
CITY OF LA JOYA, TEXAS
AUDITED ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2021

GUILLERMO REYNA
CERTIFIED PUBLIC ACCOUNTANT

CITY OF LA JOYA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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GUILLERMO REYNA
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the City Council of the
City of La Joya, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, blended component units, each major fund, and the aggregate remaining fund information of the CITY OF LA JOYA as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the CITY OF LA JOYA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

JOYA as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF LA JOYA's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of delinquent taxes receivable are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of 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 5, 2022 on our consideration of the CITY OF LA JOYA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CITY OF LA JOYA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF LA JOYA's internal control over financial reporting and compliance.

Guillermo Reyna, CPA

Guillermo Reyna
Certified Public Accountant

McAllen, Texas

March 5, 2022

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, 2021. 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 \$795,243 as of September 30, 2021. This is composed of Governmental Activities' net position of \$9,356,848 and Business-Type Activities' net position of \$4,379,311, for a total of \$13,736,159 ending balance.
- Assets from governmental activities exceeded its liabilities at the end of the most current fiscal year by \$9,356,848 in comparison with \$8,328,323 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 \$1,112,216 for 2021 and \$1,199,549 for 2020.

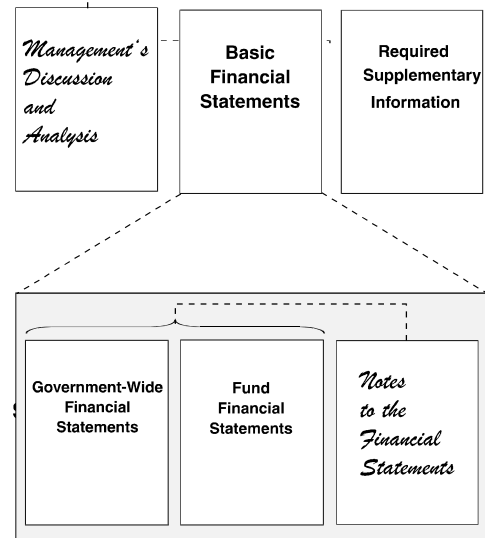
USING THIS ANNUAL REPORT

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.

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

CITY LA JOYA, TEXAS
Management's Discussion and Analysis

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 \$795,243 during the current fiscal year.

CITY LA JOYA, TEXAS
Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Totals		Increase
	2021	2020	2021	2020	2021	2020	(Decrease)
Current Assets							
Cash and Cash Equivalents	\$ 1,124,251	\$ 773,007	\$ (214,556)	\$ 154,164	\$ 909,695	\$ 927,171	\$ (17,476)
Restricted Cash	-	-	4,130,785	4,127,548	4,130,785	4,127,548	3,237
Accounts Receivable- Taxes	276,687	327,469	-	-	276,687	327,469	(50,782)
Accounts Receivable- Net	3,578,608	3,272,450	210,938	195,973	3,789,546	3,468,423	321,123
Due From Other Governments	1,659,772	1,647,558	30,000	30,000	1,689,772	1,677,558	12,214
Prepaid and Other Assets	11,594	36,491	46,239	46,239	57,833	82,730	(24,897)
Inventory	397,702	397,702	-	-	397,702	397,702	-
Note Receivable	555,226	561,667	-	-	555,226	561,667	(6,441)
Grants	95,810	35,000	-	-	95,810	35,000	60,810
Internal Balance	-	-	-	-	-	-	-
Total current assets	7,699,650	7,051,344	4,203,406	4,553,924	11,903,056	11,605,268	297,788
Non Current Assets:							
Bonds Issuance Cost (Net)	-	-	135,180	141,360	135,180	141,360	(6,180)
Capital Assets	14,494,532	13,535,301	8,042,912	7,977,547	22,537,444	21,512,848	1,024,596
Less: Accumulated Depreciation	(5,827,804)	(5,384,895)	(4,020,350)	(3,771,840)	(9,848,154)	(9,156,735)	(691,419)
Non-Current Assets	8,666,728	8,150,406	4,157,742	4,347,067	12,824,470	12,497,473	326,997
Total Assets	\$ 16,366,378	\$ 15,201,750	\$ 8,361,148	\$ 8,900,991	\$ 24,727,526	\$ 24,102,741	624,785
Deferred Outflows of Resources							
Related to Pension	(14,683)	-	14,683	14,683	-	14,683	14,683
Related to OPEB	6,879	12,550	-	-	6,879	12,550	-
Total Deferred Outflows of Resources	(7,804)	12,550	14,683	14,683	6,879	27,233	14,683
Current Liabilities							
Accounts Payable	67,969	140,664	28,690	52,749	96,659	193,413	(96,754)
Payroll Liabilities	43,078	62,703	6,751	12,186	49,829	74,889	(25,060)
Unearned Revenues	1,326,101	1,615,850	313,811	313,419	1,639,912	1,929,269	(289,357)
Other Current Liabilities	81,003	50,560	55,635	63,810	136,638	114,370	22,268
Deferred USDA LOAN	-	-	-	-	-	-	-
Due to Other Funds	-	-	3,750	-	3,750	-	3,750
Accrued Wages and Benefits	-	-	-	12,525	-	12,525	(12,525)
Matured Debt Payable withing One year	161,459	161,459	-	288,000	161,459	449,459	(288,000)
Customer Deposits	-	-	-	-	-	-	-
Total Current Liabilities	1,679,610	2,031,236	408,637	742,689	2,088,247	2,773,925	(685,678)
Non-Current Liabilities							
Compensated Absences	-	-	31,892	22,803	31,892	-	31,892
Long Term Debt Payables (Net)	3,919,898	4,063,706	3,118,000	3,401,000	7,037,898	4,063,706	2,974,192
Net Pension Liability	-	651,473	147,976	147,976	147,976	-	147,976
Net OPEB LIABILITY	-	92,273	-	-	-	92,273	(92,273)
Total Non-Current Liabilities	3,919,898	4,807,452	3,297,868	3,571,779	7,217,766	4,155,979	2,913,811
Total Liabilities	5,599,508	6,838,688	3,706,505	4,314,468	5,599,508	6,838,688	(1,239,180)
Deferred Inflows of Resources							
Net Position	701,144	47,291	7,004	7,004	708,148	54,295	653,853
Net Invested in Capital Assets	\$ 4,583,719	\$ 3,925,243	\$ 589,671	\$ 516,709	\$ 5,173,390	\$ 4,441,952	\$ 731,438
Restricted For:							
Special Revenues	1,614,297	-	-	-	1,614,297	-	1,614,297
Economic Development	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
Unrestricted	3,158,832	4,403,080	3,789,640	4,090,020	6,948,472	8,493,100	(1,544,628)
Total Net Position	\$ 9,356,848	\$ 8,328,323	\$ 4,379,311	\$ 4,606,729	\$ 13,736,159	\$ 12,935,052	\$ 801,107

CITY LA JOYA, TEXAS
Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$ 1,022,661

