prepaid Expenses	18,619
Increase (Decrease) in Accounts Payable	(228,022)
Increase (Decrease) in Accrued Payroll Liabilities	13,878
Increase (Decrease) in Unearned Revenues	56,973
Increase (Decrease) in Customer Deposits	5,200
Increase (Decrease) in Interfund Laibilities	46,630
Total Adjustments	116,559
Net Cash Provided (Used) by Operating Activities	\$ (142,590)

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

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**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 the 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 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:

1. The organization is legally separate (can sue and be sued in their own name)
2. The City holds the corporate powers of the organization
3. The City appoints a voting majority of the organization's board
4. The City is able to impose its will on the organization
5. The organization has the potential to impose a financial benefit/burden on the City
6. There is a 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 or 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 appropriate activity type to compose the primary government presentation.

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**II. 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 THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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 financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**E. FUND ACCOUNTING**

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Urban County Program Fund** – This fund is a special revenue fund utilized to account for the receipt and management of Urban County Funds through the County of Hidalgo.
3. **Capital Projects Fund** – This fund is a for the purpose of accounting for the City's construction activities.

**Proprietary funds**

The City reports the following major enterprise fund(s):

1. **The Water and Sewer Fund** – This fund is used to account for all financial resources derived from providing basic services such as water, sewer services and solid waste services.

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 "cash equivalents" when preparing financial statements. All investments are recorded at fair value is the amount at which financial instrument could be exchanged in a current transaction between willing parties.

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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.

**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

**CITY OF LA JOYA, TEXAS  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

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

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. Buildings, furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives

Buildings	50 Years
Infrastructure	30 Years
Improvements	20 Years
Water & 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 services and/or capital projects, payments and or purchases.

**10. Net Position/ Fund Equity**

In the fund financial statements, governmental funds report reservations of fund



**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

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

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 THE FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2020**

**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>
Public Safety	\$14,389
Health & Welfare	30,687
Public Works	5,532

**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

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

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 hierarchy of spending constraints.

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.

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

-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.

**IV. DETAILED NOTES ON FUNDS AND COMPONENTS 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, 2020, the carrying amount of the City's deposits was \$5,054,719 including restricted cash in three depositories.

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, 2020, the City's bank balances were 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 assets as of September 30, 2020 are as follows:

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**IV. DETAILED NOTES ON FUNDS AND COMPONENTS UNITS (continued)**

	Bond Year	Required 9/30/2020	Bank Balance 9/30/2020
Escrow Bond	2009	\$ 3,771,338	\$ 3,771,338
Reserve	2007	107,750	107,750
Int/Sinking	2007	56,500	57,011
Reserve	2009	152,167	152,167
Int/Sinking	2009	12,917	39,282
		<u>\$ 4,100,672</u>	<u>\$ 4,127,548</u>

**C. Investments**

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.

The City has investments at September 30, 2020, in the form of Money Market Accounts with Wells Fargo bank. 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:

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**IV. DETAILED NOTES ON FUNDS AND COMPONENTS UNITS (continued)**

**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 THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**III. DETAILED NOTES ON FUNDS AND COMPONENTS (CONTINUED)**

**A. Disaggregation of Receivables**

Receivables for the City at September 30, 2020, were as follows:

<u>Governmental Funds</u>	Accounts Receivable	Allowance for Uncollectible	Total(Net)
Sales Taxes	\$ 84,875	\$ -	\$ 84,875
Franchise Taxes	-	-	-
Court Fines and Fees (net)	7,630,183	4,940,528	2,689,655
Utility Customers	115,238	-	115,238
Note Receivables	-	-	-
Bonds Proceeds	302,000	-	302,000
Other	80,682	-	80,682
	<u>\$8,212,978</u>	<u>\$ 4,940,528</u>	<u>\$ 3,272,450</u>

<u>Water and Sewer Fund</u>	Accounts Receivable	Allowance for Uncollectible	Total(Net)
Utility Customer	\$ 105,508	\$ 73,340	\$ 178,848
Due from Agua SUD	17,126		17,126
	<u>\$ 122,634</u>	<u>\$ 73,340</u>	<u>\$ 195,974</u>

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**III. DETAILED NOTES ON FUNDS AND COMPONENTS (CONTINUED)**

**B. Deferred Revenue**

Governmental funds report 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>Unearned Revenues Description</u>	<u>General Fund</u>	<u>Urban County</u>	<u>Capital Projects</u>	<u>Total</u>
CARES Grant	\$ 100,794	\$ -	\$ -	\$ 100,794
Fines	2,699,070	-	-	2,699,070
CDBG Funds	-	1,104,782	-	1,104,782
USDA Loans	-	-	337,000	337,000
<b>Total</b>	<u>\$2,799,864</u>	<u>\$1,104,782</u>	<u>\$ 337,000</u>	<u>\$ 4,241,646</u>
Total Unearned Revenues for Governmental Type Funds				<u>\$ 4,241,646</u>



