



CITY OF LA FERIA, TEXAS

FINANCIAL STATEMENTS

September 30, 2022



City of La Feria, Texas
Table of Contents
September 30, 2022

Page No.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements	
<i>Governmental Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	28
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	29
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	31
<i>Proprietary Funds Financial Statements</i>	
Statement of Net Position – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	35
<i>Discretely Presented Component Units Financial Statements</i>	
Combining Statement of Net Position	36
Combining Statement of Activities	38
Notes to Financial Statements	41



City of La Feria, Texas
Table of Contents
September 30, 2022

	<u>Page No.</u>
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	90
Notes to Required Supplementary Information	91
Schedule of Changes in Net Pension Liability and Related Ratios for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	92
Schedule of Contributions for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	93
Notes to Schedule of Contributions for Agent Multiple Employer Pension Plan – Texas Municipal Retirement System	94
Schedule of Changes in Total OPEB Liability and Related Ratios	95
OTHER SUPPLEMENTARY INFORMATION	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	100
COMPLIANCE SECTION	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103
Schedule of Findings and Responses	107
Corrective Action Plan	111
Summary Schedule of Prior Year Audit Findings	112
Exit Conference	113



REPORT



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Commission
City of La Feria, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of La Feria, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, Texas, as of September 30, 2022, 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.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022 the City adopted a new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, pension system supplementary information, and other post-employment benefit supplementary information on pages 9-21 and 90-95 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Feria, Texas' basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023 on our consideration of the City of La Feria, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of La Feria, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of La Feria, Texas internal control over financial reporting and compliance.

Carr, Rigg & Ingram, L.L.C.

Harlingen, Texas
August 22, 2023

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City of La Feria, Texas Management's Discussion and Analysis

As management of the City of La Feria, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of La Feria for the fiscal year ended September 30, 2022.

Financial Highlights

- The assets and deferred outflows of the City's primary government exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$18,297,187 (net position). Of this amount, \$1,173,183 is unrestricted net position.
- The assets and deferred outflows of the City's discretely presented component units exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$39,193,237 (net position). Unrestricted net position of \$1,841,104 is the result of the IDC having unrestricted net position of \$1,344,544, and unrestricted net position of \$496,560 in the Water and Sewer System.
- At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,698,043, an increase of \$653,381 from the prior year.
- At the end of the current fiscal year, the fund balance for the general fund had a deficit balance of \$1,409,933, primarily due to less grant funding received than in the prior year.
- The City's total debt (excluding component unit debt) decreased by \$920,107 (5.7%) during the current fiscal year as a result of annual payments made and new debt issuances during the current fiscal year.

Overview of the Financial Statements

The Annual Financial Report is composed of primarily the Financial Section. The Financial Section of this Annual Financial Report consists of four parts: (1) *management's discussion and analysis (this section)*, (2) *the basic financial statements*, (3) *required supplementary information*, and (4) *other supplementary information*, which is an optional section that presents additional information such as *combining non-major fund financial statements*.

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.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of La Feria, Texas Management's Discussion and Analysis

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include the Waste Disposal Fund and Economic Development Corporation.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate component units for which the City is financially accountable: Industrial Development Corporation and the Waterworks and Sewer System.

The government-wide financial statements begin on page 25 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and discretely presented component units.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of La Feria, Texas Management's Discussion and Analysis

The City maintains three major and five non-major governmental funds. Information for the General Fund, Debt Service Fund, and the Certificates of Obligation Series 2015 Fund, all of which are considered to be major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Data from the non-major governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The City's governmental fund financial statements begin on page 28 of this report.

Proprietary Funds

The City maintains two proprietary funds, the Waste Disposal Fund and Economic Development Corporation, which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's Waste Disposal fund accounts for its collection of waste and the pick-up of brush and the Economic Development Corporation accounts for economic development activities of the corporation. There are no internal service funds being used by the City at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waste Disposal Fund and Economic Development Corporation. The EDC is considered a blended component unit and presented as a propriety fund within the City.

The basic proprietary fund financial statements begin on page 32 of this report.

Discretely Presented Component Units

Discretely presented component units are legally separate from the City. The component units are intended to operate on a self-supporting basis through user charges or the collection of sales tax. The units are discretely presented because the City has a voting majority, imposition of will, financial benefit and financial accountability over the units, and a board that is composed primarily of members other than City commissioners. The units also maintain a September 30 fiscal year end. There are two discretely presented component units, the La Feria Industrial Development Corporation and the La Feria Waterworks and Sewer System.

The discretely presented component unit's financial statements begin on page 36 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of La Feria, Texas Management's Discussion and Analysis

The notes to the financial statements begin on page 41 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension and other post employment benefits to its employees. The City also presents a schedule of revenues, expenditures, and changes in fund balances – Budget and Actual for the general fund.