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

	Governmental		Business- Type		Totals		Increase (Decrease)
	2021	2020	2021	2020	2021	2020	
Revenues							
Program Revenues							
Charges for Services	\$ 814,918	\$ 769,327	\$ 1,608,884	\$ 1,622,774	\$ 2,423,802	\$ 2,392,101	\$ 31,701
Operating Grants and Contributions	1,621,951	936,401	-	-	1,621,951	936,401	685,550
Capital Grants and Contributions	-	-	-	-	-	-	-
General Revenues							
Property Taxes, Levied for general purposes	1,290,801	1,092,144	-	-	1,290,801	1,092,144	198,657
Sales Taxes	684,212	850,929	-	-	684,212	850,929	(166,717)
Franchise Taxes	249,960	-	-	-	249,960	-	249,960
Miscellaneous	587,788	583,305	2,844	-	590,632	583,305	7,327
Interest Revenue	1,045	6,902	-	-	1,045	6,902	(5,857)
License and Permit	-	-	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Debt Forgiveness	-	-	-	-	-	-	-
Total Revenues	5,250,675	4,239,008	1,611,728	1,622,774	6,862,403	5,861,782	1,000,621
Expenses							
General Government	1,816,056	2,044,679	-	-	1,816,056	2,044,679	(228,623)
Public Safety	1,568,896	1,126,416	-	-	1,568,896	1,126,416	442,480
Health and Welfare	397,664	301,400	-	-	397,664	301,400	96,264
Culture and Recreational	258,860	304,979	-	-	258,860	304,979	(46,119)
Economic Development	186,538	275,941	-	-	186,538	275,941	(89,403)
Debt Principal	-	-	-	-	-	-	-
Debt Interest	-	49,214	-	-	-	49,214	(49,214)
Municipal Court	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-
Water and Sewer	-	-	1,839,146	1,920,641	1,839,146	1,920,641	(81,495)
Total Expenses	\$ 4,228,014	\$ 4,102,629	\$ 1,839,146	\$ 1,920,641	\$ 6,067,160	\$ 6,023,270	\$ 43,890
Change in Net Position	1,022,661	136,379	(227,418)	(297,867)	795,243	(161,488)	956,731
Net Position Beginning	8,328,323	8,184,657	4,606,729	4,904,596	12,935,052	17,541,781	(4,606,729)
Prior Period Adjustment	5,864	7,287	-	-	5,864	7,287	(1,423)
Net Position Ending	\$ 9,356,848	\$ 8,328,323	\$ 4,379,311	\$ 4,606,729	\$ 13,736,159	\$ 12,935,052	\$ 801,107

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 \$ 1,112,216.

Capital Assets and Debt Administration

Capital Assets

The City LA JOYA's investments in capital assets for its governmental activities amount to \$8,666,728 and \$ 8,150,407 (net of accumulated depreciation) for 2021 and 2020. This investment in capital assets includes land, buildings, construction in progress, machinery and equipment, infrastructure/streets and vehicles. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-3

	Primary Government		Business Type		Totals		Increase (Decrease)
	2021	2020	2021	2020	2021	2020	
Capital Assets							
Land	\$ 389,060	\$ 389,060	\$ 264,512	\$ 264,512	\$ 653,572	\$ 653,572	\$ -
Construction in Progress	-	-	565,604	553,604	565,604	553,604	12,000
Buildings	5,926,584	5,890,398	850,000	850,000	6,776,584	6,740,398	36,186
Machinery & Equipment	1,087,880	768,637	1,013,580	1,013,580	2,101,460	1,782,217	319,243
Vehicles	2,181,192	2,068,098	418,447	418,447	2,599,639	2,486,545	113,094
Infrastructure/Streets	4,909,816	4,419,109	4,930,769	4,877,404	9,840,585	9,296,513	544,072
	<u>\$ 14,494,532</u>	<u>\$ 13,535,302</u>	<u>\$ 8,042,912</u>	<u>\$ 7,977,547</u>	<u>\$ 22,537,444</u>	<u>\$ 21,512,849</u>	<u>\$ 1,024,595</u>
Less: Accumulated Depreciation	\$ (5,827,804)	\$ (5,384,895)	\$ (4,020,350)	\$ (3,770,140)	\$ (9,848,154)	\$ (9,155,035)	\$ (693,119)
Total Capital Assets (Net)	<u>\$ 8,666,728</u>	<u>\$ 8,150,407</u>	<u>\$ 4,022,562</u>	<u>\$ 4,207,407</u>	<u>\$ 12,689,290</u>	<u>\$ 12,357,814</u>	<u>\$ 331,476</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						
	2021	2020	2021	2020	2021	2020	
Long-Term Obligations							
Bonds Payable (Net)	\$ 1,185,000	\$ 1,204,000	\$ 3,118,000	\$ 3,401,000	\$ 4,303,000	\$ 4,605,000	\$ (302,000)
Other Long Term Debt (Net)	2,734,898	2,859,706	-	-	2,734,898	2,859,706	(124,808)
Current Portion	163,111	161,459	-	288,000	163,111	449,459	(286,348)
Compensated Absences	-	-	31,892	22,803	31,892	22,803	9,089
	<u>\$ 4,083,009</u>	<u>\$ 4,225,165</u>	<u>\$ 3,149,892</u>	<u>\$ 3,711,803</u>	<u>\$ 7,232,901</u>	<u>\$ 7,936,968</u>	<u>\$ (704,067)</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 2021/22 budget.

1. The ad valorem property tax rate was set at \$.50197 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, Finance Director: 701 E Expressway 83, La Joya, TX 78560

CITY OF LA JOYA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

EXHIBIT A-1

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Cash and Cash Equivalents	\$ 1,124,251	\$ (214,556)	\$ 909,695
Taxes Receivable, Net	276,687	-	276,687
Accounts Receivable, Net	3,578,609	210,938	3,789,547
Due from Other Governments	1,659,772	30,000	1,689,772
Due from Others	556,179	-	556,179
Inventories	397,702	-	397,702
Prepaid Items	11,594	46,239	57,833
Temporarily Restricted Asset	95,810	4,130,785	4,226,595
Capital Assets:			
Land Purchase and Improvements	389,060	264,512	653,572
Infrastructure, Net	2,285,391	794,069	3,079,460
Buildings, Net	4,821,078	1,898,365	6,719,443
Furniture and Equipment, Net	1,171,199	414,779	1,585,978
Capital Assets, Net	-	85,234	85,234
Construction in Progress	-	565,604	565,604
Other Assets	-	135,180	135,180
Total Assets	<u>16,367,332</u>	<u>8,361,149</u>	<u>24,728,481</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pension Plan	(14,683)	14,683	-
Deferred Outflow Related to OPEB	6,879	-	6,879
Total Deferred Outflows of Resources	<u>(7,804)</u>	<u>14,683</u>	<u>6,879</u>
LIABILITIES			
Accounts Payable	67,969	28,690	96,659
Wages and Salaries Payable	43,078	6,761	49,839
Compensated Absences Payable	-	31,892	31,892
Due to Others	-	3,750	3,750
Unearned Revenues	1,326,101	313,811	1,639,912
Other Liabilities	81,003	55,635	136,638
Noncurrent Liabilities:			
Debt Due Within One Year	161,459	283,000	444,459
Bonds Payable - Noncurrent	3,921,550	3,118,000	7,039,550
Net Pension Liability	590,801	147,976	738,777
Net OPEB Liability	109,575	-	109,575
Total Liabilities	<u>6,301,536</u>	<u>3,989,515</u>	<u>10,291,051</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	686,041	-	686,041
Deferred Inflow Related to Pension Plan	15,103	7,004	22,107
Total Deferred Inflows of Resources	<u>701,144</u>	<u>7,004</u>	<u>708,148</u>
NET POSITION			
Net Investment in Capital Assets	4,583,719	589,671	5,173,390
Restricted for Special Revenues	1,614,297	-	1,614,297
Unrestricted	3,158,832	3,789,640	6,948,472
Total Net Position	<u>\$ 9,356,848</u>	<u>\$ 4,379,311</u>	<u>\$ 13,736,159</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, 2021

