

CITY OF LA JOYA, TEXAS
AUDITED ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2022

GUILLERMO REYNA
CERTIFIED PUBLIC ACCOUNTANT

MEMBER OF THE AMERICAN INSTITUTE OF CPAs & TEXAS SOCIETY OF CPAs

CITY OF LA JOYA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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GUILLERMO REYNA
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of the
City of La Joya, Tx
La Joya, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, blended component units, each major fund, and the aggregate remaining fund information of the City of La Joya, Tx as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the City of La Joya, Tx's basic financial statements as listed in the table of contents.

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, Tx as of September 30, 2022 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of La Joya, Tx's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the schedule of City of La Joya, Tx's proportionate share of the net pension liability and the schedule of City of La Joya, Tx pension contributions be presented to supplement the basic

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Joya, Tx's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining and individual nonmajor fund financial statements and the schedule of federal awards are 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 and the schedule of federal awards 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 March 29, 2023 on our consideration of City of La Joya, Tx'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 City of La Joya, Tx'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, Tx's control over financial reporting and compliance.

Guillermo Reyna, CPA

Guillermo Reyna, CPA
McAllen, Texas

March 29, 2023

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, 2022. 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 an increase of \$ 757,109 as of September 30, 2022. This is composed of Governmental Activities' net position of \$ 9,942,177 and Business-Type Activities' net position of \$ 4,324,154, for a total of \$ 14,266,331 ending balance.
- Assets from governmental activities exceeded its liabilities at the end of the most current fiscal year by \$9,942,177 in comparison with \$9,356,848 in the prior year.
- The General Fund ended the year with a fund balance of \$1,112,216.
- Unreserved fund balance for the general fund was \$ 1,797,696 for 2022 and \$1,112,216 for 2021.

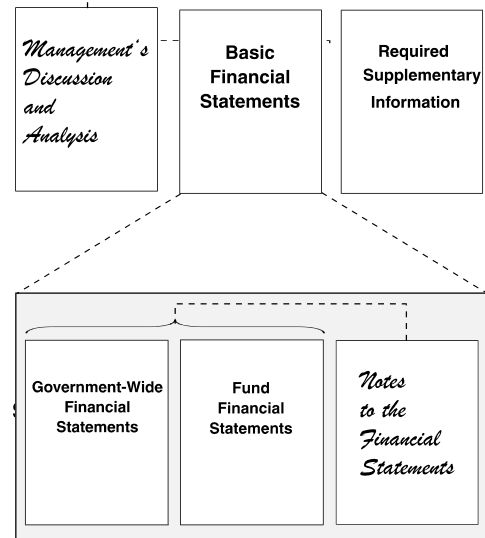
USING THIS ANNUAL REPORT

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



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.

CITY LA JOYA, TEXAS
Management's Discussion and Analysis

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 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 increased by \$ 757,109 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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>		<u>Increase</u>
	2022	2021	2022	2021	2022	2021	<u>(Decrease)</u>
Current Assets							
Cash and Cash Equivalents	\$ 2,203,154	\$ 1,124,251	(271,611.00)	\$ (214,556)	\$ 1,931,543	\$ 909,695	\$ 1,021,848
Restricted Cash	-	-	4,139,754	4,130,785	4,139,754	4,130,785	8,969
Accounts Receivable- Taxes	296,634	276,687	-	-	296,634	276,687	19,947
Accounts Receivable- Net	3,991,130	3,578,608	203,502	210,938	4,194,632	3,789,546	405,086
Due From Other Governments	1,390,613	1,659,772	-	30,000	1,390,613	1,689,772	(299,159)
Prepaid and Other Assets	-	11,594	-	46,239	-	57,833	(57,833)
Inventory	397,702	397,702	-	-	397,702	397,702	-
Note Receivable	552,784	555,226	-	-	552,784	555,226	(2,442)
Grants	-	95,810	-	-	-	95,810	(95,810)
Internal Balance	-	-	-	-	-	-	-
Total Current Assets	8,832,017	7,699,650	4,071,645	4,203,406	12,903,662	11,903,056	1,000,606
Non Current Assets:							
Bonds Issuance Cost (Net)	-	-	128,313	135,180	128,313	135,180	(6,867)
Capital Assets	14,730,391	14,494,532	8,123,330	8,042,912	22,853,721	22,537,444	316,277
Less: Accumulated Depreciation	(6,197,982)	(5,827,804)	(4,267,409)	(4,020,350)	(10,465,391)	(9,848,154)	(617,237)
Non-Current Assets	8,532,409	8,666,728	3,984,234	4,157,742	12,516,643	12,824,470	(307,827)
Total Assets	\$ 17,364,426	\$ 16,366,378	\$ 8,055,879	\$ 8,361,148	\$ 25,420,305	\$ 24,727,526	\$ 692,779
Deferred Outflows of Resources							
Related to Pension	67,726	(14,683)	14,683	14,683	82,409	-	82,409
Related to OPEB	20,340	6,879	5,085	-	25,425	6,879	18,546
Total Deferred Outflows of Resources	88,066	(7,804)	19,768	14,683	107,834	6,879	100,955
Current Liabilities							
Accounts Payable	247,224	67,969	38,071	28,690	285,295	96,659	188,636
Payroll Liabilities	25,861	43,078	24,184	6,751	50,045	49,829	216
Unearned Revenues	2,458,876	1,326,101	-	313,811	2,458,876	1,639,912	818,964
Other Current Liabilities	52,202	81,003	73,822	55,635	126,024	136,638	(10,614)
Deferred USDA LOAN	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	3,750	-	3,750	(3,750)
Accrued Wages and Benefits	-	-	-	-	-	-	-
Matured Debt Payable withing One year	203,224	161,459	263,000	-	466,224	161,459	304,765
Customer Deposits	-	-	-	-	-	-	-
Total Current Liabilities	2,987,387	1,679,610	399,077	408,637	3,386,464	2,088,247	1,298,217
Non-Current Liabilities							
Compensated Absences	-	-	-	31,892	-	31,892	(31,892)
Long Term Debt Payables(Net)	3,869,022	3,919,898	3,171,471	3,118,000	7,040,493	7,037,898	2,595
Net Pension Liability	474,287	-	147,976	147,976	622,263	147,976	-
Net OPEB Liability	95,920	-	23,980	-	119,900	-	119,900
Total Non-Current Liabilities	4,439,229	3,919,898	3,343,427	3,297,868	7,782,656	7,217,766	564,890
Total Liabilities	\$ 7,426,616	\$ 5,599,508	\$ 3,742,504	\$ 3,706,505	\$ 11,169,120	\$ 9,306,013	\$ 1,863,107
Deferred Inflows of Resources	83,699	701,144	8,989	7,004	92,688	708,148	(615,460)
Net Position							
Net Invested in Capital Assets	\$ 4,460,163	\$ 4,583,719	\$ 3,601,145	\$ 589,671	\$ 8,061,308	\$ 5,173,390	\$ 2,887,918
Restricted For:							
Special Revenues	1,004,949	1,614,297	-	-	1,004,949	1,614,297	(609,348)
Economic Development	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Unrestricted	4,477,065	3,158,832	723,009	3,789,640	5,200,074	6,948,472	(1,748,398)
Total Net Position	\$ 9,942,177	\$ 9,356,848	\$ 4,324,154	\$ 4,379,311	\$ 14,266,331	\$ 13,736,159	\$ 530,172

CITY LA JOYA, TEXAS
Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$ 733,918.