**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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 the governmental and proprietary funds. The interfund balances are operational and short-term in nature. Interfund balances at September 30, 2020 considered the following:

Fund	<u>Due From</u>	<u>Due To</u>
General Fund		
RBEG	\$ -	\$ -
Police Grant Fund	-	-
La Joya EDC	-	-
IRP	-	-
Water & Sewer	-	-
USDA Capital Project	<u>236,064</u>	<u>-</u>
Total General Fund	<u>236,064</u>	<u>-</u>
TIRZ Fund		
La Joya EDC	<u>-</u>	<u>-</u>
Total TIRZ	<u>-</u>	<u>-</u>
USDA Capital Project		
City General Fund	<u>-</u>	<u>236,064</u>
Total USDA Fund	<u>-</u>	<u>236,064</u>
Water and Sewer		
City General Fund	<u>-</u>	<u>-</u>
La Joya EDC	<u>-</u>	<u>-</u>
Total Water and Sewer Fund	<u>-</u>	<u>-</u>
Police Grant Fund		
City Geral Fund	<u>-</u>	<u>-</u>
Total Police Grant Fund	<u>-</u>	<u>-</u>
	<u>\$ 236,064</u>	<u>\$ 236,064</u>

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

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

**D. Note Receivables**

Note receivables at September 30, 2020 are compromised of the following:

Borrower	Date of Loan	Balance		Balance		Status
		09/30/2019	Increase	Decrease	9/30/2020	
<b>Program RBEG</b>						
Pete's Muffler loan for 15,000 for 7 years interest rate 5% with payments of \$211	August-14	4,881	-	4,881	-	<u>Paid Off</u>
<b>Total Program RBEG</b>		<u>4,881</u>	<u>-</u>	<u>4,881</u>	<u>-</u>	
<b>Program IRP</b>						
Flores loan for 25,000 for 3 yrs with interest rate of 6.5% with payments of \$765	April-12	23,734			23,734	<u>Delinquent</u>
Pete's Muffler Loan for \$50,000 for 7 yrs with Interest of 5% with payments of \$707	August-14	16,060		16,060	-	<u>Paid Off</u>
Big Red for \$35,000 for 5 yrs with interest rate of 5% with payments of \$660.49		30,515			30,515	<u>Delinquent</u>
Mark Sierra loan for \$8,500 for 5 yrs with interest rate of 6% with payments of \$164		8,378			8,378	<u>Delinquent</u>
Amanda Valdez loan for \$36,000 for 7 yrs with interest of 6% with payment of \$526		35,654			35,654	<u>Delinquent</u>
Note receivable Campos restitution No Interest-No Payment Schedule	February-2019	125,414		3,240	122,174	<u>Current</u>
<b>Total program IRP</b>		<u>239,755</u>	<u>19,300</u>	<u>220,455</u>		
<b>Program - EDC</b>						
Arco Iris Daycare LLC Construction advances to 9/30/2018 loan agreement is pending	September-16	341,212	-	-	341,212	<u>In litigation</u>
<b>Total Notes Receivable</b>		<u>\$ 585,848</u>	<u>\$ -</u>	<u>\$ 24,181</u>	<u>\$ 561,667</u>	

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

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

**E. Capital Assets**

Capital asset activity for the year ended September 30, 2020 was as follows:

	10/1/2019	Increases	Decreases	9/30/2020
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land and right of way	\$ 389,060			\$ 389,060
Construction in Progress	-			-
Total Capital assets not being depreciated	389,060			389,060
Capital assets being depreciated:				
Buildings	5,857,398	33,000		5,890,398
Machinery and Equipment	763,141	5,496		768,637
Vehicles	2,037,425	30,673		2,068,098
Infrastructure	4,393,574	25,535		4,419,109
Total capital assets being depreciated	13,051,538	94,704		13,146,242
Less accumulated depreciation for:				
Buildings	890,184	111,189		1,001,373
Machinery and equipment	469,296	51,912		521,208
Vehicles	1,252,105	117,674		1,369,779
Infrastructure	2,382,970	109,564		2,492,534
Total accumulated deprecitaion	4,994,555	390,339		5,384,894
Total capital assets being depreciated, net	8,056,983	(295,635)		7,761,348
Governmental activities capital assets, net	8,446,043	(295,635)	-	8,150,408