Required supplementary information begins on page 86 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

Non-major governmental funds combining statements begin on page 98 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,297,187 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021	9/30/2022	9/30/2021	9/30/2022	9/30/2021
Current and other assets	\$ 6,043,880	\$ 5,220,679	\$ 3,042,320	\$ 3,211,949	\$ 9,086,200	\$ 8,432,628	\$ 4,867,721	\$ 6,511,371
Non current assets	1,661,914	2,026,914	35,867	37,826	1,697,781	2,064,740	617,957	513,196
Capital assets	24,204,714	25,236,560	1,174,940	975,988	25,379,654	26,212,548	44,251,906	43,829,336
Total assets	31,910,508	32,484,153	4,253,127	4,225,763	36,163,635	36,709,916	49,737,584	50,853,903
Deferred outflows of resources	285,348	221,267	18,081	13,568	303,429	234,835	83,746	82,896
Long-term liabilities outstanding	13,283,665	14,558,077	2,015,120	1,599,172	15,298,785	16,157,249	6,105,830	6,906,713
Other liabilities	2,094,887	1,980,640	320,305	374,812	2,415,192	2,355,452	4,191,013	4,446,326
Total liabilities	15,378,552	16,538,717	2,335,425	1,973,984	17,713,977	18,512,701	10,296,843	11,353,039
Deferred inflows of resources	428,733	290,792	27,167	17,830	455,900	308,622	331,250	108,943
Net position								
Net investment in capital assets	14,435,018	14,773,650	323,632	776,270	14,758,650	15,549,920	37,279,764	37,723,191
Restricted	2,365,354	2,072,047	-	-	2,365,354	2,072,047	72,369	123,123
Unrestricted	(411,801)	(969,786)	1,584,984	1,471,247	1,173,183	501,461	1,841,104	1,628,503
Total net position	\$ 16,388,571	\$ 15,875,911	\$ 1,908,616	\$ 2,247,517	\$ 18,297,187	\$ 18,123,428	\$ 39,193,237	\$ 39,474,817

81% percent of the City's net position reflects its investment in capital assets (e.g., land buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments 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.

City of La Feria, Texas Management's Discussion and Analysis

An additional portion of the City's net position, \$2,365,354 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,173,183, may be used to meet the government's ongoing obligations to citizens and creditors.

The unrestricted net position for governmental activities increased by \$557,985 during the current fiscal year due to the City having received additional COVID-19 funding during the year. The discretely presented component units' net position decreased by \$(281,580) during the current fiscal year which can be attributed to a decrease in capital project grant receipts in the current year.

Governmental Activities

Governmental activities increased the City's net position by \$512,660. The key element of this increase is primarily attributed to an increase in property and sales taxes collected during the year due to an increase in property values and new developments during the year.

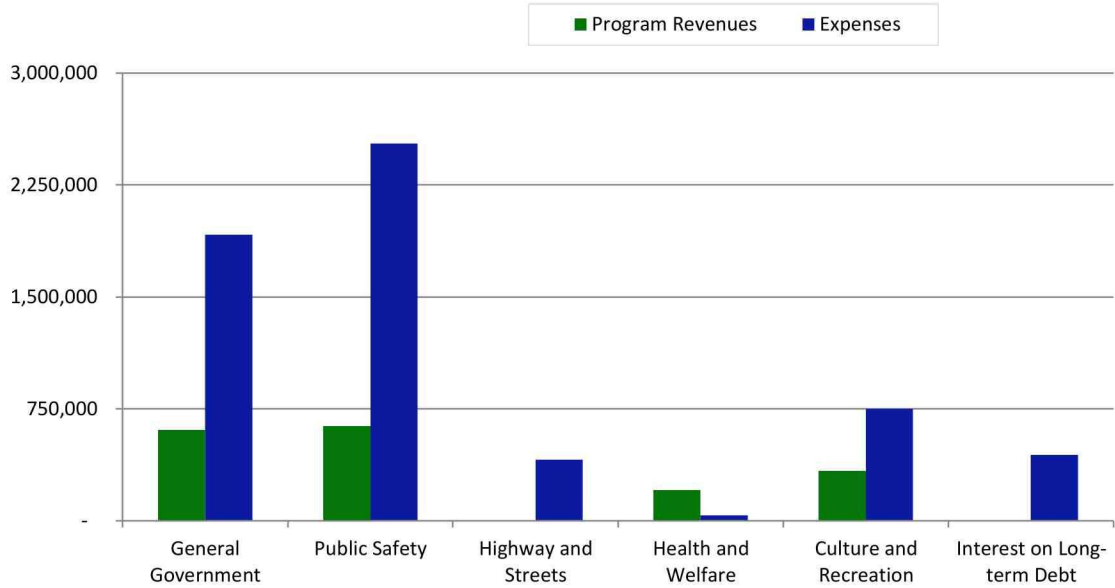
Net investment in capital assets remained comparable overall to the prior year; restricted net position increased \$293,307 primarily due to the property tax collections for debt service exceeding debt payments and unrestricted net position increased by \$557,985 is primarily due to the City having received additional COVID-19 funding during the year.