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

	Governmental		Business- Type		Totals		Increase (Decrease)
	2022	2021	2022	2021	2022	2021	
Revenues							
Program Revenues							
Charges for Services	\$ 904,160	\$ 814,918	\$ 1,600,671	\$ 1,608,884	\$ 2,504,831	\$ 2,423,802	\$ 81,029
Operating Grants and Contributions	697,565	1,621,951	-	-	697,565	1,621,951	(924,386)
Capital Grants and Contributions	-	-	-	-	-	-	-
General Revenues							
Property Taxes, Levied for general purposes	1,441,511	1,290,801	-	-	1,441,511	1,290,801	150,710
Sales Taxes	833,625	684,212	-	-	833,625	684,212	149,413
Franchise Taxes	266,359	249,960	-	-	266,359	249,960	16,399
Miscellaneous	692,545	587,788	1,594	2,844	694,139	590,632	103,507
Interest Revenue	4,297	1,045	-	-	4,297	1,045	3,252
License and Permit	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Debt Forgiveness	-	-	-	-	-	-	-
Total Revenues	4,840,062	5,250,675	1,602,265	1,611,728	6,442,327	6,862,403	(420,076)
Expenses							
General Government	1,589,327	1,816,056	-	-	1,589,327	1,816,056	(226,729)
Public Safety	1,611,189	1,568,896	-	-	1,611,189	1,568,896	42,293
Health and Welfare	387,577	397,664	-	-	387,577	397,664	(10,087)
Culture and Recreational	328,219	258,860	-	-	328,219	258,860	69,359
Economic Development	189,832	186,538	-	-	189,832	186,538	3,294
Debt Principal	-	-	-	-	-	-	-
Debt Interest	-	-	-	-	-	-	-
Municipal Court	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-
Water and Sewer	-	-	1,579,074	1,839,146	1,579,074	1,839,146	(260,072)
Total Expenses	\$ 4,106,144	\$ 4,228,014	\$ 1,579,074	\$ 1,839,146	\$ 5,685,218	\$ 6,067,160	\$ (381,942)
Change in Net Position	733,918	1,022,661	23,191	(227,418)	757,109	795,243	(38,134)
Net Position Beginning	9,356,848	8,328,323	4,379,311	4,606,729	13,736,159	12,935,052	801,107
Prior Period Adjustment	(148,589)	5,864	(78,348)	-	(226,937)	5,864	(232,801)
Net Position Ending	\$ 9,942,177	\$ 9,356,848	\$ 4,324,154	\$ 4,379,311	\$ 14,266,331	\$ 13,736,159	\$ 530,172

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 \$ 1,797,696.

Capital Assets and Debt Administration

Capital Assets

The City LA JOYA's investments in capital assets for its governmental activities amount to \$ 8,532,409 and \$ 8,666,728 (net of accumulated depreciation) for 2022 and 2021. 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.

	Primary Government		Business Type		Totals		Increase (Decrease)
	2022	2021	2022	2021	2022	2021	
Capital Assets							
Land	\$ 389,060	\$ 389,060	\$ 307,594	\$ 264,512	\$ 696,654	\$ 653,572	\$ 43,082
Construction in Progress	-	-	565,604	553,604	565,604	565,604	-
Buildings	5,926,584	5,926,584	871,608	850,000	6,798,192	6,776,584	21,608
Machinery & Equipment	1,140,777	1,087,880	1,013,580	1,013,580	2,154,357	2,101,460	52,897
Vehicles	2,364,154	2,181,192	418,447	418,447	2,782,601	2,599,639	182,962
Infrastructure/Streets	4,909,816	4,909,816	4,946,497	4,930,769	9,856,313	9,840,585	15,728
	<u>\$ 14,730,391</u>	<u>\$ 14,494,532</u>	<u>\$ 8,123,330</u>	<u>\$ 8,042,912</u>	<u>\$ 22,853,721</u>	<u>\$ 22,537,444</u>	<u>\$ 316,277</u>
Less: Accumulated Depreciation	\$ (6,197,982)	\$ (5,827,804)	\$ (4,267,409)	\$ (4,020,350)	\$ (10,465,391)	\$ (9,848,154)	\$ (617,237)
Total Capital Assets (Net)	<u>\$ 8,532,409</u>	<u>\$ 8,666,728</u>	<u>\$ 3,855,921</u>	<u>\$ 4,022,562</u>	<u>\$ 12,388,330</u>	<u>\$ 12,689,290</u>	<u>\$ (300,960)</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		Business- Type Activity		Totals		Increase (Decrease)
	Activities						
	2022	2021	2022	2021	2022	2021	
Long-Term Obligations							
Bonds Payable (Net)	\$ 3,218,000	\$ 1,185,000	\$ 2,400,000	\$ 3,118,000	\$ 5,618,000	\$ 4,303,000	\$ 1,315,000
Other Long Term Debt (Net)	651,022	2,734,898	455,000	-	1,106,022	2,734,898	(1,628,876)
Current Portion	203,224	163,111	263,000	-	466,224	163,111	303,113
Compensated Absences	-	-	15,279	31,892	15,279	31,892	(16,613)
	<u>\$ 4,072,246</u>	<u>\$ 4,083,009</u>	<u>\$ 3,133,279</u>	<u>\$ 3,149,892</u>	<u>\$ 7,205,525</u>	<u>\$ 7,232,901</u>	<u>\$ (27,376)</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 2022/23 budget.

1. The ad valorem property tax rate was set at \$.5898, an increase of 16.68% from the prior year, 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 2022 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, 2022

EXHIBIT A-1 (Cont'd)

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,203,154	\$ (271,611)	\$ 1,931,543
Taxes Receivable, Net	296,634	-	296,634
Accounts Receivable, Net	3,991,130	203,502	4,194,632
Due from Other Governments	1,390,613	-	1,390,613
Due from Others	552,784	-	552,784
Inventories	397,702	-	397,702
Temporarily Restricted Asset	-	4,139,754	4,139,754
Capital Assets:			
Land Purchase and Improvements	389,060	307,594	696,654
Infrastructure, Net	2,153,500	600,776	2,754,276
Buildings, Net	4,724,621	1,901,893	6,626,514
Furniture and Equipment, Net	1,265,228	430,506	1,695,734
Capital Assets, Net	-	49,548	49,548
Construction in Progress	-	565,604	565,604
Other Assets	-	128,313	128,313
Total Assets	17,364,426	8,055,879	25,420,305
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	67,726	14,683	82,409
Deferred Outflow Related to OPEB	20,340	5,085	25,425
Total Deferred Outflows of Resources	88,066	19,768	107,834

CITY OF LA JOYA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
LIABILITIES			
Accounts Payable	247,224	38,071	285,295
Wages and Salaries Payable	25,861	8,905	34,766
Compensated Absences Payable	-	15,279	15,279
Unearned Revenues	2,458,876	316,471	2,775,347
Other Current Liabilities	52,202	73,822	126,024
Noncurrent Liabilities:			
Debt Due Within One Year	203,224	263,000	466,224
Bonds Payable - Noncurrent	3,869,022	2,855,000	6,724,022
Net Pension Liability	474,287	147,976	622,263
Net OPEB Liability	95,920	23,980	119,900
Total Liabilities	<u>7,426,616</u>	<u>3,742,504</u>	<u>11,169,120</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pension Plan	75,757	7,004	82,761
Deferred Inflow Related to OPEB	7,942	1,985	9,927
Total Deferred Inflows of Resources	<u>83,699</u>	<u>8,989</u>	<u>92,688</u>
NET POSITION			
Net Investment in Capital Assets	4,460,163	3,601,145	8,061,308
Restricted	1,004,949	-	1,004,949
Unrestricted	4,477,065	723,009	5,200,074
Total Net Position	<u>\$ 9,942,177</u>	<u>\$ 4,324,154</u>	<u>\$ 14,266,331</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, 2022

	Expenses	Program Revenues <u>Charges for Services</u>
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 1,589,327	\$ 904,160
Public Safety	1,611,189	-
Public Works	339,566	-
Health and Welfare	48,011	-
Culture and Recreation	328,219	-
Conservation and Development	189,832	-
Total Governmental Activities	4,106,144	904,160
BUSINESS-TYPE ACTIVITIES:		
Water & Sewer	1,579,074	1,600,671
Total Business-Type Activities	1,579,074	1,600,671
TOTAL PRIMARY GOVERNMENT	\$ 5,685,218	\$ 2,504,831