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

<u>Governmental Activities</u>	Depreciation By Function
General Government	\$ 189,271
Public Safety	112,751
Public Works	30,169
Health and Welfare	-
Economic Development	30,528
Municipal Courts	27,621
Total Governmental Activities	<u>\$ 390,340</u>

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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

**E. Capital Assets (continued)**

	10/1/2019	Increases	Decreases	9/30/2020
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land and right of way	\$ 264,512			\$ 264,512
Construction in Progress	553,604			553,604
Total Capital assets not being depreciated	818,116	-	-	818,116
Capital assets being depreciated:				
Plant	850,000			850,000
Machinery and Equipment	951,501			951,501
Vehicles	400,969	17,478		418,447
Improvements-WS District	1,397,749	-		1,397,749
Storage tank	100,000	-		100,000
Infrastructure	3,350,155	29,500		3,379,655
Total capital assets being depreciated	7,050,374	46,978	-	7,097,352
Less accumulated depreciation for:				
Plant	357,000	17,000		374,000
Machinery and equipment	428,484	85,004		513,488
Vehicles	261,986	34,080		296,066
Storage Tank	69,986	9,788		79,774
Infrastructre	2,411,562	95,250		2,506,812
Total accumulated deprecitaion	3,529,018	241,122	-	3,770,140
Total capital assets being depreciated, net	3,521,356	(194,144)	-	3,327,212
Business-Type Activities capital assets, net	\$ 4,339,472	\$(194,144)	\$ -	\$ 4,145,328
Total Primary Government	\$12,785,515	\$(489,779)	\$ -	\$ 12,295,736

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020 with compensated Absences

	Beginning Balance 10/1/2019	Issued	Retired	Ending Balance 9/30/2020	Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
Compensated Absences	\$ 27,788	\$ 25,785	\$ 25,822	\$ 27,751	\$ -
<b>Loans Payable</b>					
USDA Intermediary Re-Lending for \$727,500 with interest rate at 1% with annual payments, maturity date of January 1, 2034	408,004		27,970	380,034	28,037
Total Loan Payable	408,004		27,970	380,034	28,037
<b>Bonds Payable</b>					
USDA Series 2016 refunding Bonds: \$1,240,000 with interest rate of 3.25% dated 08/28/2017 payable in 40 years. Final Payment on 08/15/2057 first year interest only.	1,222,000		18,000	1,204,000	19,000
Total Bond Payable	1,222,000		18,000	1,204,000	19,000
<b>Certificate Obligation</b>					
USDA series 2016 for \$2,242,000 with interest rate or 3.25% dated 8/28/2017 payable in 40 years Final payment on 8/15/2057 first year interest only	2,210,000		33,000	2,177,000	34,000
Total Certificate of Obligation	2,210,000		33,000	2,177,000	34,000
<b>Community Facility Loan</b>					
USDA Series 2017 for \$400,000 dated 08/28/17 advances Unclosed Loan	98,000		6,000	92,000	8,200
Total Loan Payable	98,000		6,000	92,000	8,200
<b>Capital Leases</b>					
Wells Fargo Equipment finance in the amount of \$344,892 for two Fire Department Trucks Payable at \$41,020.24 a month including interest at 3.35%. Lease payable through 2024.	219,660		33,662	185,998	34,789
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.	194,460		36,078	158,382	37,433
Total Capital Leases	414,120		69,740	344,380	72,222
<b>Total Long-Term Debt - Governmental Activities</b>	<b>\$ 4,379,912</b>	<b>\$ 25,785</b>	<b>\$ 180,532</b>	<b>\$ 4,225,165</b>	<b>\$ 161,459</b>

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

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

**F. Long Term Obligations (CONTINUED)**

	Beginning Balance 10/1/2019	Issued	Retired	Ending Balance 9/30/2020	Due Within One Year
<b>Business-Type Activities</b>					
Compensated Absences	13,718	21,827	12,740	22,805	-
<b>Certificate of Obligation</b>					
Combination Tax and Sewer System Revenue Certificates of Obligations Series 1983 for \$340,000 with annual payments of \$10,000 for forty years with interest rate of 5%	55,000		20,000	35,000	20,000
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%	907,000		113,000	794,000	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%	3,015,000	-	155,000	2,860,000	155,000
<b>Total Long-Term Debt - Business-Type Ac Total Certificate of Obligation</b>	<b>3,977,000</b>	<b>-</b>	<b>288,000</b>	<b>3,689,000</b>	<b>288,000</b>
<b>GRAND TOTAL LONG-TERM DEBT</b>	<b>8,370,630</b>	<b>-</b>		<b>8,370,630</b>	<b>449,459</b>