	Expenses	Program Revenues <u>Charges for Services</u>
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 1,816,056	\$ 814,918
Public Safety	1,568,896	-
Public Works	397,664	-
Culture and Recreation	258,860	-
Conservation and Development	186,538	-
Total Governmental Activities	4,228,014	814,918
BUSINESS-TYPE ACTIVITIES:		
Total Business-Type Activities	1,839,146	1,608,884
Total Business-Type Activities	1,839,146	1,608,884
TOTAL PRIMARY GOVERNMENT	\$ 6,067,160	\$ 2,423,802

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
\$ (1,001,138)	\$ -	\$ (1,001,138)
(1,568,896)	-	(1,568,896)
(397,664)	-	(397,664)
(258,860)	-	(258,860)
(186,538)	-	(186,538)
<u>(3,413,096)</u>	<u>-</u>	<u>(3,413,096)</u>
-	(230,262)	(230,262)
-	(230,262)	(230,262)
<u>(3,413,096)</u>	<u>(230,262)</u>	<u>(3,643,358)</u>
1,290,801	-	1,290,801
684,212	-	684,212
249,960	-	249,960
61	-	61
1,621,951	-	1,621,951
587,788	2,844	590,632
984	-	984
<u>4,435,757</u>	<u>2,844</u>	<u>4,438,601</u>
1,022,661	(227,418)	795,243
8,328,323	4,606,729	12,935,052
5,864	-	5,864
<u>\$ 9,356,848</u>	<u>\$ 4,379,311</u>	<u>\$ 13,736,159</u>

CITY OF LA JOYA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Urban County Program	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ (60,546)	\$ -	\$ 3,881
Taxes Receivable	252,409	-	-
Allowance for Uncollectible Taxes (credit)	(73,987)	-	-
Accounts Receivable, Net	3,276,609	-	302,000
Due from Other Governments	378,232	877,372	-
Due from Other Funds	303,793	-	-
Due from Others	-	-	-
Inventories	397,702	-	-
Prepaid Items	11,594	-	-
Temporarily Restricted Asset	-	-	35,000
Total Assets	\$ 4,485,806	\$ 877,372	\$ 340,881
LIABILITIES			
Accounts Payable	\$ 67,980	\$ -	\$ -
Wages and Salaries Payable	43,067	-	-
Due to Other Funds	-	-	303,793
Unearned Revenues	2,994,775	877,372	337,000
Other Current Liabilities	81,003	-	-
Total Liabilities	3,186,825	877,372	640,793
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	186,765	-	-
Total Deferred Inflows of Resources	186,765	-	-
FUND BALANCES			
Other Assigned Fund Balance	-	-	-
Unassigned Fund Balance	1,112,216	-	(299,912)
Total Fund Balances	1,112,216	-	(299,912)
Total Liabilities, Deferred Inflows & Fund Balances	\$ 4,485,806	\$ 877,372	\$ 340,881

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

Other Funds	Total Governmental Funds
\$ 1,180,916	\$ 1,124,251
98,265	350,674
-	(73,987)
-	3,578,609
404,168	1,659,772
-	303,793
556,179	556,179
-	397,702
-	11,594
60,810	95,810
<u>\$ 2,300,338</u>	<u>\$ 8,004,397</u>
\$ (11)	\$ 67,969
11	43,078
-	303,793
-	4,209,147
-	81,003
<u>-</u>	<u>4,704,990</u>
686,041	872,806
<u>686,041</u>	<u>872,806</u>
1,614,297	1,614,297
-	812,304
<u>1,614,297</u>	<u>2,426,601</u>
<u>\$ 2,300,338</u>	<u>\$ 8,004,397</u>

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

Total Fund Balances - Governmental Funds	\$	2,426,601
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.		3,925,243
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 2021 capital outlays and debt principal payments is to increase (decrease) net position.		1,040,916
The net impact of GASB 68 for the TMRS Pension plan.		(703,381)
The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(440,992)
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.		3,108,461
Net Position of Governmental Activities	\$	9,356,848

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, 2021

	General Fund	Urban County Program	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	\$ 1,012,794	\$ -	\$ -
General Sales and Use Taxes	342,106	-	-
Franchise Tax	249,960	-	-
Penalty and Interest on Taxes	-	-	-
Licenses and Permits	51,029	-	-
Intergovernmental Revenue and Grants	663,918	497,375	-
Charges for Services	814,918	-	-
Fines	356,570	-	-
Investment Earnings	984	-	-
Rents and Royalties	35,190	-	-
Other Revenue	107,042	-	-
Total Revenues	3,634,511	497,375	-
EXPENDITURES:			
Current:			
General Government	1,712,735	-	-
Public Safety	1,156,222	-	-
Public Works	356,000	-	-
Culture and Recreation	231,721	-	-
Conservation and Development	-	497,375	67,729
Debt Service:			
Debt Service	178,287	-	-
Capital Outlay:			
Capital Outlay	284,906	-	-
Total Expenditures	3,919,871	497,375	67,729
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,360)	-	(67,729)
OTHER FINANCING SOURCES (USES):			
Transfers In	250,000	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	250,000	-	-
Net Change in Fund Balances	(35,360)	-	(67,729)
Fund Balance - October 1 (Beginning)	1,199,549	-	(232,183)
Prior Period Adjustment	(51,973)	-	-
Fund Balance - September 30 (Ending)	\$ 1,112,216	\$ -	\$ (299,912)

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

Other Funds	Total Governmental Funds
\$ 91,242	\$ 1,104,036
342,106	684,212
-	249,960
61	61
-	51,029
460,658	1,621,951
-	814,918
22,540	379,110
-	984
-	35,190
15,417	122,459
<u>932,024</u>	<u>5,063,910</u>
-	1,712,735
277,358	1,433,580
-	356,000
-	231,721
118,809	683,913
-	178,287
-	284,906
<u>396,167</u>	<u>4,881,142</u>
<u>535,857</u>	<u>182,768</u>
39,391	289,391
(289,391)	(289,391)
<u>(250,000)</u>	<u>-</u>
285,857	182,768
1,404,513	2,371,879
(76,073)	(128,046)
<u>\$ 1,614,297</u>	<u>\$ 2,426,601</u>

CITY OF LA JOYA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	182,768
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 2021 capital outlays and debt principal payments is to increase (decrease) the change in net position.		1,040,916
The impact of the requirements of GASB 68 related to pension plan		73,106
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.		(440,992)
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.		186,765
The impact of GASB75 OPEB		(19,902)
Change in Net Position of Governmental Activities	\$	1,022,661

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, 2021

	Business Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ (214,556)
Restricted Assets - Current:	
Temporarily Restricted Asset _____	4,130,785
Accounts Receivable, Net	210,938
Due from Other Governments	30,000
Prepaid Items	46,239
Total Current Assets	4,203,406
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	264,512
Infrastructure	3,491,404
Accumulated Depreciation - Infrastructure	(2,697,335)
Buildings	2,289,365
Accumulated Depreciation - Buildings	(391,000)
Furniture and Equipment	1,013,581
Accumulated Depreciation - Furniture & Equipment	(598,802)
Capital Assets	418,447
Accumulated Depreciation - Capital Assets	(333,213)
Construction in Progress	565,604
Other Assets	135,180
Total Noncurrent Assets	4,157,743
Total Assets	8,361,149
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	14,683
Total Deferred Outflows of Resources	14,683