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- General Sales and Use Taxes
- Franchise Tax
- 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
\$ (685,167)	\$ -	\$ (685,167)
(1,611,189)	-	(1,611,189)
(339,566)	-	(339,566)
(48,011)	-	(48,011)
(328,219)	-	(328,219)
(189,832)	-	(189,832)
<u>(3,201,984)</u>	<u>-</u>	<u>(3,201,984)</u>
-	21,597	21,597
-	21,597	21,597
<u>(3,201,984)</u>	<u>21,597</u>	<u>(3,180,387)</u>
1,441,511	-	1,441,511
833,625	-	833,625
266,359	-	266,359
1,003	-	1,003
697,565	-	697,565
691,542	1,594	693,136
4,297	-	4,297
<u>3,935,902</u>	<u>1,594</u>	<u>3,937,496</u>
733,918	23,191	757,109
9,356,848	4,379,311	13,736,159
(148,589)	(78,348)	(226,937)
<u>\$ 9,942,177</u>	<u>\$ 4,324,154</u>	<u>\$ 14,266,331</u>

CITY OF LA JOYA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Urban County Program	Corona Virus Recovery Fund
ASSETS			
Cash and Cash Equivalents	\$ 971,044	\$ -	\$ 773,613
Taxes Receivable	262,858	-	-
Allowance for Uncollectible Taxes (credit)	(82,951)	-	-
Accounts Receivable, Net	3,667,130	-	-
Due from Other Governments	90,651	1,105,230	-
Due from Other Funds	299,899	-	-
Due from Others	-	-	-
Inventories	397,702	-	-
Total Assets	<u>\$ 5,606,333</u>	<u>\$ 1,105,230</u>	<u>\$ 773,613</u>
LIABILITIES			
Accounts Payable	\$ 218,044	\$ -	\$ -
Wages and Salaries Payable	25,861	-	-
Due to Other Funds	-	-	-
Unearned Revenues	3,315,060	1,105,230	771,398
Other Current Liabilities	52,202	-	-
Total Liabilities	<u>3,611,167</u>	<u>1,105,230</u>	<u>771,398</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	197,470	-	-
Total Deferred Inflows of Resources	<u>197,470</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Other Assigned Fund Balance	-	-	2,215
Unassigned Fund Balance	1,797,696	-	-
Total Fund Balances	<u>1,797,696</u>	<u>-</u>	<u>2,215</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,606,333</u>	<u>\$ 1,105,230</u>	<u>\$ 773,613</u>

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

Capital Projects Fund	Other Funds	Total Governmental Funds
\$ -	\$ 458,497	\$ 2,203,154
-	116,727	379,585
-	-	(82,951)
302,000	22,000	3,991,130
35,000	159,732	1,390,613
-	-	299,899
-	552,784	552,784
-	-	397,702
<u>\$ 337,000</u>	<u>\$ 1,309,740</u>	<u>\$ 9,131,916</u>
\$ -	\$ 29,180	\$ 247,224
-	-	25,861
299,899	-	299,899
337,000	-	5,528,688
-	-	52,202
<u>636,899</u>	<u>29,180</u>	<u>6,153,874</u>
-	-	197,470
-	-	197,470
(299,899)	1,302,633	1,004,949
-	(22,073)	1,775,623
<u>(299,899)</u>	<u>1,280,560</u>	<u>2,780,572</u>
<u>\$ 337,000</u>	<u>\$ 1,309,740</u>	<u>\$ 9,131,916</u>

CITY OF LA JOYA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds	\$	2,780,572
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.		4,583,718
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 including the 2022 capital outlays and debt principal payments is to increase (decrease) net position.		443,455
The net impact of GASB 68 for the TMRS Pension plan. this fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position.		(585,014)
The net impact of GASB 75 related to OPEB.		19,174
The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(425,715)
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.		3,125,987
Net Position of Governmental Activities	\$	9,942,177

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, 2022

	General Fund	Urban County Program	Corona Virus Recovery Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 1,131,983	\$ -	\$ -
General Sales and Use Taxes	538,276	-	-
Franchise Tax	266,359	-	-
Penalty and Interest on Taxes	-	-	1,003
Licenses and Permits	58,746	-	-
Intergovernmental Revenue and Grants	270,105	29,658	43,398
Charges for Services	904,160	-	-
Fines	356,287	-	-
Forfeits	-	-	-
Investment Earnings	4,297	-	-
Rents and Royalties	67,760	-	-
Other Revenue	124,292	-	1,051
Total Revenues	3,722,265	29,658	45,452
EXPENDITURES:			
Current:			
General Government	1,523,651	-	-
Public Safety	1,211,128	-	-
Public Works	306,949	-	-
Health and Welfare	-	-	43,398
Culture and Recreation	296,692	-	-
Conservation and Development	-	29,658	-
Debt Service:			
Debt Service	163,928	-	-
Capital Outlay:			
Capital Outlay	1,296	-	-
Total Expenditures	3,503,644	29,658	43,398
Excess of Revenues Over Expenditures	218,621	-	2,054
OTHER FINANCING SOURCES (USES):			
Proceeds from Capital Leases	52,898	-	-
Noncurrent Loans	-	-	-
Transfers In	581,242	-	-
Other Resources	-	-	-
Transfers Out	(14,582)	-	-
Total Other Financing Sources (Uses)	619,558	-	-
Net Change in Fund Balances	838,179	-	2,054
Fund Balance - October 1 (Beginning)	1,112,216	-	161
Prior Period Adjustment	(152,699)	-	-
Fund Balance - September 30 (Ending)	\$ 1,797,696	\$ -	\$ 2,215

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

Capital Projects Fund	Other Funds	Total Governmental Funds
\$ -	\$ 112,058	\$ 1,244,041
-	295,349	833,625
-	-	266,359
-	-	1,003
-	-	58,746
-	354,404	697,565
-	-	904,160
-	59,454	415,741
-	5,977	5,977
-	-	4,297
-	-	67,760
13	-	125,356
13	827,242	4,624,630
-	-	1,523,651
-	452,854	1,663,982
-	-	306,949
-	-	43,398
-	-	296,692
-	141,940	171,598
-	-	163,928
-	102,253	103,549
-	697,047	4,273,747
13	130,195	350,883
-	-	52,898
-	88,397	88,397
-	50,422	631,664
-	22,000	22,000
-	(617,082)	(631,664)
-	(456,263)	163,295
13	(326,068)	514,178
(299,912)	1,614,136	2,426,601
-	(7,508)	(160,207)
\$ (299,899)	\$ 1,280,560	\$ 2,780,572

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	514,178
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 2022 capital outlays and debt principal payments is to increase (decrease) the change in net position.		443,455
The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the CHANGE in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted.		138,269
The net impact of GASB 75.		7,556
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.		(425,715)
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.		56,175
Change in Net Position of Governmental Activities	\$	733,918

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, 2022

	Business Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ (271,611)
Restricted Assets - Current:	
Temporarily Restricted Asset _____	4,139,754
Accounts Receivable, Net	203,502
Total Current Assets	4,071,645
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	307,594
Infrastructure	3,491,404
Accumulated Depreciation - Infrastructure	(2,890,628)
Buildings	2,292,893
Accumulated Depreciation - Buildings	(391,000)
Furniture and Equipment	1,029,308
Accumulated Depreciation - Furniture & Equipment	(598,802)
Capital Assets	418,447
Accumulated Depreciation - Capital Assets	(368,899)
Construction in Progress	565,604
Other Assets	128,313
Total Noncurrent Assets	3,984,234
Total Assets	8,055,879
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	14,683
Deferred Outflow Related to OPEB	5,085
Total Deferred Outflows of Resources	19,768