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020 is comprised of the following:

<u>Fiscal year Ending Septemeber 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payable</u>
2021	81,037	113,683	194,720
2022	82,317	111,682	193,999
2023	84,601	109,641	194,242
2024	85,887	107,822	193,709
2025-2029	459,824	504,565	964,389
2023-2034	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>\$ 3,761,330</u>	<u>\$ 2,464,079</u>	<u>\$ 6,225,409</u>

Capital leases payable at September 30, 2020 is comprised of the following:

<u>Fiscal year Ending Septemeber 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Capital Leases</u>
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>\$ 344,380</u>	<u>\$ 34,248</u>	<u>\$ 378,628</u>

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

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

**F. Long Term Obligations (CONTINUED)**

**Certificate of Obligation & Bonds -Business-Type Activities**

Debt service requirements of bonds payables at September 30, 2020 are as follows:

Fiscal year ending September 30,	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
2034-2039	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 THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**IV. OTHER INFORMATION**

**A. Arbitrage**

The City 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, 2020, there was no liability of arbitrage that would have been owed to the federal government.

**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.

**C. Employee Retirement Benefits (continued)**

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](http://www.TMRS.com)

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	5.0%	5.0%
Matching ration (city to employee)	1 To 1	1 To 1
Years required for vesting	5.0%	5.0%
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 Active Retirees	Yes	Yes

**Employees Covered by Benefits Terms**

At December 31, 2019 the following employees were covered by the benefits terms:

Members

Number of Inactive employees of beneficiaries currently receiving benefits	10
Number of Inactive employees entitled to but not yet receiving benefits	80
Active employees	<u>37</u>
Total	127

**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 THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**IV. OTHER INFORMATION (continued)**

**C. Employee Retirement Benefits (continued)**

Three-Year Trend Information				
Fiscal Year Ending	Annual Pension Cost(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2017	\$ -	\$ -	0%	\$ -
2018	\$ -	\$ -	0%	\$ -
2019	\$ -	\$ -	0%	\$ -

**Actuarial Assumption:**

The total Pension Liability in December 31, 2019 actuarial valuation was determined using the following actuarial assumptions

**Valuation Date:**

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 years smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to study of period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information	
Notes	There were no benefit changes during the year.

Actuarial assumptions used in the December 31, 2018; valuation was based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2011 through December 31, 2014, used in the December 31, 2018 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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%
<b>Total</b>		<b>100%</b>	

**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, 2020, the City reported a net pension Liability of \$799,449

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**IV. OTHER INFORMATION (continued)**

**C. Employee Retirement Benefits (continued)**

Net Pension Liability	12/31/2019	12/31/2018
Total Pension Liability	\$ 1,688,238	\$ 1,577,588
Plan Fiduciary Net Position	888,789	736,253
Net Pension Liability	\$ 799,449	\$ 841,335
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.65%	46.67%
Covered Payroll	1,231,205	1,082,894
Net Pension Liability as a Percentage of Covered Payroll	64.93%	77.69%

For the year ended September 30, 2020, the City recognizes a pension expense of \$73,723

Schedule of Pension Expense

1. Total Service Cost	\$ 80,398
2. Interest on the Total Pension Liability	105,890
3. Current Period Benefit Charges	0
4. Employee Contributions (Reduction of Expense)	(61,560)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(49,697)
6. Administrative Expense	643
7. Other Fiduciary Net Position	19
8. Recognition of Current Year Outflow(Inflow) of resources- Liabilities	7,770
9. Recognition of current year Outflow(Inflow) of resources- Assets	(12,806)
10. Amortization of Prior Year Outflows(Inflows) of Resources- Liabilities	(9,194)
11. Amortization of Prior Year Outflows (Inflows) of resources- Assets	12,260
12. Total Pension Expense	\$ 73,723

Sensitivity of the net pension liability of the City, calculated using 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%
\$1,009,933	\$799,499	\$627,680

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**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 separately-issued TMRS financial report. That report is available at [www.tmrs.com](http://www.tmrs.com)

<u>Due to Liabilities</u>	<u>Period (or Amortization years)</u>	<u>Total (Inflow) or Outflow of Resources</u>		<u>Deferred (Inflow)/Outflow in future expense</u>
Difference in expected and actual experience [actuarial (gains) or losses]	2.89	\$ 12,836	\$ 4,442	\$ 8,394
Change in assumptions [actuarial (gains) or losses]	2.89	9,617	3,328	6,289
			<u>\$ 7,770</u>	<u>\$ 14,683</u>
<b><u>Due to Assets:</u></b>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	-64030	-12806	-51224
<b>Total:</b>			<u>\$ (12,806)</u>	<u>\$ (51,224)</u>
				<u>\$ (36,541)</u>

\$799,499 reported 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, 2020.