	Governmental Activities		Business-type Activities		Total		Component Unit Activities	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021	9/30/2022	9/30/2021	9/30/2022	9/30/2021
Revenues:								
Program revenues								
Charges for services	\$ 976,190	\$ 916,100	\$ 1,177,972	\$ 1,136,930	\$ 2,154,162	\$ 2,053,030	\$ 2,785,841	\$ 2,552,832
Operating grants and contributions	495,864	292,020	44,256	44,192	540,120	336,212	-	-
Capital grants and contributions	315,093	474,263	-	-	315,093	474,263	263,293	1,229,248
General revenues								
Property tax	2,023,366	1,819,989	-	-	2,023,366	1,819,989	-	-
Other taxes	1,460,609	1,318,207	514,918	461,841	1,975,527	1,780,048	514,919	461,841
Other	543,695	486,046	(163,055)	1,142	380,640	487,188	434,732	100,287
Total revenues	5,814,817	5,306,625	1,574,091	1,644,105	7,388,908	6,950,730	3,998,785	4,344,208
Expenses								
General government	1,918,207	2,690,680	-	-	1,918,207	2,690,680	-	-
Public safety	2,528,285	1,918,195	-	-	2,528,285	1,918,195	-	-
Highways/streets	411,249	355,480	-	-	411,249	355,480	-	-
Health and welfare	36,367	28,275	-	-	36,367	28,275	-	-
Culture and recreation	751,178	559,754	-	-	751,178	559,754	-	-
Interest on long-term debt	441,750	496,342	54,315	-	496,065	496,342	-	-
Sanitation	-	-	820,166	809,997	820,166	809,997	-	-
Economic development	-	-	253,632	207,955	253,632	207,955	-	-
Waterworks system	-	-	-	-	-	-	3,770,611	3,428,239
IDC	-	-	-	-	-	-	509,754	411,535
Total program expenses	6,087,036	6,048,726	1,128,113	1,017,952	7,215,149	7,066,678	4,280,365	3,839,774
Increase/(decrease) in net assets before transfers								
	(272,219)	(742,101)	445,978	626,153	173,759	(115,948)	(281,580)	504,434
Transfers	784,879	713,169	(784,879)	(713,169)	-	-	-	-
Increase (decrease) in net position	512,660	(28,932)	(338,901)	(87,016)	173,759	(115,948)	(281,580)	504,434
Net position - beginning	15,875,911	15,904,843	2,247,517	2,334,533	18,123,428	18,239,376	39,474,817	38,970,383
Net position - ending	\$ 16,388,571	\$ 15,875,911	\$ 1,908,616	\$ 2,247,517	\$ 18,297,187	\$ 18,123,428	\$ 39,193,237	\$ 39,474,817

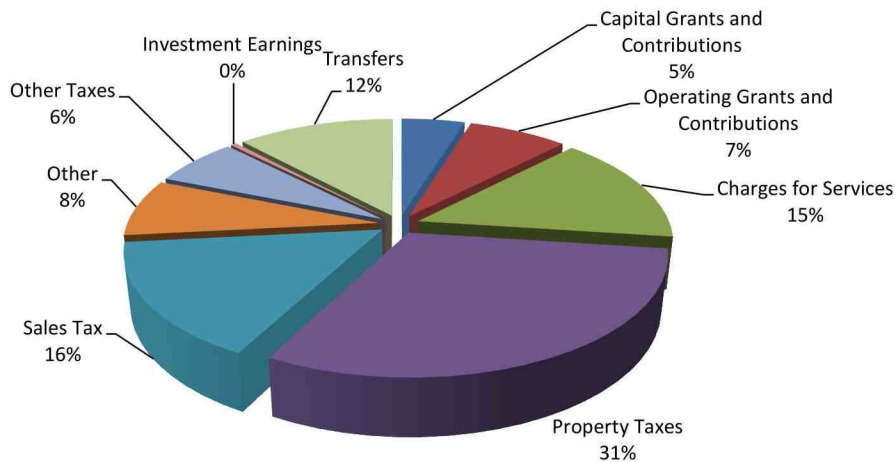
City of La Feria, Texas Management's Discussion and Analysis

An overview of the City's governmental expenses and revenue are presented in the charts below.

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities



City of La Feria, Texas Management's Discussion and Analysis

Business-Type Activities

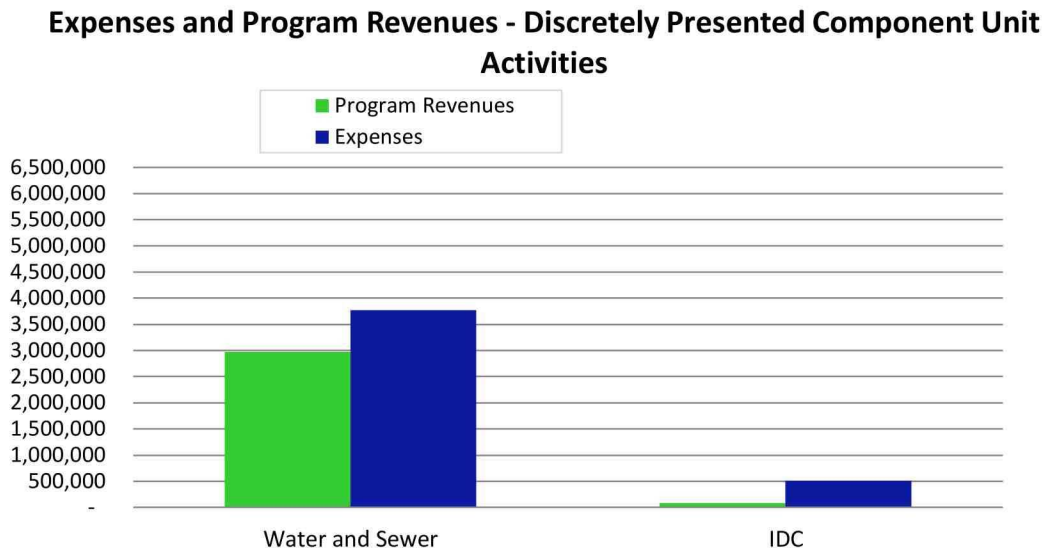
Business-type activities consist of operating expenses of \$1,128,113, transfers-out totaling \$784,879, and revenues of \$1,574,091 resulting in a decrease in net position of \$(338,901).