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, 2022

	Business Type Activities
LIABILITIES	
Current Liabilities:	
Accounts Payable	38,071
Wages and Salaries Payable	8,905
Compensated Absences Payable	15,279
Bonds, Notes, Loans Payable - Matured	263,000
Unearned Revenues	316,471
Other Current Liabilities	73,822
Total Current Liabilities	715,548
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	2,855,000
Net Pension Liability	147,976
Net OPEB Liability	23,980
Total Noncurrent Liabilities	3,026,956
Total Liabilities	3,742,504
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	7,004
Deferred Inflow Related to OPEB	1,985
Total Deferred Inflows of Resources	8,989
NET POSITION	
Net Investment in Capital Assets	3,601,145
Unrestricted	723,009
Total Net Position	\$ 4,324,154

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, 2022

EXHIBIT D-2

	Business-Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 1,600,671
Investment Earnings	1,594
Total Operating Revenues	1,602,265
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	431,031
Personnel Services - Employee Benefits	79,060
Purchased Professional & Technical Services	427,219
Purchased Property Services	290
Other Operating Costs	331,362
Supplies	62,678
Depreciation	247,059
Debt Service	375
Total Operating Expenses	1,579,074
Operating Income	23,191
Total Net Position - October 1 (Beginning)	4,379,311
Prior Period Adjustment	(78,348)
Total Net Position - September 30 (Ending)	\$ 4,324,154

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, 2022

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Cash Receipts From Customers	\$ 1,592,938
Cash Payments to Employees	(550,316)
Cash Payments to Supplies	(53,297)
Cash Payments to Others	(675,587)
Net Cash Provided(Used) by Operating Activities	313,738
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:	
Principal Paid on Long-Term Debt	(283,000)
Interest Paid on Long-Term Debt	-
Net Cash Provided(Used) by Capital and Related Financing Activities	(283,000)
Cash Flow From Investing Activities	
Acquisition of Capital Assets	(80,418)
Interest Income Received	1,594
Net Cash Provided(Used) by Investing Activities	(78,824)
Net Increase (Decrease) in Cash and Cash Equivalents	(48,086)
Cash and Cash Equivalents, Beginning of Year	3,916,229
Cash and Cash Equivalents, End of Year	3,868,143

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

CITY OF LA JOYA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)
by Operating Activities:

Operating Income(Loss)	23,191
Depreciation Expenses	247,059
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
(Increase) Decrease in Accounts Receivable	(7,733)
(Increase) Decrease in Accounts Receivable-Intergovt.	19,229
(Increase) Decrease in Prepaid Expenses	(46,239)
Increase (Decrease) in Accounts Payable	9,381
Increase (Decrease) in Accrued Payroll Liabilities	40,225
Increase (Decrease) in Unearned Revenues	2,660
Increase (Decrease) in Pension Liabilities & OPEB	25,965
Increase (Decrease) in Interfund Liabilities	(3,750)
Total Adjustments	290,547
Net Cash Provided (Used) by Operating Activities	<u>\$ 313,738</u>

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, 2022

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 Council-Manager form of government. The municipal government provided by the Charter of the City of La Joya shall be known as the City Council. The City Council shall consist of a Mayor and four Council Members, and which shall enact local legislation, adopt budgets, determine policies, and appoint the City Manager, who is held responsible to the City Council for the execution of the laws and the administration of the government of the City.

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

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

B. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government: City of La Joya

The City's 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 of substantially the same as the City Council 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. The City has two blended component units, the La Joya Economic Development Corporation (LJEDC) and the La Joya TIRZ. 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 OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

B. FINANCIAL REPORTING ENTITY (CONTINUED)

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.

La Joya Economic Development Corporation – (LJEDC)(CONTINUED) The LJEDC board is fully appointed by the City Council. 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.

La Joya Tax Increment Reinvestment Zone- (LJTIRZ) The LJTIRZ was created on October 7, 2013 by City ordinance. It provides an important opportunity for the City to partnership with Hidalgo County to develop a viable long-range revitalization plan for the areas of the City which have lacked a wide range of commercial , and single and multi-family housing opportunities. The program is funded by the County of Hidalgo’s allocation of tax revenues for the subject properties.

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, 2022

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 sometimes 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 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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

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. **Corona Virus Recovery Fund** - This fund is a special revenue fund utilized to account for the receipt and management of federal funds relating to the COVID-19 pandemic.
4. **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.

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 accounts 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.

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,

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

F. ASSETS, LIABILITIES AND NET POSITION OR EQUITY(CONTINUED)

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.

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 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 are valued at historical cost or estimated historical cost if actual historical cost 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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

F. ASSETS, LIABILITIES AND NET POSITION OR EQUITY(CONTINUED)

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.

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 balance for the amounts that are not available or 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, ACCOUNTIBILITY

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 no later than sixty (60) days prior to the end of the fiscal year, the City Manager is required to submit to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditure/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 City Council at the same time the budget is submitted to that body. The City Council 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 Manager. Prior to September 15 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 Managers's approval. Transfers of appropriations between funds require the approval of the City Council. 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 Manager can

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

II. STEWARDSHIP, COMPLIANCE, ACCOUNTIBILITY (CONTINUED)

reallocate expenditures within a fund without the approval of the City Council. However, any revisions to the budget which increase the total budgeted expenditures/expenses within any functional category must be approved by the City Council.

The City Council 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.

Budget Basis of Accounting

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

Expenditures in Excess of Budget

Expenditures exceeded appropriations in the following line items:

<u>Budget to Actual</u>	<u>Excess</u>
General Government	
Public Safety	
Public Works	

Deficit Fund Equity / Net Position

The Capital projects fund reported a deficit balance of \$299,899.

Finance-Related Legal and Contractual Provisions

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

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

General Fund's Fund Balance Policy

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

Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, noncurrent advances to other funds that not expected to be collected in the next fiscal year, and the principal (corpus) of an endowment fund. The City has inventories that are considered non-spendable. The City does not have any prepaid items or non-

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

II. STEWARDSHIP, COMPLIANCE, ACCOUNTIBILITY (CONTINUED)

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.

Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation. All 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 Council 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 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 .

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 Council. Use of these funds will be disclosed to the City Council. If the required amount goes below the stated policy amount, the City will set aside a sufficient portion of the upcoming fiscal year's budget to meet the required reserve amount. Any surpluses realized at year end shall be used first to meet reserve policies, then capital replacement purposes, then retirement/extinguishing of debt.

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

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

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

A. Cash and Cash Equivalents

City's funds are required to be deposited and invested under the terms of a depository contract 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 the City funds on the day-to-day basis during the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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

At SEPTEMBER 30, 2022, the carrying amount of the City’s deposits was \$6,071,297 including restricted cash in two 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, 2022, 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, 2022 are as follows:

	Bond Year	Required 9/30/2022	Bank Balance 9/30/2022
Escrow Bond	2009	\$ 3,774,391	\$ 3,774,391
Reserve	2007	107,750	109,350
Int/Sinking	2007	56,500	62,279
Reserve	2009	152,167	154,427
Int/Sinking	2009	12,917	39,307
		<u>\$ 4,103,725</u>	<u>\$ 4,139,754</u>

C. INVESTMENTS

City’s funds are required to be deposited and invested under the terms of a depository contract and 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, 2022, 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
YEAR ENDED SEPTEMBER 30, 2022**

III. DETAILED NOTES ON FUNDS AND COMPONENT 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. 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.