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

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

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("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 earnings for the 12-month

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**IV. OTHER INFORMATION (continued)**

**E. Other Post Employment Benefit (OPEB) Programs**

period preceding the month of death). The death benefit for retirees is considered an other 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 considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

GASB No. 75 requires employers 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.

For employers first reporting under GASB No. 75 for fiscal year 2020, 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 portion 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 THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**IV. OTHER INFORMATION (continued)**

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

**Supplemental Death Benefit (SDBF) Plan Contributions**

The City contributes to 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 the 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)
2020	0.25%	0.04%
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, 2019, and the Total Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumption: The Total OPEB Liability in December 31, 2019 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50%
Salary Increase	3.50% to 11.50% including inflation
Discount rate*	2.75%
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 No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. /
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.



**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020 is follow:

	12/31/2019
<b>Membership*</b>	
Number of:	
Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	4
Active employees	37
Total	50
<b>Covered Payroll</b>	\$ 1,231,205
 <b>Changes in the Total OPEB Liability</b>	 \$ 72,044
Total OPEB Liability - beginning of year	
Changes for year	
Service Cost	4,802
Interest on Total OPEB Liability	2,755
Changes of Benefit Terms	-
Difference between expected and actual experience	(1,867)
Changes in assumptions or other inputs	14,908
Benefit payments**	(369)
Net Changes	20,229
Total OPEB Liability-End of year	\$ 92,273
 <b>Total OPEB Liability as a percentage of Covered Payroll</b>	 7.49%

\* 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 (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).

\*\*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 (1.71%)	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability	\$111,387	\$92,273	\$77,743

**CITY OF LA JOYA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**IV. OTHER INFORMATION (continued)**

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

For the year ended September 30, 2020, the city recognized OPEB expense of \$9,153

Service Cost	\$	4,802
Interest on total OPEB liability		2755
Changes in benefit terms		0
Employer administrative costs		0
Recognition of deferred outflows/inflows of resources:		
Difference between expected and actual experience*		(485)
Changes in assumption or other inputs**		2081
<b>Total OPEB expense</b>	<b>\$</b>	<b>9,153</b>

Generally, this will only be the annual change in the municipal bond index rate. However, for this valuation, the changes in assumption also include the changes in the actuarial assumptions adopted in 2019.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of resources related to Pensions.

At September 30, 2020, 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	Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Difference in expected and actual expected and actual experience [actuarial (gains) or losses]	7.35	\$ (1,867)	\$ (254)	\$ (1,613)
Difference in assumption [actuarial (gains) or losses]	7.35	14,908	2,028	12,880
Contributions made subsequent to measurement date		(provided by city)	(provided by city)	(provided by city)
<b>Total (excluding city provided contributions made subsequent to measurement date):</b>				<b>\$ 11,267</b>

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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 Resources
2020	\$ 1,596
2021	1,596
2022	1,596
2023	1,596
2024	1,596
Thereafter	1,499
<b>Total</b>	<b>\$ 9,479</b>

\*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 THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020.

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 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 THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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 market 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.

**CITY OF LA JOYA, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020.

**I. Related Party Transaction**

No related parties were disclosed.

**J. Prior Period Adjustment**

The General fund included a prior period adjustment of \$7,092 related to revenue recognition.

**K. Subsequent Events**

In preparing the financial statements, the City's Management has evaluated events and transactions for potential recognition or disclosure through July 29, 2021, the date the financial statements will be available to be issued.

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.