Discretely Presented Component Units

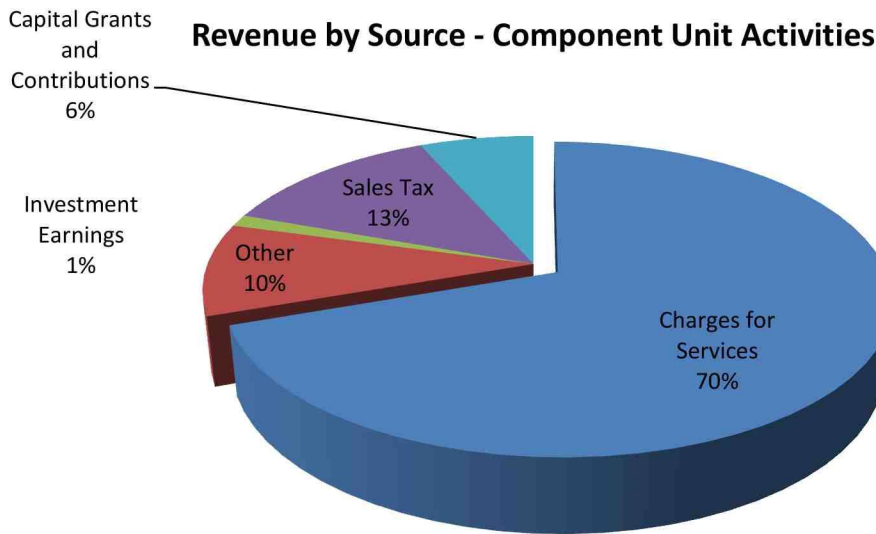
Component unit's activities decreased their net position by \$(281,580), accounting for approximately 0.71% decrease in net position. Key elements of this increase are as follows:

- The Waterworks and Sewer System's net position decreased by \$802,443. The key factor in this decrease is mainly attributed to a decrease in capital grants and contribution revenue that is associated with the capital activity of the Texas Water Development Board loan forgiveness projects.
- The La Feria Industrial Development Corporation's net position increased by \$520,863 during the current fiscal year and is attributed sales tax and lease revenues.

The overall total revenues and expenses for component units is relatively consistent with prior years. An overview of the component units' expenses and program revenues and revenues by source are presented in the following charts:



City of La Feria, Texas
Management's Discussion and Analysis



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of La Feria 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, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unassigned 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 following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund revenues for the years ended September 30, 2022 and 2021.

**Revenues: General, Special Revenue,
Debt Service and Capital Projects Funds**

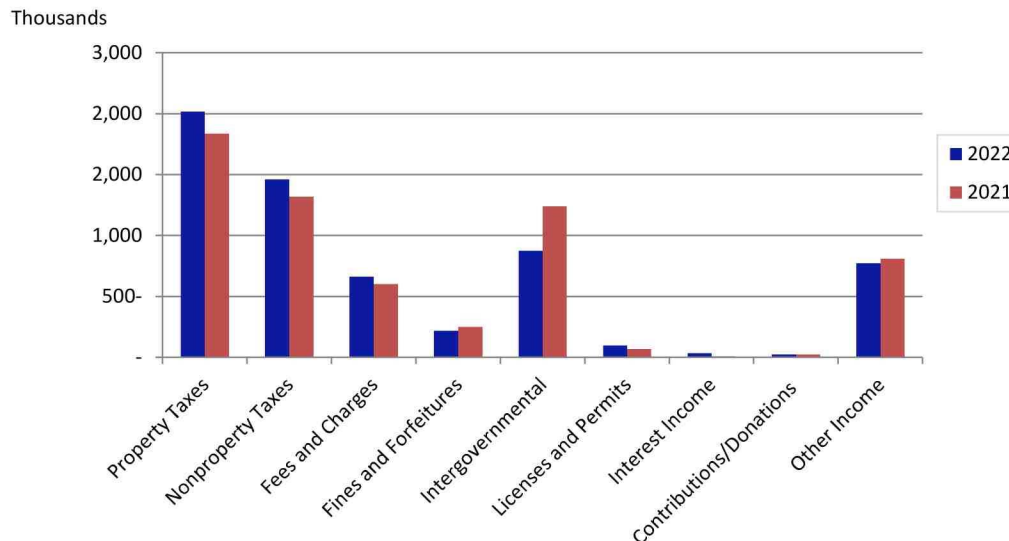
	2022 Amount	Percent of 2022 Total	2021 Amount	Percent of 2021 Total	Increase (Decrease) Over 2021	Percent of Increase (Decrease)
Revenues						
Property taxes	\$ 2,016,068	32.78%	\$ 1,836,267	29.88%	\$ 179,801	9.79%
Non-property taxes	1,460,609	23.75%	1,318,207	21.45%	142,402	10.80%
Fees and charges	660,971	10.75%	601,561	9.79%	59,410	9.88%
Fines and forfeitures	217,679	3.54%	247,674	4.03%	(29,995)	-12.11%
Intergovernmental	872,936	14.19%	1,240,546	20.18%	(367,610)	-29.63%
Licenses and permits	97,540	1.59%	66,865	1.09%	30,675	45.88%
Interest income	31,299	0.51%	6,301	0.10%	24,998	396.73%
Contributions and donations	22,361	0.36%	21,563	0.35%	798	3.70%
Miscellaneous income	771,294	12.54%	807,498	13.14%	(36,204)	-4.48%
	\$ 6,150,757	100.00%	\$ 6,146,482	100.00%	\$ 4,275	0.07%