A. DISAGGREGATION OF RECEIVABLES

Receivables for the City at SEPTEMBER 30, 2022 were as follows:

	Taxes	Utilities	Other Governments	Due From Other Funds	Other	Total Receivables
General Fund	\$ 262,858	\$ -	\$ 90,651	\$ 299,899	\$ 10,295,407	\$ 10,948,815
Special Revenue Funds	116,727	-	-	-	22,000	138,727
Capital Projects Fund	-	-	1,281,540	-	302,000	1,583,540
Enterprise Fund	-	290,395	-	-	-	290,395
Total Receivables	379,585	290,395	1,372,191	299,899	10,619,407	12,961,477
Less: Allowance for Uncollectibles	(82,951)	(86,893)	-	-	(6,068,071)	(6,237,915)
Net Total Receivables	\$ 296,634	\$ 203,502	\$ 1,372,191	\$ 299,899	\$ 4,551,336	\$ 6,723,562

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS (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>Special Revenue Funds</u>	<u>Capital Projects</u>	<u>Total</u>
Corona Virus Recovery Fund	\$ -	\$ 771,398	\$ -	\$ 771,398
Fines	3,315,060	-	-	3,315,060
CDBG Funds	-	1,105,230	-	1,105,230
USDA Loans	-	-	337,000	337,000
Total	<u>\$ 3,315,060</u>	<u>\$ 1,876,628</u>	<u>\$ 337,000</u>	<u>\$ 5,528,688</u>
Total Unearned Revenues for Governmental Type Funds				<u>\$ 5,528,688</u>

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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, 2022 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>299,899</u>	-
Total General Fund	<u>299,899</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>299,899</u>
Total USDA Fund	<u>-</u>	<u>299,899</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>\$ 299,899</u>	<u>\$ 299,899</u>

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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

D. NOTES RECEIVABLE

Borrower	Date of Loan	Balance			Balance 9/30/2022	Status
		09/30/2021	Increase	Decrease		
<u>Program IRP</u>						
Flores loan for 25,000 for 3 yrs with interest rate of 6.5% with payments of \$765	April-12	23,734		600	23,134	<u>Current</u>
Big Red for \$35,000 for 5 yrs with interest rate of 5% with payments of \$660.49	Dec-14	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	April-16	5,975		900	5,075	<u>Delinquent</u>
Amanda Valdez loan for \$36,000 for 7 yrs with interest of 6% with payment of \$526	April-16	35,654		-	35,654	<u>Delinquent</u>
Note receivable Campos restitution No Interest-No Payment Schedule	Februrary-2019	118,136		942	117,194	<u>Delinquent</u>
Total program IRP		214,014		2,442	211,572	
Program - EDC Arco Iris Daycare LLC Construction advances to 9/30/2018 loan agreement is pending	September-16	341,212	-	-	341,212	Uncollectible
Total Notes Receivable		\$ 555,226	\$ -	\$ 2,442	\$ 552,784	

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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

E. CAPITAL ASSETS

	10/1/2021	Additions	Deductions	Adjustments	9/30/2022
Primary Government					
Governmental Activities					
Capital assets not being depreciated:					
Land and right of way	\$ 389,060	\$ -	\$ -	\$ -	\$ 389,060
Construction in Progress	-	-	-	-	-
Total Capital assets not being depreciated	<u>389,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,060</u>
Capital assets being depreciated:					
Buildings	5,926,584	-	-	-	5,926,584
Machinery and Equipment	1,087,880	52,897	-	-	1,140,777
Vehicles	2,181,191	242,538	59,575	-	2,364,154
Infrastructure	4,909,816	-	-	-	4,909,816
Total capital assets being depreciated	<u>14,105,471</u>	<u>295,435</u>	<u>59,575</u>	<u>-</u>	<u>14,341,331</u>
Less accumulated depreciation for:					
Buildings	1,105,506	96,457	-	-	1,201,963
Machinery and equipment	589,427	82,600	-	-	672,027
Vehicles	1,508,446	114,767	55,537	-	1,567,676
Infrastructure	2,624,425	131,891	-	-	2,756,316
Total accumulated deprecitaion	<u>5,827,804</u>	<u>425,715</u>	<u>55,537</u>	<u>-</u>	<u>6,197,982</u>
Total capital assets being depreciated, net	<u>8,277,667</u>	<u>(130,280)</u>	<u>4,038</u>	<u>-</u>	<u>8,143,349</u>
Governmental activities capital assets, net	<u>8,666,727</u>	<u>(130,280)</u>	<u>4,038</u>	<u>-</u>	<u>8,532,409</u>

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

<u>Governmental Activities</u>	Depreciation By Function
General Government	\$ 161,906
Public Safety	176,818
Public Works	32,617
Health and Welfare	4,612
Economic Development	31,527
Municipal Courts	<u>18,234</u>
Total Governmental Activities	<u>\$ 425,715</u>

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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

E. CAPITAL ASSETS (CONTINUED)

	10/1/2021	Additions	Deductions	Adjustments	9/30/2022
Business-Type Activities					
Capital assets not being depreciated:					
Land and right of way	\$ 264,512	\$ 43,082	\$ -	\$ -	\$ 307,594
Construction in Progress	565,604	-	-	-	565,604
Total Capital assets not being depreciated	830,116	43,082	-	-	873,198
Capital assets being depreciated:					
Plant	850,000	21,608	-	-	871,608
Machinery and Equipment	1,013,580	-	-	-	1,013,580
Vehicles	418,447	-	-	-	418,447
Improvements-WS District	1,468,865	15,728	-	-	1,484,593
Storage tank	141,250	-	-	-	141,250
Infrastructure	3,320,654	-	-	-	3,320,654
Total capital assets being depreciated	7,212,796	37,336	-	-	7,250,132
Less accumulated depreciation for:					
Plant	391,000	18,080	-	-	409,080
Machinery and equipment	598,802	80,649	-	-	679,451
Vehicles	333,213	35,686	-	-	368,899
Storage Tank	92,987	14,113	-	-	107,100
Infrastructre	2,604,348	98,531	-	-	2,702,879
Total accumulated deprecitaion	4,020,350	247,059	-	-	4,267,409
Total capital assets being depreciated, net	3,192,446	(209,723)	-	-	2,982,723
Business-Type Activities capital assets, net	4,022,562	(166,641)	-	-	3,855,921
Total Primary Government	\$ 12,689,289	\$ (296,921)	\$ 4,038	\$ -	\$ 12,388,330

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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

F. LONG TERM OBLIGATIONS

	Beginning Balance 10/1/2021	Issued	Retired	Ending Balance 9/30/2022	Due Within One Year
Primary Government					
Governmental Activities					
Compensated Absences	\$ 50,795	\$ 49,595	\$ 45,965	\$ 54,425	\$ -
Loans Payable					
USDA Intermediary Re-Lending for \$727,500 with interest rate at 1% with annual payments, maturity date of January 1, 2034	352,056		26,894	325,162	28,601
Total Loan Payable	352,056		26,894	325,162	28,601
Bonds Payable					
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.	1,185,000	-	19,000	1,166,000	20,000
Total Bond Payable	1,185,000	-	19,000	1,166,000	20,000
Certificate Obligation					
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	2,143,000		35,000	2,108,000	36,000
Total Certificate of Obligation	2,143,000	-	35,000	2,108,000	36,000
Community Facility Loan					
USDA Series 2017 for \$400,000 dated 08/28/17 advances Unclosed Loan	80,000	-	-	80,000	13,000
Total Loan Payable	80,000	-	-	80,000	13,000
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.	120,949	-	38,839	82,110	40,298
Total Loan Payable	120,949	-	38,839	82,110	40,298
Capital Leases					
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.	151,209	-	35,955	115,254	37,159
GM Financial in the amount of \$88,397 for 3 police vehicles dated 3/18/2022 payable at \$13,855.39 semi-annually at 2.37% interest to 10/01/2025.	-	88,397	-	88,397	23,793
Community First National bank in the amount of 52,897.64 for fire rescue equipment dated 8/4/22 at 4.79% interest payable 5,000.00 on 11/1/22 and three annual payments of 17,749.90 thereafter.	-	52,898	-	52,898	4,373
Total Capital Leases	151,209	141,295	35,955	256,549	65,325
Total Long-Term Debt - Governmental Activities	\$ 4,083,009	\$ 190,890	\$ 201,653	\$ 4,072,246	\$ 203,224