**CITY OF LA JOYA, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Budget Basis	Final Variance Budget Basis
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 981,110	\$ 966,110	\$ 908,168	\$ ( 57,942 )
Sales Taxes	300,000	290,000	290,890	890
Franchise Taxes	239,350	234,850	241,837	6,987
Court Fines & Fees	382,500	192,500	150,965	( 41,535 )
Intergovernmental	128,000	640,402	611,253	( 29,149 )
Licenses and Permits	77,500	277,500	271,784	( 5,716 )
Charges for Services	743,500	723,500	769,327	45,827
Interest	18,000	8,000	-	( 8,000 )
Miscellaneous	7,000	7,000	170,845	163,845
<b>Total Revenues</b>	<u>2,876,960</u>	<u>3,339,862</u>	<u>3,415,069</u>	<u>75,207</u>
<b>Other Financing Sources</b>				
Proceeds from Loans	-	-	-	-
Transfers from other funds	-	-	-	-
<b>Total Revenues and Other Financing Sources</b>	<u>2,876,960</u>	<u>3,339,862</u>	<u>3,415,069</u>	<u>75,207</u>
<b>Expenditures</b>				
General Government	510,466	600,466	576,025	24,441
Public Safety	725,770	800,770	815,159	( 14,389 )
Health and Welfare	905,722	1,305,722	1,336,409	( 30,687 )
Culture and Recreation	307,070	264,070	258,256	5,814
Public Works	253,100	253,100	258,632	( 5,532 )
Municipal Court	125,280	100,280	91,049	9,231
Capital Outlay	-	-	-	-
Debt service:	-	-	-	-
Principal retirements	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<u>2,827,408</u>	<u>3,324,408</u>	<u>3,335,530</u>	<u>( 11,122 )</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>2,827,408</u>	<u>3,324,408</u>	<u>3,335,530</u>	<u>( 11,122 )</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>49,552</u>	<u>15,454</u>	<u>79,539</u>	<u>94,993</u>
<b>Net Change in Fund Balance</b>	<u>49,552</u>	<u>15,454</u>	<u>79,539</u>	<u>94,993</u>
<b>Fund Balance at Beginning of Period</b>	1,112,918	1,112,918	1,112,918	-
<b>Prior Period Adjustment</b>	-	-	7,092	( 7,092 )
<b>Fund Balance at End of Period</b>	<u>\$ 1,162,470</u>	<u>\$ 1,128,372</u>	<u>\$ 1,199,549</u>	<u>\$ 87,901</u>

**CITY OF LA JOYA, TEXAS**  
**Schedule of Funding Progress for Retirement Plan**  
**For Year ended September 30, 2020**

(Unaudited)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
12/31/2011	\$ 155,313	\$ 854,782	18.2%	\$ 699,469	\$ 1,232,734	56.74%
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	40.5%	684,634	1,056,618	64.79%
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%
12/31/2019	799,449	1,688,238	47.4%	888,789	1,231,205	72.19%



**CITY OF LA JOYA, TEXAS**  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last 10 Years  
For the Year Ended September 30, 2020

<u>Total Pension Liability</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service Cost	\$ 80,398	\$ 70,280	\$ 78,705
Interest (On the Total Pension Liability)	105,890	101,165	93,672
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	12,836	(19,896)	11,902
Change of Assumptions	9,617	-	-
Benefit Payments, including Refunds of Employee Contributions	\$ (98,091)	(75,116)	(63,006)
Net Change in Total Pension Liability	<u>\$ 110,650</u>	<u>151,549</u>	<u>\$ 184,279</u>
Net Pension Liability- Beginning	<u>\$ 1,577,588</u>	<u>1,501,155</u>	<u>\$ 1,379,882</u>
Total Pension Liability- Ending	<u><u>\$ 1,688,238</u></u>	<u><u>\$ 1,652,704</u></u>	<u><u>\$ 1,564,161</u></u>
 <b>Plan Fiduciary Net Position</b>			
Contributions- Employer	\$ 76,002	\$ 65,560	\$ 74,935
Contributions-Employee	61,560	54,145	60,729
Net Investment Income	113,728	(21,432)	78,195
Benefits Payments, Including Refunds of Employee Contribut	(98,091)	(75,116)	(63,006)
Administrative Expense	(643)	(412)	(404)
Other	<u>(19)</u>	<u>(22)</u>	<u>(21)</u>
Net Change in Plan Fiduciary Net Position	<u>152,537</u>	<u>22,723</u>	<u>150,428</u>
Plan Fiduciary Net Position- Beginning	<u>736,253</u>	<u>713,530</u>	<u>563,103</u>
Plan Fiduciary Net Position- Ending	<u><u>\$ 888,790</u></u>	<u><u>\$ 736,253</u></u>	<u><u>\$ 713,531</u></u>
 Net Pension Liability	 \$ 799,448	 \$ 916,451	 \$ 850,630
Plan Fiduciary Net Position as a Percentage of Total Pension L	52.65%	44.55%	45.62%
Covered Employee Payroll	\$ 1,231,205	\$ 1,082,894	\$ 1,214,583
Net Pension Liability as Percentage of Covered Employee Pay	65%	84.63%	70.03%

GASB 68 Requires 10 fiscal years of data(built prospectively) to be provided in this schedule.  
Most current information is displays above. As information is available, it will be added.