City of La Feria, Texas Management's Discussion and Analysis

Revenues from governmental funds increased by \$4,275 or 0.07% compared to the prior year. Key elements of this increase shown above are as follows:

- Revenue from property taxes increased by \$179,801 or 9.79% due to an increase in property values around the city in addition to new properties.
- Non-property taxes increased by \$142,402 or 10.80%, this reflects the increased in business activity in the community.
- Fees and charges increased by \$59,410 or 9.88%, due to higher number of fire calls when compared to the prior year.
- Intergovernmental revenues decreased by \$(367,610) or 29.63% when compared to last year due to the City having received a grant from the Legacy Foundation for the purchase of a fire truck in the prior year.

Governmental Revenues



The following schedule presents a summary of general fund, special revenue funds, debt service fund, and capital projects fund expenditures for the years ended September 30, 2022 and 2021.

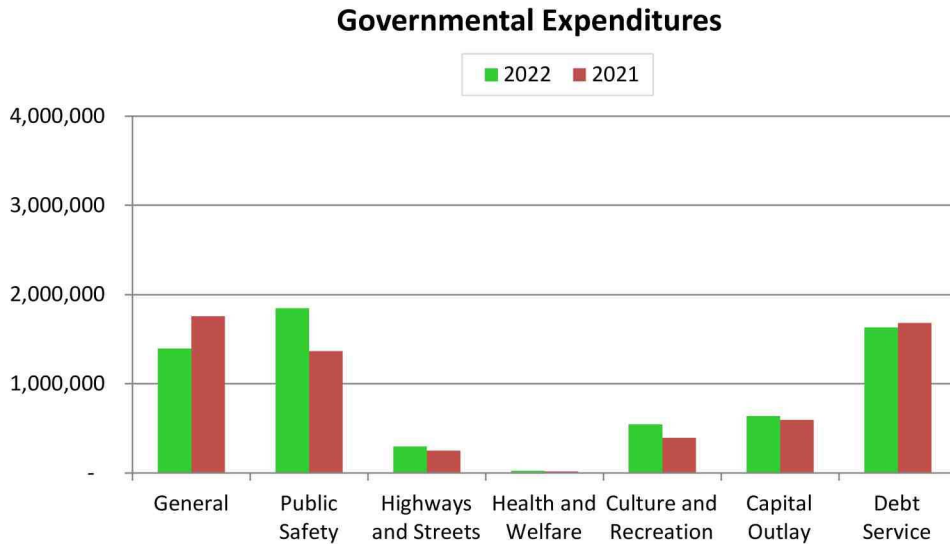
Expenses: General, Special Revenue, Debt Service and Capital Projects Funds

	2022 Amount	Percent of 2022 Total	2021 Amount	Percent of 2021 Total	Increase (Decrease) Over 2021	Percent of Increase (Decrease)
Expenditures						
General	\$ 1,395,198	21.86%	\$ 1,759,948	28.99%	\$ (364,750)	-20.73%
Public safety	1,847,387	28.94%	1,365,477	22.49%	481,910	35.29%
Highways and streets	296,946	4.65%	249,827	4.12%	47,119	18.86%
Health and welfare	25,997	0.41%	19,701	0.32%	6,296	31.96%
Culture and recreation	545,135	8.54%	395,297	6.51%	149,838	37.91%
Capital outlay	638,917	10.01%	596,123	9.82%	42,794	7.18%
Debt service	1,634,068	25.60%	1,684,399	27.75%	(50,331)	-2.99%
	<u>\$ 6,383,648</u>	<u>100.00%</u>	<u>\$ 6,070,772</u>	<u>100.00%</u>	<u>\$ 312,876</u>	<u>5.15%</u>

City of La Feria, Texas Management's Discussion and Analysis

Governmental funds incurred expenditures of \$6,383,648, approximately 5.15% more expenditures for the City of La Feria, Texas compared to last year. Key elements of this increase are as follows:

- Capital Outlay expenditures increased by \$42,794 due to the City recognizing phone equipment as right-to-use assets during the year.
- General expenditures decreased by \$(364,750) due to the City having paid off a large note payable that was tied to one of its properties in order to transfer the asset to the Industrial Development Corporation.
- Public safety expenditures increased by \$481,910 due to the City using CARES Act funding to cover police salaries in the prior year, as well as an increase in Operation Stone Garden funding and police equipment purchases during the year.
- Culture and recreation expenditures increased by \$149,838 due to the City having their first 4th of July event since the beginning of the pandemic.



Governmental Fund Balances

The General Fund's fund balance began as a deficit of \$(1,773,266) and was increased by \$363,333 in fiscal year 2021-2022. Overall expenditures increased moderately, but these were offset by an increase in property and non-property tax revenues along with a large transfer from the EDC for amounts that were owed in previous fiscal years. Much of the increase in expenditures was due to general government expenditures.