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

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

F. LONG TERM OBLIGATIONS (CONTINUED)

	Beginning Balance 10/1/2021	Issued	Retired	Ending Balance 9/30/2022	Due Within One Year
Business-Type Activities					
Compensated Absences	17,908	16,180	18,809	15,279	-
Certificate of Obligation					
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%	15,000	-	15,000	-	-
Texas Waterworks and Wastewater System First Lien Revenue Bond Series 2007 for \$2,155,000 with annual payments of \$113,000 for thirty years with interest rate of 0.0%	681,000	-	113,000	568,000	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%	2,705,000	-	155,000	2,550,000	150,000
Total Long-Term Debt - Business-Type Activities	3,401,000	-	283,000	3,118,000	263,000
GRAND TOTAL LONG-TERM DEBT	7,501,917	207,074	503,462	7,205,529	466,224

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

Debt Service payables at SEPTEMBER 30, 2022 is comprised of the following:

Fiscal year Ending September 30,	Principal	Interest	Total Payable
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>

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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

F. LONG TERM OBLIGATIONS (CONTINUED)

Capital Leases, Loans Payable, and Bonds Payable-Governmental Activities (Continued)

Capital Leases payable at September 30, 2022 is comprised of the following:

<u>Fiscal year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Capital Leases</u>
2023	65,325	2,616	67,941
2024	85,152	1,329	86,481
2025	106,072	-	106,072
	<u>\$ 256,549</u>	<u>\$ 3,945</u>	<u>\$ 260,494</u>

Certificate of Obligation & Bonds – Business-Type Activities

Debt Service requirements of bonds payables at SEPTEMBER 30, 2022 are as follows:

<u>Fiscal year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total COS & Bonds</u>
2023	263,000	-	263,000
2024	263,000	-	263,000
2025	263,000	-	263,000
2026	263,000	-	263,000
2027	266,000	-	266,000
2028-2032	750,000	-	750,000
2033-2037	750,000	-	750,000
2038-2039	300,000	-	300,000
	<u>\$ 3,118,000</u>	<u>\$ -</u>	<u>\$ 3,118,000</u>

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, 2022, 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-

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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

Also, as per Texas Water Development Board's *Section 30(h) General Covenants, Insurance* the City has complied with all insurance requirements and all annual insurance premiums have been paid for the year under audit.

C. Defined Benefit Pension Plans

Plan Description

The City of La Joya participates as 1 of the 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (ACFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms

At December 31, 2021 valuation and measurement date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	61
Active employees	51
	122

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

C. Defined Benefit Pension Plans - Continued

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.14% and 6.06% in calendar years 2021 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2022, were \$110,405 and were equal to the required contributions.

Net Pension Liability/(Asset)

The City's Net Pension Liability/(Asset) was measured as of December 31, 2021, and the Total Pension Liability/(Asset) used to calculate the Net Pension Liability/(Asset) was determined by an actuarial valuation as of that date.

	Pension Liability (Asset) (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
Balance at December 31, 2020	\$ 1,762,098	\$ 1,023,321	\$ 738,777
Changes for the year:			
Service Cost	105,850	-	105,850
Interest	118,114	-	118,114
Change of benefit terms	-	-	-
Difference between expected and actual experience	(11,722)	-	(11,722)
Changes of assumptions	-	-	-
Contributions - employer	-	113,954	(113,954)
Contributions - employee	-	82,696	(82,696)
Net investment income	-	132,719	(132,719)
Benefit payments, including refunds of employee contributions	(130,364)	(130,364)	-
Administrative expense	-	(617)	617
Other Changes	-	4	(4)
Net Changes	<u>81,878</u>	<u>198,392</u>	<u>(116,514)</u>
Balance at December 31, 2021	<u>\$ 1,843,976</u>	<u>\$ 1,221,713</u>	<u>\$ 622,263</u>

Actuarial Assumptions

The Total Pension Liability/(Asset) in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

C. Defined Benefit Pension Plans - Continued

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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 expenses and inflation) are developed for each major asset class. These rangers are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return

assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major assets class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
	<u>100.0%</u>	

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

C. Defined Benefit Pension Plans - Continued

Discount Rate

The discount rate used to measure the Total Pension Liability/(Asset) was 6.75%. The projection of cashflows 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 period of projected benefit payments to determine the Total Pension Liability/(Asset).

The following presents the net pension liability/(asset) 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 one-percentage-point lower (5.75%) or one-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 852,273	\$ 662,263	\$ 432,999

Pension Plan Fiduciary Net Position

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

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

At September 30, 2021, the City recognized a of pension expense of \$40,757.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 15,779
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	66,982
Contributions subsequent to the measurement date	82,409	-
Total	\$ 82,409	\$ 82,761

\$82,408 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) for the measurement year ending December 30, 2021 (i.e. recognized in the City's financial statements for the year ended September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

C. Defined Benefit Pension Plans - Continued

Fiscal Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2022	\$ (23,811)
2023	(30,333)
2024	(15,888)
2025	(12,729)
2026	-
Thereafter	-
Total	\$ (82,761)

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employee. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other post-employment benefit,” or OPEB.

Membership in the plan at December 31, 2021, the date of the latest actuarial valuation, consists of the following:

Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	6
Active employees	51
Total	66

Contributions

Employees for the City of La Joya were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.14% and 6.06% in calendar 2021 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2022 were \$1,763 and were equal to the required contributions.

Valuation of Assets

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

C. Defined Benefit Pension Plans - Continued

Actuarial Assumptions:

The OPEB Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation		2.50%
Salary Increases	3.50% to 11.50% including Inflation	
Discount Rate		2.00%

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2020 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a four-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

Total OPEB Liability

	<u>OPEB Liability</u>
Balance at December 31, 2020	\$ 109,575
Changes for the year:	
Service Cost	7,773
Interest	2,248
Change in benefit terms	-
Difference between expected and actual experience	(1,083)
Changes in assumptions	3,537
Benefit payments, including refunds of employee contributions	<u>(2,150)</u>
Net Changes	<u>10,325</u>
Balance at December 31, 2021	<u>\$ 119,900</u>

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

C. Defined Benefit Pension Plans - Continued

* 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.

Discount Rate

Because the supplemental Death Benefits Funds is considered an unfunded trust under GASB Statement No. 75 the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

The following presents the OPEB liability of the City, calculated using the discount rate of 1.84% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (.84%) or one-percentage-higher (2.84%) than the current rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$146,598	\$119,900	\$99,799

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$14,202.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience (net of current year amortization)	\$ -	\$ 7,307
Changes in assumptions and other inputs	24,041	2,620
Differences between projected and actual investment earning (net of current year amortization)	-	-
Contributions made subsequent to measurement date	1,384	-
Total	\$ 25,425	\$ 9,927

\$1,384 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the measurement year ending December 30, 2020 (i.e. recognized in the City's financial statements for the year ended September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

C. Defined Benefit Pension Plans - Continued

Fiscal Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ 3,103
2024	3,103
2025	3,103
2026	2,639
2027	1,637
Thereafter	528
Total	\$ 14,113

D. 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.

E. New Accounting Pronouncements

In fiscal year 2022, 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

- 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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (Continued)

F. New Accounting Pronouncements (Continued)

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 significant impact on the City's financial statements.

F. 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.

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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

IV. OTHER INFORMATION (Continued)

F. New Accounting Pronouncements (Continued)

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.

G. 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, 2022.

H. Related Party Transaction

No related parties were disclosed.

I. Prior Period Adjustment

There were no material prior period adjustments in the current year.

J. Subsequent Events

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. The City considered subsequent events as of March 29, 2023 the date the report was available for distribution.