CITY OF LA JOYA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2020

	200 Economic Development Fund	202 Asset Forfeiture Fund	203 Tax Abatement Fund	204 Police Grants Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ (122,600)	\$ (17,327)	\$ 369,897	\$ (84)
Taxes Receivable	-	-	28,292	-
Accounts Receivable, Net	28,292	-	-	-
Due from Others	341,212	-	-	-
Total Assets	<u>\$ 246,904</u>	<u>\$ (17,327)</u>	<u>\$ 398,189</u>	<u>\$ (84)</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 11,273	\$ 1,321	\$ -	\$ -
Total Liabilities	<u>11,273</u>	<u>1,321</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Other Restricted Fund Balance	235,631	-	398,189	-
Unassigned Fund Balance	-	(18,648)	-	(84)
Total Fund Balances	<u>235,631</u>	<u>(18,648)</u>	<u>398,189</u>	<u>(84)</u>
Total Liabilities and Fund Balances	<u>\$ 246,904</u>	<u>\$ (17,327)</u>	<u>\$ 398,189</u>	<u>\$ (84)</u>

205 TIRZ Fund	207 La Joya RBEG Fund	208 La Joya EDC-IRP Fund	Total Nonmajor Special Revenue Funds	602 Walker Street Project	Total Nonmajor Governmental Funds
\$ 168,400	\$ 316,139	\$ 5,755	\$ 720,180	\$ -	\$ 720,180
99,455	-	-	127,747	-	127,747
-	-	-	28,292	-	28,292
-	-	220,455	561,667	-	561,667
<u>\$ 267,855</u>	<u>\$ 316,139</u>	<u>\$ 226,210</u>	<u>\$ 1,437,886</u>	<u>\$ -</u>	<u>\$ 1,437,886</u>
\$ 20,863	\$ -	\$ -	\$ 33,457	\$ -	\$ 33,457
20,863	-	-	33,457	-	33,457
246,992	316,139	226,210	1,423,161	-	1,423,161
-	-	-	(18,732)	-	(18,732)
246,992	316,139	226,210	1,404,429	-	1,404,429
<u>\$ 267,855</u>	<u>\$ 316,139</u>	<u>\$ 226,210</u>	<u>\$ 1,437,886</u>	<u>\$ -</u>	<u>\$ 1,437,886</u>

CITY OF LA JOYA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	200 Economic Development Fund	202 Asset Forfeiture Fund	203 Tax Abatement Fund	204 Police Grants Fund
<b>REVENUES:</b>				
Taxes:				
General Sales and Use Taxes	\$ 145,445	\$ -	\$ 145,444	\$ -
Intergovernmental Revenue and Grants	-	-	-	62,386
Investment Earnings	-	-	-	-
Other Revenue	219	22,134	-	-
Total Revenues	<u>145,664</u>	<u>22,134</u>	<u>145,444</u>	<u>62,386</u>
<b>EXPENDITURES:</b>				
Public Safety	-	-	-	62,470
Conservation and Development	139,348	-	-	-
Debt Service:				
Other Debt Service	-	49,214	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>139,348</u>	<u>49,214</u>	<u>-</u>	<u>62,470</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,316</u>	<u>(27,080)</u>	<u>145,444</u>	<u>(84)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Transfers Out	<u>(41,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(41,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(34,924)	(27,080)	145,444	(84)
Fund Balance - October 1 (Beginning)	269,997	8,432	252,745	-
Prior Period Adjustment	558	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 235,631</u>	<u>\$ (18,648)</u>	<u>\$ 398,189</u>	<u>\$ (84)</u>

205 TIRZ Fund	207 La Joya RBEG Fund	208 La Joya EDC-IRP Fund	Total Nonmajor Special Revenue Funds	602 Walker Street Project	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 290,889	\$ -	\$ 290,889
137,707	-	-	200,093	75,000	275,093
-	886	675	1,561	-	1,561
-	-	-	22,353	-	22,353
<u>137,707</u>	<u>886</u>	<u>675</u>	<u>514,896</u>	<u>75,000</u>	<u>589,896</u>
-	-	-	62,470	-	62,470
-	11,100	41,913	192,361	-	192,361
-	-	-	49,214	-	49,214
<u>55,683</u>	<u>-</u>	<u>-</u>	<u>55,683</u>	<u>100,000</u>	<u>155,683</u>
<u>55,683</u>	<u>11,100</u>	<u>41,913</u>	<u>359,728</u>	<u>100,000</u>	<u>459,728</u>
<u>82,024</u>	<u>(10,214)</u>	<u>(41,238)</u>	<u>155,168</u>	<u>(25,000)</u>	<u>130,168</u>
-	-	41,240	41,240	-	41,240
-	-	-	(41,240)	-	(41,240)
-	-	41,240	-	-	-
<u>82,024</u>	<u>(10,214)</u>	<u>2</u>	<u>155,168</u>	<u>(25,000)</u>	<u>130,168</u>
165,149	326,353	226,390	1,249,066	25,000	1,274,066
(181)	-	(182)	195	-	195
<u>\$ 246,992</u>	<u>\$ 316,139</u>	<u>\$ 226,210</u>	<u>\$ 1,404,429</u>	<u>\$ -</u>	<u>\$ 1,404,429</u>