The General Fund continues to have a significant deficit balance. The General Fund and other funds expended significant amounts of cash from the Certificates of Obligation Series 2015 Fund (the Bond Fund) in prior years in order to pay for certain capital projects and general operating costs. The City continues to replenish this reserve, and the City strives to continue decreasing the deficit in the fund balance on an annual basis.

City of La Feria, Texas

Management's Discussion and Analysis

The Debt Service Fund's fund balance increased by \$229,612 in fiscal year 2021-2022 due primarily to an increase in property values in the current year.

The Certificates of Obligation Series 2015 Fund's fund balance remained at \$2,788,414. The fund balance primarily consists of amounts due from other funds and component units, which are to be repaid in future years to the fund.

Enterprise Funds – Business-Type Activities, Enterprise.

The City's business-type activities include the collection of waste (garbage and brush) and economic development activities via the City's Economic Development Corporation (EDC). Operating revenue from these activities was consistent with the prior year with an increase of \$40,030 in the waste disposal fund and \$54,153 in the EDC during 2022.

Operating expenses in the business-type activities increased by \$10,169 or 1.24% for the waste disposal fund and \$45,677 or 18.01% for the EDC. This was primarily due to additional expenditures needed to keep up with the expansion of the City.

Component Units Funds – Waterworks and Sewer System & Industrial Development Corp.

The City's Component Units' activities' revenues decreased by \$(345,423) compared to the prior year, a 7.95% decrease. This is primarily due to capital grants and contributions decreasing by \$(965,955) compared to prior year. These are Water and Sewer System capital projects for which are being funded by the Texas Water Development Board (TWDB) in the form of forgivable loans that were received in the prior year. As the projects were largely completed in the prior year, less funding was received in the current year. Other revenues increased overall compared to the prior year.

Component Units' activities' expenses increased by a net amount of \$440,591, or 11.47%. This is primarily due to an increase in contractual services during the year.

General Fund Budgetary Highlights

The original adopted budget had projected no net change in fund balance and no budget amendments were made throughout the year. The budget resulted in a projected net increase of \$786,493. The final actual change in fund balance was an increase in fund balance of \$363,333. Expenditures did not exceed budgeted appropriations however revenues collected were less than budgeted.

City of La Feria, Texas Management's Discussion and Analysis

Revenues

- Revenues were \$711,507 less than budgeted. The primary driver for this was a decrease in intergovernmental revenues due to the City having received the majority of its COVID funding in the prior year. The City also saw a decrease in property tax collections when compared to the budget however these were offset by an increase in sales tax and franchise fee collections.

Expenditures

- General government expenditures were \$119,132 higher than budgeted due to an increase in salaries coupled with new positions filled and an employee retention stipend that was paid out during the year as a result of the COVID-19 pandemic.
- Public safety expenditures were \$9,299 higher than budgeted due to an increase in salaries during the year.
- Culture and Recreation were \$6,321 higher than budgeted due to an increase in City events during the year.
- Capital outlay expenditures were \$386,083 lower than budgeted mainly due to the City having budgeted for street and drainage improvements which were instead secured with funding from the IDC.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$25,379,654 (net of accumulated depreciation and amortization). This investment in capital assets includes land, right-to-use lease assets, buildings and systems, improvements, and machinery and equipment as well as construction in progress. The total decrease in the City's investments in capital assets for the current fiscal year was \$832,894 or approximately 3.18%.

Major capital asset events during the fiscal year included the following:

- Purchase of an Autocar Xpeditor
- Purchase of police radio equipment
- Renovations at Scott Sloan Park
- Significant completion of the TWDB CWSRF improvements
- IDC street improvements
- Sale of IDC land
- Purchase of a fire truck

City of La Feria, Texas Management's Discussion and Analysis

City of La Feria's Capital Assets (Net of depreciation and amortization)

	Governmental Activities		Business-type Activities		Total	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021	9/30/2022	9/30/2021
Land	\$ 1,343,363	\$ 1,364,363	\$ 46,000	\$ 388,558	\$ 1,389,363	\$ 1,752,921
Building and systems	20,062,855	21,109,106	323,027	455,267	20,385,882	21,564,373
Improvements and other than buildings	603,769	755,806	-	-	603,769	755,806
Machinery and equipment	1,633,477	1,799,322	524,561	120,852	2,158,038	1,920,174
Right-to-use lease asset	48,194	-	-	-	48,194	-
Construction in progress	513,056	207,963	281,352	11,311	794,408	219,274
	\$ 24,204,714	\$ 25,236,560	\$ 1,174,940	\$ 975,988	\$ 25,379,654	\$ 26,212,548

The governmental activities construction in progress pertain to the City's ongoing park renovations and some drainage improvements whereas the business-type construction in progress is the new public works warehouse being constructed by the City's EDC.

Additional information on the City's capital assets can be found in Note 2 beginning on page 63 of this report.

Long-Term Debt

At year end, the City had a number of debt issues outstanding. These issues include \$11,390,000 of (limited) revenue certificates of obligation bonds, \$43,285 of tax notes, and \$1,650,000 of water and wastewater revenue bonds. The City's total long-term debt, including component unit debt, had a net decrease of \$(2,929,181) during this fiscal year. Additional information on the City's long-term debt begins in Note 3 on page 68 of this report.