CITY OF LA JOYA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,197,580	\$ 1,197,580	\$ 1,131,983	\$ (65,597)
General Sales and Use Taxes	350,000	525,500	538,276	12,776
Franchise Tax	244,000	249,000	266,359	17,359
Licenses and Permits	72,000	61,500	58,746	(2,754)
Intergovernmental Revenue and Grants	163,950	334,822	270,105	(64,717)
Charges for Services	860,700	881,200	904,160	22,960
Fines	304,800	317,650	356,287	38,637
Investment Earnings	-	-	4,297	4,297
Rents and Royalties	-	-	67,760	67,760
Other Revenue	17,600	22,127	124,292	102,165
Total Revenues	<u>3,210,630</u>	<u>3,589,379</u>	<u>3,722,265</u>	<u>132,886</u>
EXPENDITURES:				
Current:				
General Government	1,424,698	1,519,180	1,523,651	(4,471)
Public Safety	1,030,255	1,283,451	1,211,128	72,323
Public Works	275,955	286,069	306,949	(20,880)
Culture and Recreation	312,981	348,722	296,692	52,030
Debt Service:				
Debt Service	165,000	165,000	163,928	1,072
Capital Outlay:				
Capital Outlay	-	-	1,296	(1,296)
Total Expenditures	<u>3,208,889</u>	<u>3,602,422</u>	<u>3,503,644</u>	<u>98,778</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,741</u>	<u>(13,043)</u>	<u>218,621</u>	<u>231,664</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	5,000	-	52,898	52,898
Transfers In	-	659,238	581,242	(77,996)
Transfers Out	-	-	(14,582)	(14,582)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>659,238</u>	<u>619,558</u>	<u>(39,680)</u>
Net Change	6,741	646,195	838,179	191,984
Fund Balance - October 1 (Beginning)	1,112,216	1,112,216	1,112,216	-
Prior Period Adjustment	-	-	(152,699)	(152,699)
Fund Balance - September 30 (Ending)	<u>\$ 1,118,957</u>	<u>\$ 1,758,411</u>	<u>\$ 1,797,696</u>	<u>\$ 39,285</u>

CITY OF LA JOYA, TEXAS
 Schedule of Funding Progress for Retirement Plan
 For Year ended September 30, 2022

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
12/31/2020	738,777	1,762,098	41.9%	1,023,321	1,468,655	69.68%
12/31/2021	622,263	1,843,976	33.7%	1,221,713	1,653,911	73.87%

CITY OF LA JOYA, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years
For the Year Ended September 30, 2022

<u>Total Pension Liability</u>	2021	2020	2019	2018
Service Cost	\$ 105,850	\$ 95,463	\$ 80,398	\$ 70,280
Interest (On the Total Pension Liability)	118,114	113,599	105,890	101,165
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	(11,722)	(29,155)	12,836	(19,896)
Change of Assumptions	-	-	9,617	-
Benefit Payments, including Refunds of Employee Contributions	(130,364)	(106,047)	(98,091)	(75,116)
Net Change in Total Pension Liability	<u>\$ 81,878</u>	<u>\$ 73,860</u>	<u>208,741</u>	<u>\$ 151,549</u>
Net Pension Liability- Beginning	<u>\$ 1,762,098</u>	<u>\$ 1,688,238</u>	<u>1,577,588</u>	<u>\$ 1,501,155</u>
Total Pension Liability- Ending	<u><u>\$ 1,843,976</u></u>	<u><u>\$ 1,762,098</u></u>	<u><u>\$ 1,786,329</u></u>	<u><u>\$ 1,652,704</u></u>
 Plan Fiduciary Net Position				
Contributions- Employer	\$ 113,954	\$ 100,318	\$ 76,002	\$ 65,560
Contributions-Employee	82,696	73,433	61,560	54,145
Net Investment Income	132,719	67,282	113,728	(21,432)
Benefits Payments, Including Refunds of Employee Contributions	(130,364)	(106,047)	(98,091)	(75,116)
Administrative Expense	(617)	(437)	(643)	(412)
Other	4	(17)	(19)	(22)
Net Change in Plan Fiduciary Net Position	<u>198,392</u>	<u>134,532</u>	<u>152,537</u>	<u>22,723</u>
Plan Fiduciary Net Position- Beginning	<u>1,023,321</u>	<u>888,789</u>	<u>713,530</u>	<u>563,103</u>
Plan Fiduciary Net Position- Ending	<u><u>\$ 1,221,713</u></u>	<u><u>\$ 1,023,321</u></u>	<u><u>\$ 866,067</u></u>	<u><u>\$ 585,826</u></u>
Net Pension Liability	\$ 622,263	\$ 738,777	\$ 920,262	\$ 1,066,878
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.25%	58.07%	48.48%	35.45%
Covered Employee Payroll	\$ 1,653,911	\$ 1,468,655	\$ 1,231,205	\$ 1,214,583
Net Pension Liability as Percentage of Covered Employee Payroll	37.62%	50.30%	74.74%	87.84%

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, 2022

	200 Economic Development Fund	202 Asset Forfeiture Fund	203 Tax Abatement Fund	204 Police Grants Fund
ASSETS				
Cash and Cash Equivalents	\$ 18,473	\$ (22,073)	\$ -	\$ (135,552)
Taxes Receivable	51,157	-	-	-
Accounts Receivable, Net	22,000	-	-	-
Due from Other Governments	-	-	-	159,732
Due from Others	341,212	-	-	-
Total Assets	<u>\$ 432,842</u>	<u>\$ (22,073)</u>	<u>\$ -</u>	<u>\$ 24,180</u>
LIABILITIES				
Accounts Payable	\$ 5,000	\$ -	\$ -	\$ 24,180
Total Liabilities	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>24,180</u>
FUND BALANCES				
Other Assigned Fund Balance	427,842	-	-	-
Unassigned Fund Balance	-	(22,073)	-	-
Total Fund Balances	<u>427,842</u>	<u>(22,073)</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 432,842</u>	<u>\$ (22,073)</u>	<u>\$ -</u>	<u>\$ 24,180</u>

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

207 La Joya RBEG Fund	208 La Joya EDC-IRP Fund	210 Municipal Court Security Fund	211 TIRZ Fund	212 PD Ch. 59 Forf. Fund	213 PD Federal Forfeitures Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 300,564	\$ 10,880	\$ 12,289	\$ 257,514	\$ 15,796	\$ 606	\$ 458,497	\$ 458,497
-	-	-	65,570	-	-	116,727	116,727
-	-	-	-	-	-	22,000	22,000
-	-	-	-	-	-	159,732	159,732
-	211,572	-	-	-	-	552,784	552,784
<u>\$ 300,564</u>	<u>\$ 222,452</u>	<u>\$ 12,289</u>	<u>\$ 323,084</u>	<u>\$ 15,796</u>	<u>\$ 606</u>	<u>\$ 1,309,740</u>	<u>\$ 1,309,740</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,180	\$ 29,180
-	-	-	-	-	-	29,180	29,180
300,564	222,452	12,289	323,084	15,796	606	1,302,633	1,302,633
-	-	-	-	-	-	(22,073)	(22,073)
<u>300,564</u>	<u>222,452</u>	<u>12,289</u>	<u>323,084</u>	<u>15,796</u>	<u>606</u>	<u>1,280,560</u>	<u>1,280,560</u>
<u>\$ 300,564</u>	<u>\$ 222,452</u>	<u>\$ 12,289</u>	<u>\$ 323,084</u>	<u>\$ 15,796</u>	<u>\$ 606</u>	<u>\$ 1,309,740</u>	<u>\$ 1,309,740</u>