CITY OF LA JOYA  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED SEPTEMBER 30, 2020

Last 10 Years Ended September 30	Tax Rates		Assessed/Appraised Value for Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	0.54520	0.00000	125,191,739
2012	0.56780	0.00000	125,170,724
2013	0.56780	0.00000	123,842,059
2014	0.57000	0.00000	123,235,002
2015	0.54350	0.00000	132,056,980
2016	0.53940	0.00000	132,056,980
2017	0.52510	0.00000	146,447,639
2018	0.56680	0.00000	152,157,375
2019 (Fiscal year under audit)	0.59040	0.00000	156,429,031
1000 TOTALS			

Beginning Balance October 1, 2019	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30, 2020
\$ 48,045	\$ -	\$ 1,395	\$ -	\$ 38	\$ 46,612
8,031	-	250	-	-	7,781
9,093	-	482	-	-	8,611
8,948	-	732	-	-	8,216
9,356	-	1,713	-	-	7,643
14,684	-	1,992	-	480	12,212
17,284	-	3,198	-	68	14,018
29,173	-	7,696	-	282	21,195
55,589	-	19,843	-	365	35,381
-	923,557	872,326	-	(804)	52,035
<u>\$ 200,203</u>	<u>\$ 923,557</u>	<u>\$ 909,627</u>	<u>\$ -</u>	<u>\$ 429</u>	<u>\$ 213,704</u>



**GUILLERMO REYNA**  
CERTIFIED PUBLIC ACCOUNTANT

**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***

**Independent Auditor's Report**

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, blended component units, each major fund, and the aggregate remaining fund information of CITY OF LA JOYA as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise CITY OF LA JOYA's basic financial statements, and have issued our report thereon dated July 29, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CITY OF LA JOYA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CITY OF LA JOYA's internal control. Accordingly, we do not express an opinion on the effectiveness of CITY OF LA JOYA's 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 were not 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 #2020-001, #2020-002 that we consider to be significant deficiencies.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CITY OF LA JOYA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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's Response to Findings**

CITY OF LA JOYA's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. CITY OF LA JOYA's 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 result 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.

***Guillermo Reyna, CPA***

Guillermo Reyna  
Certified Public Accountant

McAllen, Texas

July 29, 2021

CITY OF LA JOYA, TEXAS  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

**I. Summary of the Auditor's Results:**

- |   |            |
|---|------------|
| A. The type of report issued:<br>opinion  | Unmodified |
| B. Internal control over financial statements:  |            |
| Material Weakness(es) identified?   | No         |
| Significant Deficiency(ies) identified which<br>were not considered material weaknesses?                      | Yes        |
| C. Noncompliance material to the financial statements noted?  | No         |
| D. The City did not qualify for a Single Audit as defined by the Uniform Guidance (2 CFR section 200.516(a)). |            |

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.**

**2020-01 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 conducted.

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.

CITY OF LA JOYA, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**2020-02 Walker Street Project -Controls over Accounting & Compliance Management**

**Criteria:** All financial transaction for the City should be maintained and accounted for in the City's formal computerized system.

**Condition:** The City wrote out checks totaling \$100 thousand for the paving of this project, however these transactions were not included in the formal books of record received by the auditor. The appropriate audit adjustments were prepared by the auditor at year-end. In addition, the auditor was not furnished with documentation to support that the project was subjected to the competitive bid process.

**Effect:** We were unable to ascertain whether the project was bid out.

**Recommendation:** The City should ensure consistency in controls related to program administration and financial accounting and reporting.

**Auditee's Response:** Refer to corrective action plan.

-CITY-OF LA JOYA, TEXAS  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Schedule Reference #2019-1 Controls over Reporting of Financial Information to State Agency

Current Status: Refer to current year findings.

Schedule Reference #2019-2 Controls over La Joya Economic Development Corporation Loans

Current Status: The City, along with a City Attorney, has undertaken aggressive measures in order to bring loans current.