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

CITY OF LA JOYA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business Type Activities
LIABILITIES	
Current Liabilities:	
Accounts Payable	28,690
Wages and Salaries Payable	6,761
Compensated Absences Payable	31,892
Due to Others	3,752
Bonds, Notes, Loans Payable - Matured	283,000
Unearned Revenues	313,811
Other Current Liabilities	55,635
Total Current Liabilities	723,541
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	3,118,000
Net Pension Liability	147,976
Total Noncurrent Liabilities	3,265,976
Total Liabilities	3,989,517
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	7,004
Total Deferred Inflows of Resources	7,004
NET POSITION	
Net Investment in Capital Assets	589,671
Unrestricted	3,789,640
Total Net Position	\$ 4,379,311

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, 2021

EXHIBIT D-2

	Business-Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Services	\$ 1,608,884
Investment Earnings	2,845
Total Operating Revenues	1,611,729
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	473,799
Personnel Services - Employee Benefits	87,815
Purchased Professional & Technical Services	613,260
Purchased Property Services	281
Other Operating Costs	378,147
Supplies	36,082
Depreciation	248,512
Debt Service	1,250
Total Operating Expenses	1,839,146
Operating Income (Loss)	(227,417)
Total Net Position - October 1 (Beginning)	4,606,729
 Total Net Position - September 30 (Ending)	 \$ 4,379,312

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, 2021

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Cash Receipts From Customers	\$ 1,593,919
Cash Payments to Employees and Suppliers	(1,674,247)
Net Cash Provided(Used) by Operating Activities	(80,328)
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	(288,000)
Interest Paid on Long-Term Debt	-
Net Cash Provided(Used) by Capital and Related Financing Activities	(288,000)
Cash Flow From Investing Activities	
Acquisition of Capital Assets	(82,866)
Interest Income Received	2,845
Net Cash Provided(Used) by Investing Activities	2,845
Net Increase (Decrease) in Cash and Cash Equivalents	(365,483)
Cash and Cash Equivalents, Beginning of Year	4,281,712
Cash and Cash Equivalents, End of Year	3,916,229

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, 2021

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

Operating Income(Loss)	(227,418)
Depreciation Expenses	248,512
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
(Increase) Decrease in Accounts Receivable	(14,965)
(Increase) Decrease in Accounts Receivable-Intergovt.	-
(Increase) Decrease in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable	(81,414)
Increase (Decrease) in Accrued Payroll Liabilities	(5,435)
Increase (Decrease) in Unearned Revenues	392
Increase (Decrease) in Customer Deposits	-
Increase (Decrease) in Interfund Liabilities	
Total Adjustments	147,090
Net Cash Provided (Used) by Operating Activities	<u>\$ (80,328)</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, 2021

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 or 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 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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

B. FINANCIAL REPORTING ENTITY (CONTINUED)

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.

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

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

not apply FASB pronouncements or APB pronouncements or APB opinions issued after November 30, 1989.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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, 2021

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. **Capital Projects Fund** - This fund is a for the purpose of accounting for the City's construction activities.

Proprietary Funds

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

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

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

F. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. CASH AND INVESTMENTS

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each Fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash are available upon demand and are "cash equivalents" when preparing financial statements. All investments are recorded at fair value is the amount at which financial instrument could be exchanged in a current transaction between willing parties.

2. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. Taxable property includes real property and certain personal property situated in the City. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions as noted below in arriving at the total assessed valuation of taxable

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

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

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.

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

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

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

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 Manager'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 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.

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

II. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY (CONTINUED)

Budget Basis of Accounting

The City prepares its annual budget on the modified accrual 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	\$443,184
Public Safety	\$145,014
Public Works	\$76,045

Deficit Fund Equity / Net Position

The Capital projects fund reported a deficit balance of \$299,912.

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-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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

II. STEWARDSHIP, COMPLIANCE, ACCOUNTIBILITY (CONTINUED)

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.

At September 30, 2021, the carrying amount of the City's deposits was \$5,136,290 including restricted cash in two depositories.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

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

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, 2021, 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, 2021 are as follows:

	Bond Year	Required 9/30/2021	Bank Balance 9/30/2021
Escrow Bond	2009	\$ 3,771,730	\$ 3,771,730
Reserve	2007	107,750	108,889
Int/Sinking	2007	56,500	57,068
Reserve	2009	152,167	153,927
Int/Sinking	2009	12,917	39,171
		<u>\$ 4,101,064</u>	<u>\$ 4,130,785</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, 2021, 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:

Interest Rate Risk

This is the risk that changes in interest rate 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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

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

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, 2021 were as follows:

	Taxes	Utilities	Other Governments	Due From Other Funds	Other	Total Receivables
General Fund	\$ 252,409	\$ -	\$ 378,232	\$ 303,793	\$ 8,758,412	\$ 9,692,846
Special Revenue Funds	98,265	-	1,281,540	-	-	1,379,805
Capital Projects Fund	-	-	-	-	302,000	302,000
Enterprise Fund	-	297,831	30,000	-	-	327,831
Total Receivables	350,674	297,831	1,689,772	303,793	9,060,412	11,702,482
Less: Allowance for Uncollectibles	(73,987)	(86,893)	-	-	(5,481,803)	(5,642,683)
Net Total Receivables	\$ 276,687	\$ 210,938	\$ 1,689,772	\$ 303,793	\$ 3,578,609	\$ 6,059,799

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

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>Urban County</u>	<u>Capital Projects</u>	<u>Total</u>
CARES Grant	\$ -	\$ -	\$ -	\$ -
Fines	2,994,775	-	-	2,994,775
CDBG Funds	-	877,372	-	877,372
USDA Loans	-	-	337,000	337,000
Total	<u>\$ 2,994,775</u>	<u>\$ 877,372</u>	<u>\$ 337,000</u>	<u>\$ 4,209,147</u>
Total Unearned Revenues for Governmental Type Funds				<u><u>\$ 4,209,147</u></u>

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

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, 2021 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>303,793</u>	<u>-</u>
Total General Fund	<u>303,793</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>303,793</u>
Total USDA Fund	<u>-</u>	<u>303,793</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>\$ 303,793</u>	<u>\$ 303,793</u>

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

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

D. NOTES RECEIVABLE

Borrower	Date of Loan	Balance 09/30/2020	Increase	Decrease	Balance 9/30/2021	Status
<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		-	23,734	<u>Delinquent</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	8,378		2,403	5,975	<u>Current</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	122,174		3,086	119,088	<u>Current</u>
Total program IRP		220,455		5,489	214,966	
Program - EDC Arco Iris Daycare LLC Construction advances to 9/30/2018 loan agreement is pending	September-16	341,212	-	-	341,212	In litigation
Total Notes Receivable		\$ 561,667	\$ -	\$ 5,489	\$ 556,179	