Economic Factors and Next Year's Budgets and Rates

- The occupancy rate of the government's central business district is estimated to have an increase to 94%.
- Sales tax increased by 5.6% compared to prior year's increase of 4.7%. The sales tax revenue is expected to increase by 4.5% for the next fiscal year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2022-2023 fiscal year.

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 requests for additional financial information should be addressed to the Finance Department, 115 E. Commercial Avenue, La Feria, Texas 78559.

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FINANCIAL STATEMENTS



MAJOR FUNDS

The General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. An ad valorem tax rate and levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

Capital projects fund: The Certificates of Obligation Series 2015 Fund accounts for the construction of various capital improvements through the use of proceeds from this issuance of certificates of obligation.

BUSINESS-TYPE FUNDS

Proprietary fund: The Waste Disposal Fund was established to account for the activities of the City owned residential and commercial garbage collection system.

Proprietary fund: The Economic Development Corporation (EDC) is a nonprofit 4B corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas. The Corporation is a blended component unit due to its governance structure and is presented as a proprietary fund.

DISCRETELY PRESENTED COMPONENT UNITS

The Waterworks and Sewer System Fund was established to account for the City's water and sewer system respectively.

The Industrial Development Corporation (IDC) is a nonprofit 4A corporation and was established to promote, assist, and enhance economic activities in the City of La Feria, Texas.

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City of La Feria, Texas

Statement of Net Position

September 30, 2022

	Primary Government			
	Governmental Activities	Business - type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 2,399,999	\$ 6,900	\$ 2,406,899	\$ 7,514
Investments	1,435,191	1,832,869	3,268,060	3,158,676
Receivables (net of allowance for uncollectible)	597,069	137,668	734,737	304,621
Internal balances	(476,834)	476,834	-	-
Due from component units	2,049,186	585,991	2,635,177	-
Inventories	15,337	2,058	17,395	114,758
Prepaid assets	22,645	-	22,645	-
Restricted assets:				
Cash and cash equivalents	1,287	-	1,287	436,493
Investments	-	-	-	646,062
Notes receivable	1,661,914	35,867	1,697,781	408,442
Lease receivable	-	-	-	209,515
Capital and right-to-use assets (net of accumulated depreciation and amortization)				
Land	1,364,363	46,000	1,410,363	2,191,688
Building and system	20,062,855	323,027	20,385,882	984,970
Improvements other than buildings	603,769	-	603,769	-
Machinery and equipment	1,612,477	524,561	2,137,038	1,569,231
Infrastructure	-	-	-	37,158,143
Easements	-	-	-	117,758
Certificate of convenience and necessity	-	-	-	115,978
Right-to-use lease asset	48,194	-	48,194	6,379
Construction in progress	513,056	281,352	794,408	2,107,759
Total assets	31,910,508	4,253,127	36,163,635	49,737,584
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to net pension liability	252,852	16,022	268,874	74,209
Deferred outflows related to total OPEB liability	32,496	2,059	34,555	9,537
Total deferred outflows of resources	285,348	18,081	303,429	83,746
LIABILITIES				
Accounts payable and other				
current liabilities	340,646	24,364	365,010	1,062,950
Due to primary government	-	-	-	2,635,177
Due to component units	36,233	163,364	199,597	-
Unearned revenue	1,718,008	132,577	1,850,585	288,079
Liabilities payable from restricted assets	-	-	-	204,807
Noncurrent liabilities:				
Net pension liability	883,294	55,970	939,264	259,235
Total OPEB liability	180,673	11,448	192,121	53,025
Due within one year	1,288,233	77,580	1,365,813	684,908
Due in more than one year, net	10,931,465	1,870,122	12,801,587	5,108,662
Total liabilities	15,378,552	2,335,425	17,713,977	10,296,843
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to leases	-	-	-	205,422
Deferred inflows related to net pension liability	420,218	26,627	446,845	123,329
Deferred inflows related to total OPEB liability	8,515	540	9,055	2,499
Total deferred inflows of resources	428,733	27,167	455,900	331,250
NET POSITION				
Net investment in capital assets	14,435,018	323,632	14,758,650	37,279,764
Restricted for:				
Debt service	1,990,109	-	1,990,109	-
Capital projects funds	-	-	-	72,369
Tax increment reinvestment zone	375,245	-	375,245	-
Unrestricted	(411,801)	1,584,984	1,173,183	1,841,104
Total net position	\$ 16,388,571	\$ 1,908,616	\$ 18,297,187	\$ 39,193,237

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

City of La Feria, Texas

Statement of Activities

For the year ended September 30, 2022

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,918,207	\$ 313,226	\$ 297,281	\$ -
Public safety	2,528,285	490,865	145,679	-
Highways and streets	411,249	-	-	-
Health and welfare	36,367	152,554	52,904	-
Culture and recreation	751,178	19,545	-	315,093
Interest on long term debt	441,750	-	-	-
Total governmental activities	6,087,036	976,190	495,864	315,093
Business - type activities:				
Sanitation services	820,166	1,139,920	-	-
Economic Development	253,632	38,052	44,256	-
Interest expense	54,315	-	-	-
Total business-type activities	1,128,113	1,177,972	44,256	-
Total primary government	7,215,149	2,154,162	540,120	315,093
Component Units:				
Waterworks and Sewer Systems	3,770,611	2,704,875	-	263,293
Industrial Development Corporation	509,754	80,966	-	-
Total component units	\$ 4,280,365	\$ 2,785,841	\$ -	\$ 263,293