CITY OF LA JOYA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

	200 Economic Development Fund	202 Asset Forfeiture Fund	203 Tax Abatement Fund	204 Police Grants Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
General Sales and Use Taxes	198,269	97,080	-	-
Intergovernmental Revenue and Grants	-	-	-	354,404
Fines	-	41,665	-	-
Forfeits	-	-	-	-
Total Revenues	<u>198,269</u>	<u>138,745</u>	<u>-</u>	<u>354,404</u>
EXPENDITURES:				
Public Safety	-	78,368	-	368,986
Conservation and Development	78,243	-	-	-
Capital Outlay:				
Capital Outlay	-	102,253	-	-
Total Expenditures	<u>78,243</u>	<u>180,621</u>	<u>-</u>	<u>368,986</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>120,026</u>	<u>(41,876)</u>	<u>-</u>	<u>(14,582)</u>
OTHER FINANCING SOURCES (USES):				
Noncurrent Loans	-	88,397	-	-
Transfers In	-	-	-	14,582
Other Resources	22,000	-	-	-
Transfers Out	<u>(35,840)</u>	<u>-</u>	<u>(581,242)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(13,840)</u>	<u>88,397</u>	<u>(581,242)</u>	<u>14,582</u>
Net Change in Fund Balance	106,186	46,521	(581,242)	-
Fund Balance - October 1 (Beginning)	321,656	(58,170)	581,242	-
Prior Period Adjustment	-	<u>(10,424)</u>	-	-
Fund Balance - September 30 (Ending)	<u>\$ 427,842</u>	<u>\$ (22,073)</u>	<u>\$ -</u>	<u>\$ -</u>

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

207 La Joya RBEG Fund	208 La Joya EDC-IRP Fund	210 Municipal Court Security Fund	211 TIRZ Fund	212 PD Ch. 59 Forf. Fund	213 PD Federal Forfeitures Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 112,058	\$ -	\$ -	\$ 112,058	\$ 112,058
-	-	-	-	-	-	295,349	295,349
-	-	-	-	-	-	354,404	354,404
-	-	17,789	-	-	-	59,454	59,454
-	-	-	-	5,977	-	5,977	5,977
-	-	17,789	112,058	5,977	-	827,242	827,242
-	-	5,500	-	-	-	452,854	452,854
6,000	37,348	-	20,349	-	-	141,940	141,940
-	-	-	-	-	-	102,253	102,253
6,000	37,348	5,500	20,349	-	-	697,047	697,047
(6,000)	(37,348)	12,289	91,709	5,977	-	130,195	130,195
-	-	-	-	-	-	88,397	88,397
-	35,840	-	-	-	-	50,422	50,422
-	-	-	-	-	-	22,000	22,000
-	-	-	-	-	-	(617,082)	(617,082)
-	35,840	-	-	-	-	(456,263)	(456,263)
(6,000)	(1,508)	12,289	91,709	5,977	-	(326,068)	(326,068)
306,564	223,960	-	238,884	-	-	1,614,136	1,614,136
-	-	-	(7,509)	9,819	606	(7,508)	(7,508)
\$ 300,564	\$ 222,452	\$ 12,289	\$ 323,084	\$ 15,796	\$ 606	\$ 1,280,560	\$ 1,280,560

CITY OF LAJOYA
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED SEPTEMBER 30, 2022

Last 10 Years Ended September 30	Tax Rates		Assessed/Appraised Value for Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ Various
2014	0.56780	0.00000	123,842,059
2015	0.57000	0.00000	123,235,002
2016	0.54350	0.00000	132,056,980
2017	0.53940	0.00000	132,056,980
2018	0.52510	0.00000	146,447,639
2019	0.56680	0.00000	152,157,375
2020	0.59040	0.00000	156,429,031
2021	0.58980	0.00000	164,202,345
2022 (Fiscal year under audit)	0.58980	0.00000	187,526,788
1000	TOTALS		

Beginning Balance October 1, 2021	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30, 2022
\$ 59,560	\$ -	\$ 5,282	\$ -	\$ (593)	\$ 53,685
7,923	-	700	-	-	7,223
7,198	-	727	-	-	6,471
11,657	-	668	-	(22)	10,967
12,306	-	1,209	-	(318)	10,779
17,117	-	2,011	-	(114)	14,992
22,295	-	5,666	-	(116)	16,513
29,294	-	8,341	-	(29)	20,924
46,152	-	20,954	-	(137)	25,061
-	1,106,033	1,043,336	-	(4,082)	58,615
<u>\$ 213,502</u>	<u>\$ 1,106,033</u>	<u>\$ 1,088,894</u>	<u>\$ -</u>	<u>\$ (5,411)</u>	<u>\$ 225,230</u>



GUILLERMO REYNA
CERTIFIED PUBLIC ACCOUNTANT

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

To the Honorable Mayor and City Council of the
City of La Joya, Tx
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 City of La Joya, Tx as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of La Joya, Tx's basic financial statements, and have issued our report thereon dated March 29, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of La Joya, Tx'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 the City of La Joya, Tx's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of La Joya, Tx'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Joya, Tx'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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

GUILLERMO REYNA, CPA

Guillermo Reyna
Certified Public Accountant

McAllen, Texas

March 29, 2023

CITY OF LA JOYA, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

I. Summary of the Auditor's Results:

- | | |
|---|------------|
| A. The type of report issued:
opinion | Unmodified |
| B. Internal control over financial statements: | |
| Material Weakness(es) identified? | No |
| Significant Deficiency(ies) identified which
were not considered material weaknesses? | No |
| 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.

None Noted.

CITY OF LA JOYA, TEXAS
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

None Noted.

CITY OF LA JOYA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Contract/Pass-Through Entity Identity Number	Grant/Loan Expenditures	Expenditures to Subrecipients
Federal Awards				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-18-UC48-0501	2,208	-
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-21-UC48-0501	27,450	-
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>29,658</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
PASSED THROUGH LOWER RIO GRANDE VALLEY DEVELOPMENT COUNCIL				
AREA AGENCY ON AGING PROGRAM	93.048	FY 9-22	48,109	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>48,109</u>	<u>-</u>
U.S. DEPARTMENT OF THE TREASURY				
CORONA RECOVERY FUND	21.019		43,398	-
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>43,398</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
PASSED THROUGH TEXAS HOMELAND SECURITY OFFICE				
STATE HOMELAND SECURITY PROGRAM - OPERATION STONEGARDEN	97.067	3172706	58,578	-
STATE HOMELAND SECURITY PROGRAM - OPERATION STONEGARDEN	97.067	3172707	10,362	-
BL-LOCAL BORDER SECURITY PROGRAM	97.067	3560504	65,000	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>133,940</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE				
COPS HIRING PROGRAM				
VIOLATION OF CRIMES	16.710	FAW - 38148	168,248	-
BODY CAMERAS	16.575	4314002	33,868	-
BORDER ZONE FIRE DEPARTMENT	N/A	4374601	18,330	-
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>299,181</u>	<u>-</u>
U.S. FEDERAL COMMUNICATIONS COMMISSION				
PASSED THROUGH UNIVERSAL SERVICE ADMINISTRATIVE COMPANY				
TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION		12111407	<u>5,497</u>	<u>-</u>
Total Federal Awards			<u>\$ 559,783</u>	<u>\$ -</u>
NON-CASH DONATED ASSETS				
U.S. GENERAL SERVICES COMMISSION				
SURPLUS EQUIPMENT				
TOTAL U.S. GENERAL SERVICES COMMISSION	39.003		<u>5,215</u>	<u>-</u>
			<u>\$ 5,215</u>	<u>\$ -</u>
OTHER				
RIO GRANDE VALLEY EMERGENCY 911 COMMUNICATION SYSTEM				
RURAL VOLUNTEER FIRE DEPARTMENT ASSISTANCE	N/A		<u>110,134</u>	<u>-</u>
			<u>\$ 110,134</u>	<u>\$ -</u>

CITY OF LA JOYA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

1. General - The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all the federal awards of the City of La Joya, Texas. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). The Organization's reporting entity is defined in Note 1 to the Organization's basic financial statements. All federal awards received directly from Federal agencies and state and federal awards passed through state agencies are included on the Schedule. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the Organization.
2. Basis of Accounting - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB A-133, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The Organization has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.
3. Relationship to Federal Financial Status Reports - Amounts reported on the Schedule may not agree with the amounts reported in the related Federal financial status reports filed with grantor agencies, because of the effect of accruals made in the Schedule.