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

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

E. CAPITAL ASSETS

	10/1/2020	Additions	Deductions	Adjustments	9/30/2021
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	5,890,398	36,186	-	-	5,926,584
Machinery and Equipment	768,637	312,913	-	6,330	1,087,880
Vehicles	2,068,098	58,954	-	54,139	2,181,191
Infrastructure	4,419,109	490,707	-	-	4,909,816
Total capital assets being depreciated	<u>13,146,242</u>	<u>898,760</u>	<u>-</u>	<u>60,469</u>	<u>14,105,471</u>
Less accumulated depreciation for:					
Buildings	1,001,373	104,133	-	-	1,105,506
Machinery and equipment	521,208	67,993	-	226	589,427
Vehicles	1,369,779	136,975	-	1,692	1,508,446
Infrastructure	2,492,534	131,891	-	-	2,624,425
Total accumulated deprecitaion	<u>5,384,894</u>	<u>- 440,992</u>	<u>-</u>	<u>1,918</u>	<u>5,827,804</u>
Total capital assets being depreciated, net	<u>7,761,348</u>	<u>457,768</u>	<u>-</u>	<u>62,387</u>	<u>8,277,667</u>
Governmental activities capital assets, net	<u>8,150,408</u>	<u>457,768</u>	<u>-</u>	<u>62,387</u>	<u>8,666,728</u>

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

<u>Governmental Activities</u>	Depreciation By Function
General Government	\$ 210,029
Public Safety	153,111
Public Works	47,143
Health and Welfare	-
Economic Development	30,709
Municipal Courts	-
Total Governmental Activities	<u>\$ 440,992</u>

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

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

E. CAPITAL ASSETS (CONTINUED)

	10/1/2020	Additions	Deductions	Adjustments	9/30/2021
Business-Type Activities					
Capital assets not being depreciated:					
Land and right of way	\$ 264,512	\$ -	\$ -	\$ -	\$ 264,512
Construction in Progress	553,604	12,000	-	-	565,604
Total Capital assets not being depreciated	818,116	12,000	-	-	830,116
Capital assets being depreciated:					
Plant	850,000	-	-	-	850,000
Machinery and Equipment	951,501	-	-	62,079	1,013,580
Vehicles	418,447	-	-	-	418,447
Improvements-WS District	1,397,749	41,616	-	29,500	1,468,865
Storage tank	100,000	41,250	-	-	141,250
Infrastructure	3,379,655	-	29,501	(29,500)	3,320,654
Total capital assets being depreciated	7,097,352	82,866	29,501	62,079	7,212,796
Less accumulated depreciation for:					
Plant	374,000	17,000	-	-	391,000
Machinery and equipment	513,488	83,894	-	1,700	597,382
Vehicles	296,066	36,867	-	-	332,933
Storage Tank	79,774	13,213	-	-	92,987
Infrastructre	2,506,812	97,538	-	(2)	2,604,350
Total accumulated deprecitaion	3,770,140	248,512	-	1,698	4,020,350
Total capital assets being depreciated, net	3,327,212	-	(165,646)	29,501	60,381
Business-Type Activities capital assets, net	4,145,328	(153,646)	29,501	60,381	4,022,562
Total Primary Government	\$ 12,295,736	\$ 304,122	\$ 29,501	\$ 118,932	\$ 12,689,290

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

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

F. LONG TERM OBLIGATIONS

	Beginning Balance 10/1/2020	Issued	Retired	Ending Balance 9/30/2021	Due Within One Year
Primary Government					
Governmental Activities					
Compensated Absences	\$ 27,751	\$ 52,182	\$ 29,138	\$ 50,795	\$ -
Loans Payable					
USDA Intermediary Re-Lending for \$727,500 with interest rate at 1% with annual payments, maturity date of January 1, 2034	380,034		27,978	352,056	28,317
Total Loan Payable	380,034		27,978	352,056	28,317
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.	1,204,000		19,000	1,185,000	19,000
Total Bond Payable	1,204,000		19,000	1,185,000	19,000
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	2,177,000		34,000	2,143,000	35,000
Total Certificate of Obligation	2,177,000		34,000	2,143,000	35,000
Community Facility Loan					
USDA Series 2017 for \$400,000 dated 08/28/17 advances Unclosed Loan	92,000		12,000	80,000	6,000
Total Loan Payable	92,000		12,000	80,000	6,000
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.	158,382		37,433	120,949	38,839
Total Loan Payable	158,382	-	37,433	120,949	38,839
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.	185,998		34,789	151,209	35,955
Total Capital Leases	185,998		34,789	151,209	35,955
Total Long-Term Debt - Governmental Activities	\$ 4,225,165	\$ 52,182	\$ 194,338	\$ 4,083,009	\$ 163,111

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

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

F. LONG TERM OBLIGATIONS (CONTINUED)

	Beginning Balance 10/1/2020	Issued	Retired	Ending Balance 9/30/2021	Due Within One Year
Business-Type Activities					
Compensated Absences	22,805	21,827	12,740	31,892	-
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%	35,000		20,000	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%	794,000		113,000	681,000	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%	2,860,000	-	155,000	2,705,000	155,000
Total Long-Term Debt - Business-Type Activi	3,689,000	-	-	288,000	283,000
GRAND TOTAL LONG-TERM DEBT	7,936,970	64,695	499,752	7,501,913	

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

Debt Service payables at September 30, 2021 is comprised of the following:

<u>Fiscal year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payable</u>
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	\$ 3,761,330	\$ 2,464,079	\$ 6,225,409

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

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, 2021 is comprised of the following:

<u>Fiscal year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Capital Leases</u>
2021	35,955	5,065	41,020
2022	37,159	3,861	41,020
2023	38,404	2,616	41,020
2024	39,691	1,330	41,020
	<u>\$ 151,209</u>	<u>\$ 12,872</u>	<u>\$ 164,081</u>

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

<u>Fiscal year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total COS & Bonds</u>
2022	283,000	1,250	284,250
2023	273,000	500	273,500
2024	263,000	-	263,000
2025	263,000	-	263,000
2026	263,000	-	263,000
2027-2031	844,000	-	844,000
2028-2032	750,000	-	750,000
2033-2037	750,000	-	750,000
2038-2042	-	-	-
	<u>\$ 3,689,000</u>	<u>\$ 1,750</u>	<u>\$ 3,690,750</u>

Service requirements of bonds payables at September 30, 2021 are as follows:

IV. OTHER INFORMATION

A. Arbitrage

The City issued Long-Term debt for Capital construction projects. These bonds are subject to the arbitrage regulations. Arbitrage regulations call for the return of the difference in interest revenue against interest expense. At September 30, 2021, 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

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

IV. OTHER INFORMATION (Continued)

B. Risk Management (Continued)

of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. A copy of TML's comprehensive annual report may be obtained by request at the following address:

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

C. Employee Retirement Benefits

Plan Description

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

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

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	5.0%	5.0%
Matching ration (city to employee)	1 To 1	1 To 1
Years required for vesting	5.0%	5.0%
Service retirement eligibility (expressed as age/ years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI
Supplemental Death Benefit to Active employees	Yes	Yes
Supplemental Death Benefit to Active Retirees	Yes	Yes

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Benefits (Continued)

Employees Covered by Benefit Terms

At December 31, 2020 the following employees were covered by the benefit terms:

Membership*

Number of:

Inactive employees currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	76
Active employees	47
Total	133

Contributions

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

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

Three-Year Trend Information				
Fiscal Year Ending	Annual Pension Cost(APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2018	\$ -	\$ -	0%	\$ -
2019	\$ -	\$ -	0%	\$ -
2020	\$ -	\$ -	0%	\$ -

Actuarial Assumption:

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

Valuation Date:

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

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Benefits (Continued)

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 years smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The Rates are projected on a fully generational basis with scale UMP.
Other Information	
Notes	There were no benefit changes during the year.

These 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.

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

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

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Benefits (Continued)

Asset Class	Minimum Allocation %	Target Allocation %	Maximum Allocation %
U.S. Equities	12.5%	17.5%	22.5%
International Equities	12.5%	17.5%	22.5%
Core Fixed Income	5.0%	10.0	15.0%
Non-Core Fixed Income	15.0%	20.0%	25.0%
Real Estate	5.0%	10.0%	15.0%
Real Return	5.0%	10.0%	15.0%
Absolute Return	0.0	10.0%	15.0%
Private Equity	0.0	5.0%	10.0%
Cash Equivalents	0.0	0.0%	10.0%
Total		100%	

Discount Rate

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

At September 30, 2021, the City reported a net pension Liability of \$738,777

<u>Net Pension Liability</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Total Pension Liability	\$ 1,762,098	\$ 1,688,238
Plan Fiduciary Net Position	<u>1,023,321</u>	<u>888,789</u>
Net Pension Liability	\$ 738,777	\$ 799,449
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.07%	52.65%
Covered Payroll	1,468,655	1,231,205
Net Pension Liability as a Percentage of Covered Payroll	50.30%	64.93%

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Benefits (Continued)

For the year ended September 30, 2021, the City recognizes a pension expense of \$61,650.

Schedule of Pension Expense	
1. Total Service Cost	\$ 95,463
2. Interest on the Total Pension Liability	113,599
3. Current Period Benefit Charges	0
4. Employee Contributions (Reduction of Expense)	(73,433)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(59,993)
6. Administrative Expense	437
7. Other Fiduciary Net Position	17
8. Recognition of Current Year Outflow(Inflow) of resources- Liabilities	(10,879)
9. Recognition of current year Outflow(Inflow) of resources- Assets	(1,458)
10. Amortization of Prior Year Outflows(Inflows) of Resources- Liabilities	4,840
11. Amortization of Prior Year Outflows (Inflows) of resources- Assets	(6,943)
12. Total Pension Expense	\$ 61,650

Sensitivity of the net pension liability of the City, calculated using the discount rate.

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$957,845	\$738,777	\$559,462

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available separately- issued TMRS financial report. That report is available at www.tmrs.com

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

IV. OTHER INFORMATION (Continued)

C. Employee Retirement Benefits (Continued)

	Period (or Amortization years)	Total (Inflow or Outflow of Resources)	Recognized in Current Pension Expense	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	2.68	\$ (29,155)	\$ (10,879)	\$ (18,276)
Change in assumptions [actuarial (gains) or losses]	2.68	0	0	0
			<u>\$ (10,879)</u>	<u>\$ (18,276)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investements [actuarial (gains) or losses]	5.00	\$ (7,289)	(1,458)	(5,831)
<u>Total:</u>			<u>\$ (1,458)</u>	<u>\$ (5,831)</u>
				<u>\$ (24,107)</u>

\$738,777 reported deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

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

D. Other Post Employment (OPEB) Programs

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit ("OPEB") and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

IV. OTHER INFORMATION (Continued)

D. Employee Retirement Benefits (Continued)

payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

GASB No. 75 requires employers to recognize the total OPEB liability and the OPEB expense on their financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

For employers first reporting under GASB No. 75 for fiscal year 2021, the employer should make a prior period adjustment for the total OPEB liability as of the 12/31/2019 measurement date (provided), and record a deferred outflow of resources for contributions recorded by the city (retiree portion of SDB rate only) from December 31, 2019 to its prior fiscal year end. TMRS has elected to not calculate other deferrals as of the December 31, 2019 measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2020 and a measurement date of December 31, 2020; as such, no roll-forward is required.

Supplemental Death Benefit (SDBF) Plan Contributions

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

Plan/calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2021	0.25%	0.04%
2020	0.20%	0.03%
2019	0.19%	0.02%
2018	0.18%	0.02%

The Other Post-Employment benefits (OPEB) was measured as of December 31, 2020, and the Total Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumption: The Total OPEB Liability in December 31, 2021 actuarial valuation was determined using the following actuarial assumption.

Inflation	2.50%
Salary Increase	3.50% to 11.50% including inflation
Discount Rate*	2.00%
Retirees' share of benefit-related costs	0\$
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

IV. OTHER INFORMATION (Continued)

D. Employee Retirement Benefits (Continued)

Mortality rates – disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
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*The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2020.

The Change in the City’s OPEB for City of La Joya for the fiscal year ended September 30, 2021 is as followed:

	12/31/2020
Membership*	
Number of:	
Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	5
Active employees	47
Total	61
Covered Payroll	\$ 1,468,655
 Changes in the Total OPEB Liability	 \$ 92,273
Total OPEB Liability - beginning of year	
Changes for year	
Service Cost	7,196
Interest on Total OPEB Liability	2,628
Changes of Benefit Terms	-
Difference between expected and actual experience	(6,041)
Changes in assumptions or other inputs	14,106
Benefit payments**	(587)
Net Changes	17,302
Total OPEB Liability-End of year	\$ 109,575
 Total OPEB Liability as a percentage of Covered Payroll	 7.46%

* 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.

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

IV. OTHER INFORMATION (Continued)

D. Employee Retirement Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$133,900	\$109,575	\$91,358

For the year ended September 30, 2021, the City recognized OPEB expense of \$12,206.

Service Cost	\$ 7,196
Interest on total OPEB liability	2,628
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Difference between expected and actual experience*	(1,373)
Changes in assumption or other inputs**	4,155
Total OPEB expense	\$ 12,606

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

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

<u>Due to Liabilities</u>	Recognition Period (or amortization years)*	Total (Inflow) or Outflow of Resources	Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Difference in expected and actual expected and actual experience [actuarial (gains) or losses]	6.8000	\$ (6,041)	\$ (888)	\$ (5,153)
Difference in assumption [actuarial (gains) or losses]	6.8000	14,106	2,074	12,032
Contributions made subsequent to measurement date		(provided by city)	(provided by city)	(provided by city)
Total (excluding city provided contributions made subsequent to measurement date):				<u>\$ 6,879</u>

**CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

IV. OTHER INFORMATION (Continued)

D. Employee Retirement Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions. (Continued)

	Net Deferred Outflows/ (Inflows) of Resources
2021	\$ 2,782
2022	2,782
2023	2,782
2024	2,782
2025	2,318
Thereafter	<u>1,316</u>
Total	\$ 14,762

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

E. Urban County

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

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

F. New Accounting Pronouncements

In fiscal year 2020, 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

CITY OF LA JOYA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

IV. OTHER INFORMATION (Continued)

F. New Accounting Pronouncements (Continued)

the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

b. Statement No. 84 The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

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

G. Fair Value of Financial Instruments

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

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, 2021

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.

H. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the option of the City's legal counsel and management that resolution of these matters will not have a material adverse effect on the financial condition of the City at September 30, 2021.

I. Related Party Transaction

No related parties were disclosed.

J. Prior Period Adjustment

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

K. 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 5, 2022, 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, 2021

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
RECEIPTS:				
Taxes:				
Property Taxes	\$ 939,000	\$ 1,197,580	\$ 1,012,794	\$ (184,786)
General Sales and Use Taxes	295,000	350,000	342,106	(7,894)
Franchise Tax	257,500	244,000	249,960	5,960
Licenses and Permits	84,300	72,000	51,029	(20,971)
Intergovernmental Revenue and Grants	150,500	163,950	663,918	499,968
Charges for Services	786,800	860,700	814,918	(45,782)
Fines	296,100	304,800	356,570	51,770
Investment Earnings	-	-	984	984
Rents and Royalties	-	-	35,190	35,190
Other Revenue	12,000	17,600	107,042	89,442
Total Receipts	<u>2,821,200</u>	<u>3,210,630</u>	<u>3,634,511</u>	<u>423,881</u>
DISBURSEMENTS:				
Current:				
General Government	1,064,976	1,269,551	1,712,735	(443,184)
Public Safety	944,223	1,011,208	1,156,222	(145,014)
Public Works	218,703	279,955	356,000	(76,045)
Culture and Recreation	267,255	232,000	231,721	279
Debt Service:				
Debt Service	178,500	178,500	178,287	213
Capital Outlay:				
Capital Outlay	285,000	285,000	284,906	94
Total Disbursements	<u>2,958,657</u>	<u>3,256,214</u>	<u>3,919,871</u>	<u>(663,657)</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(137,457)</u>	<u>(45,584)</u>	<u>(285,360)</u>	<u>(239,776)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	150,000	5,000	250,000	245,000
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>5,000</u>	<u>250,000</u>	<u>245,000</u>
Net Change in Cash Balance	12,543	(40,584)	(35,360)	5,224
Cash Balance - October 1 (Beginning)	1,199,549	1,199,549	1,199,549	-
Prior Period Adjustment	-	-	(51,973)	(51,973)
Cash Balance - September 30 (Ending)	<u>\$ 1,212,092</u>	<u>\$ 1,158,965</u>	<u>\$ 1,112,216</u>	<u>\$ (46,749)</u>

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

CITY OF LA JOYA, TEXAS
 Schedule of Funding Progress for Retirement Plan
 For Year ended September 30, 2021

(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%

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

<u>Total Pension Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 95,463	\$ 80,398	\$ 70,280
Interest (On the Total Pension Liability)	113,599	105,890	101,165
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(29,155)	12,836	(19,896)
Change of Assumptions	-	9,617	-
Benefit Payments, including Refunds of Employee Contributions	(106,047)	(98,091)	(75,116)
Net Change in Total Pension Liability	<u>73,860</u>	<u>208,741</u>	<u>\$ 151,549</u>
Net Pension Liability- Beginning	<u>\$ 1,688,238</u>	<u>1,577,588</u>	<u>\$ 1,501,155</u>
Total Pension Liability- Ending	<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	\$ 100,318	\$ 76,002	\$ 65,560
Contributions-Employee	73,433	61,560	54,145
Net Investment Income	67,282	113,728	(21,432)
Benefits Payments, Including Refunds of Employee Contributions	(106,047)	(98,091)	(75,116)
Administrative Expense	(437)	(643)	(412)
Other	(17)	(19)	(22)
Net Change in Plan Fiduciary Net Position	<u>134,532</u>	<u>152,537</u>	<u>22,723</u>
Plan Fiduciary Net Position- Beginning	<u>888,789</u>	<u>713,530</u>	<u>563,103</u>
Plan Fiduciary Net Position- Ending	<u><u>\$ 1,023,321</u></u>	<u><u>\$ 866,067</u></u>	<u><u>\$ 585,826</u></u>
Net Pension Liability	\$ 738,777	\$ 920,262	\$ 1,066,878
Plan Fiduciary Net Position as a Percentage of Total Pension Liabili	58.07%	48.48%	35.45%
Covered Employee Payroll	\$ 1,468,655	\$ 1,231,205	\$ 1,214,583
Net Pension Liability as Percentage of Covered Employee Payroll	50%	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, 2021

	200 Economic Development Fund	202 Asset Forfeiture Fund	203 Tax Abatement Fund	204 Police Grants Fund
ASSETS				
Cash and Cash Equivalents	\$ (49,427)	\$ (58,170)	\$ 551,372	\$ (60,810)
Taxes Receivable	29,870	-	29,870	-
Due from Other Governments	-	-	-	-
Due from Others	341,212	-	-	-
Restricted Assets:				
Temporarily Restricted Asset	-	-	-	60,810
Total Assets	<u>\$ 321,656</u>	<u>\$ (58,170)</u>	<u>\$ 581,242</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ (11)
Wages and Salaries Payable	-	-	-	11
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Other Assigned Fund Balance	321,656	(58,170)	581,242	-
Total Fund Balances	<u>321,656</u>	<u>(58,170)</u>	<u>581,242</u>	<u>-</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 321,656</u>	<u>\$ (58,170)</u>	<u>\$ 581,242</u>	<u>\$ -</u>

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

205 TIRZ Fund	207 La Joya RBEG Fund	208 La Joya EDC-IRP Fund	209 Corona Virus Recovery Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 200,359	\$ 306,564	\$ 8,994	\$ 282,034	\$ 1,180,916	\$ 1,180,916
38,525	-	-	-	98,265	98,265
-	-	-	404,168	404,168	404,168
-	-	214,966	-	556,179	556,179
-	-	-	-	60,810	60,810
<u>\$ 238,884</u>	<u>\$ 306,564</u>	<u>\$ 223,960</u>	<u>\$ 686,202</u>	<u>\$ 2,300,338</u>	<u>\$ 2,300,338</u>
\$ -	\$ -	\$ -	\$ -	\$ (11)	\$ (11)
-	-	-	-	11	11
-	-	-	-	-	-
-	-	-	686,041	686,041	686,041
-	-	-	686,041	686,041	686,041
238,884	306,564	223,960	161	1,614,297	1,614,297
<u>238,884</u>	<u>306,564</u>	<u>223,960</u>	<u>161</u>	<u>1,614,297</u>	<u>1,614,297</u>
<u>\$ 238,884</u>	<u>\$ 306,564</u>	<u>\$ 223,960</u>	<u>\$ 686,202</u>	<u>\$ 2,300,338</u>	<u>\$ 2,300,338</u>

CITY OF LA JOYA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	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	171,053	-	171,053	-
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	210,658
Fines	-	22,540	-	-
Other Revenue	-	3,317	12,000	-
Total Revenues	<u>171,053</u>	<u>25,857</u>	<u>183,053</u>	<u>210,658</u>
EXPENDITURES:				
Public Safety	-	66,700	-	210,658
Conservation and Development	67,593	-	-	-
Total Expenditures	<u>67,593</u>	<u>66,700</u>	<u>-</u>	<u>210,658</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>103,460</u>	<u>(40,843)</u>	<u>183,053</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	(39,391)	-	-	-
Total Other Financing Sources (Uses)	<u>(39,391)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	64,069	(40,843)	183,053	-
Fund Balance - October 1 (Beginning)	235,631	(18,648)	398,189	-
Prior Period Adjustment	21,956	1,321	-	-
Fund Balance - September 30 (Ending)	<u>\$ 321,656</u>	<u>\$ (58,170)</u>	<u>\$ 581,242</u>	<u>\$ -</u>

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

205 TIRZ Fund	207 La Joya RBEG Fund	208 La Joya EDC-IRP Fund	209 Corona Virus Recovery Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 91,242	\$ -	\$ -	\$ -	\$ 91,242	\$ 91,242
-	-	-	-	342,106	342,106
-	-	-	61	61	61
-	-	-	250,000	460,658	460,658
-	-	-	-	22,540	22,540
-	-	-	100	15,417	15,417
<u>91,242</u>	<u>-</u>	<u>-</u>	<u>250,161</u>	<u>932,024</u>	<u>932,024</u>
-	-	-	-	277,358	277,358
-	9,575	41,641	-	118,809	118,809
-	<u>9,575</u>	<u>41,641</u>	-	<u>396,167</u>	<u>396,167</u>
<u>91,242</u>	<u>(9,575)</u>	<u>(41,641)</u>	<u>250,161</u>	<u>535,857</u>	<u>535,857</u>
-	-	39,391	-	39,391	39,391
-	-	-	(250,000)	(289,391)	(289,391)
-	-	<u>39,391</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
91,242	(9,575)	(2,250)	161	285,857	285,857
246,992	316,139	226,210	-	1,404,513	1,404,513
(99,350)	-	-	-	(76,073)	(76,073)
<u>\$ 238,884</u>	<u>\$ 306,564</u>	<u>\$ 223,960</u>	<u>\$ 161</u>	<u>\$ 1,614,297</u>	<u>\$ 1,614,297</u>

CITY OF LAJOYA
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED SEPTEMBER 30, 2021

Last 10 Years Ended September 30	Tax Rates		Assessed/Appraised Value for Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	0.54520	0.00000	125,191,739
2012	0.56780	0.00000	125,170,724
2013	0.56780	0.00000	123,842,059
2014	0.57000	0.00000	123,235,002
2015	0.54350	0.00000	132,056,980
2018	0.53940	0.00000	132,056,980
2019	0.52510	0.00000	146,447,639
2020	0.56680	0.00000	152,157,375
2021 (Fiscal year under audit)	0.58980	0.00000	167,165,753
1000 TOTALS			

Beginning Balance October 1, 2020	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance September 30, 2021
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52,445	-	3,299	-	-	49,146
8,978	-	293	-	-	8,685
11,086	-	445	-	-	10,641
13,237	-	554	-	(145)	12,828
31,420	-	1,500	-	(211)	30,131
36,656	-	4,359	-	281	32,016
30,197	-	12,903	-	(184)	17,478
49,401	-	23,053	-	311	26,037
-	968,465	922,314	-	19,611	26,540
<u>\$ 233,420</u>	<u>\$ 968,465</u>	<u>\$ 968,720</u>	<u>\$ -</u>	<u>\$ 19,663</u>	<u>\$ 213,502</u>



GUILLERMO REYNA
CERTIFIED PUBLIC ACCOUNTANT

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

Independent Auditor's Report

To the City Council of the
City of La Joya, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, blended component units, each major fund, and the aggregate remaining fund information of CITY OF LA JOYA as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise CITY OF LA JOYA's basic financial statements, and have issued our report thereon dated March 5, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item #2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

CITY OF LA JOYA's Response to Findings

CITY OF LA JOYA's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. CITY OF LA JOYA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Guillermo Reyna, CPA

Guillermo Reyna
Certified Public Accountant

McAllen, Texas

March 5, 2022



GUILLERMO REYNA
CERTIFIED PUBLIC ACCOUNTANT

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

To the City Council
City of La Joya, Texas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

City of La Joya, Texas response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of La Joya, Texas response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Guillermo Reyna, CPA

Guillermo Reyna CPA

McAllen, Texas

March 5, 2022

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

I. Summary of the Auditor's Results:

Financial Section:

- | | |
|--|------------|
| 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? | Yes |
| C. Noncompliance material to the financial statements noted? | No |

Federal Awards Section:

- | | |
|--|------------|
| D. The type of report issued:
opinion | Unmodified |
| E. Internal control over Major Programs: | |
| Material Weakness(es) identified? | No |
| Significant Deficiency(ies) identified which
were not considered material weaknesses? | No |
| F. Any audit findings disclosed that are required to be reported in
accordance with the Uniform Guidance? | No |
| G. Identification of major programs:
CFDA 14.218 Community Development Block Grants
CFDA 21.019 CARES & CORONA Recovery Fund | |
| H. Dollar threshold to distinguish between type A and type B programs: | \$750,000 |

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

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

2021-01 Controls over Capital Assets-

Criteria: Capital assets constitute the largest investment on the City's financial statement. Accordingly, the continued valuation of capital assets provide accuracy in financial reporting.

Condition: Capital Assets have not been valued on a consistent periodic basis.

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

Effect: The COVID-19 Pandemic and its effect on municipalities, delayed the periodic valuation and physical inventory of capital assets.

Recommendation: Management should ensure that a timeline is established for the valuation and inventory of all capital assets.

Auditee's Response: Refer to corrective action plan.

III. Findings Relating to Federal Awards and Questions Costs.

None

CITY OF LA JOYA, TEXAS
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Schedule Reference #2020-1 Controls over Reporting of Financial Information to State Agency

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

Current Status: The completed audit report will be remitted to all federal and state agencies within the timeline prescribed by law.

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

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

Current Status: The project was completed in the prior year. No other similar activity was noted in the year under audit.



“Jewel of the Valley”

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

Mayor Isidro Casanova
Commissioner Place#1: Esequiel Garza
Commissioner Place#2: Rogelio Hernandez
Commissioner Place#3: Angie Garza
Commissioner Place#4: Laura M. Macias

Corrective Action Plan for Financial Statement Findings

Reference Number 2021-001 – Controls over Capital Assets

Corrective Action:

The City will conduct a complete physical inventory of all Capital Assets.

Proposed Completion Date: September 30, 2022

Name of contact person: Gregoria Jackson, Finance Director

Contact telephone number: (956)581-7002

CITY OF LA JOYA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

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-15-UC48-0501	83,391	-
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-16-UC48-0501	121,425	-
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-17-UC48-0501	155,372	-
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-18-UC48-0501	130,520	-
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-20-UC48-0501	5,915	-
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	B-21-UC48-0501	355	-
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	14.218		<u>496,978</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 9-21	37,853	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>37,853</u>	<u>-</u>
U.S. DEPARTMENT OF THE TREASURY				
CORONA RECOVERY FUND	21.019		250,000	-
PASSED THROUGH HIDALGO COUNTY, TEXAS CARES ACT	21.019		175,965	-
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>425,965</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
PASSED THROUGH TEXAS HOMELAND SECURITY OFFICE				
STATE HOMELAND SECURITY PROGRAM - OPERATION STONEGARDEN	97.067	3172706	21,362	-
STATE HOMELAND SECURITY PROGRAM - OPERATION STONEGARDEN	97.067	3172705	36,210	-
BL-LOCAL BORDER SECURITY PROGRAM	97.067	3560503	24,775	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>82,347</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE				
COPS HIRING PROGRAM	16.710	FAW - 38148	124,967	-
PASSED THROUGH OFFICE OF THE GOVERNOR - CJD EDWARD BYRNE MEMORIAL JUSTICE ASST GRANT	16.738	2019-DJ-BX-0016	87,105	-
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>212,072</u>	<u>-</u>
U.S. FEDERAL COMMUNICATIONS COMMISSION				
PASSED THROUGH UNIVERSAL SERVICE ADMINISTRATIVE COMPANY		12111407	5,497	-
TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION			<u>5,497</u>	<u>-</u>
Total Federal Awards			<u>\$ 1,260,712</u>	<u>\$ -</u>
NON-CASH DONATED ASSETS				
DEPARTMENT OF DEFENSE				
SURPLUS EQUIPMENT	12.000		158,000	-
TOTAL DEPARTMENT OF DEFENSE			<u>\$ 158,000</u>	<u>\$ -</u>
OTHER				
TEXAS A&M FOREST SERVICE RURAL VOLUNTEER FIRE DEPARTMENT ASSISTANCE		HB 5404	<u>\$ 50,000</u>	<u>\$ -</u>

CITY OF LA JOYA, TEXAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

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.