General revenues and transfers:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Franchise taxes
- Hotel motel taxes
- Unrestricted investment earnings
- Gain (loss) on sale of asset
- Other nonoperating revenue
- Financing agreement issuance expense
- Transfers

Total general revenues and transfers
Change in net position
Net position--beginning
Net position--ending

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

City of La Feria, Texas
Statement of Activities-Continued

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business - type Activities	Total	Component Units
\$ (1,307,700)	\$ -	\$ (1,307,700)	\$ -
(1,891,741)	-	(1,891,741)	-
(411,249)	-	(411,249)	-
169,091	-	169,091	-
(416,540)	-	(416,540)	-
(441,750)	-	(441,750)	-
(4,299,889)	-	(4,299,889)	-
-	319,754	319,754	-
-	(171,324)	(171,324)	-
-	(54,315)	(54,315)	-
-	94,115	94,115	-
(4,299,889)	94,115	(4,205,774)	-
-	-	-	(802,443)
-	-	-	(428,788)
-	-	-	(1,231,231)
797,312	-	797,312	-
1,226,054	-	1,226,054	-
1,029,837	514,918	1,544,755	514,919
406,604	-	406,604	-
24,168	-	24,168	-
31,299	15,884	47,183	49,429
(31,000)	(172,133)	(203,133)	370,148
543,396	-	543,396	15,155
-	(6,806)	(6,806)	-
784,879	(784,879)	-	-
4,812,549	(433,016)	4,379,533	949,651
512,660	(338,901)	173,759	(281,580)
15,875,911	2,247,517	18,123,428	39,474,817
\$ 16,388,571	\$ 1,908,616	\$ 18,297,187	\$ 39,193,237

City of La Feria, Texas
Balance Sheet
Governmental Funds

September 30, 2022

	General Fund	Debt Service Fund	Certificates of Obligation Series 2015 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,140,786	\$ 94,720	\$ -	\$ 164,493	\$ 2,399,999
Investments	389	1,434,802	-	-	1,435,191
Receivables, (net of allowance for uncollectibles)					
Property taxes	61,723	113,892	-	-	175,615
Nonproperty taxes	80,551	-	-	-	80,551
Service	102,424	-	-	-	102,424
Intergovernmental receivable	92,580	-	-	-	92,580
Other	-	-	-	145,899	145,899
Due from other funds	354,097	415,926	2,485,252	223,962	3,479,237
Due from component units	1,705,815	41,496	301,875	-	2,049,186
Inventories	15,337	-	-	-	15,337
Prepaid items	22,645	-	-	-	22,645
Restricted assets					
Cash and cash equivalents	-	-	1,287	-	1,287
Total assets	\$ 4,576,347	\$ 2,100,836	\$ 2,788,414	\$ 534,354	\$ 9,999,951
LIABILITIES					
Accounts payable	\$ 168,866	\$ -	\$ -	\$ 36,000	\$ 204,866
Accrued liabilities	56,799	-	-	-	56,799
Unearned revenue	1,718,008	-	-	-	1,718,008
Due to other funds	3,877,203	-	-	78,868	3,956,071
Due to component units	-	36,233	-	-	36,233
Total liabilities	5,820,876	36,233	-	114,868	5,971,977
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues					
Property taxes	53,277	99,307	-	-	152,584
Grants	41,105	-	-	-	41,105
Other	71,022	-	-	65,220	136,242
Total deferred inflows of resources	165,404	99,307	-	65,220	329,931
FUND BALANCES					
Nonspendable fund balances:					
Inventories	15,337	-	-	-	15,337
Prepaid items	22,645	-	-	-	22,645
Restricted fund balances:					
Retirement of long-term debt	-	1,965,296	-	-	1,965,296
Tax increment reinvestment zone	-	-	-	310,025	310,025
Capital projects	-	-	2,788,414	-	2,788,414
Assigned	-	-	-	45,741	45,741
Unassigned	(1,447,915)	-	-	(1,500)	(1,449,415)
Total fund balance (deficit)	(1,409,933)	1,965,296	2,788,414	354,266	3,698,043
Total liabilities, deferred inflows of resources and fund balance	\$ 4,576,347	\$ 2,100,836	\$ 2,788,414	\$ 534,354	\$ 9,999,951

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

City of La Feria, Texas

**Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position**

September 30, 2022

Fund balance -- total governmental funds	\$ 3,698,043
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Amounts reported for governmental activities in the statement of activities are different because:

Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	24,204,714
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Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are therefore not reported in the funds:

Unavailable revenue - property taxes	152,584
Unavailable revenue - grants	41,105
Unavailable revenue - other	136,242

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities consist of:

Bonds payable	(11,433,285)
Note and financing agreement payable	(673,721)
Lease liability	(48,906)
Compensated absences	(63,786)

Liabilities for accrued interest on long-term debt are not due in the current period and therefore are not reported in the funds.	(78,981)
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Certain long-term notes receivable due from the component units are not due and receivable in the current period and, therefore, are not reported in the funds. Including the notes receivable in the statement of net position increases net position.	1,661,914
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Recognition of the City's net pension liability required by GASB 68 in the amount of \$(883,294), deferred resource inflows related to pensions in the amount of \$(420,218), and deferred resource outflows related to pensions in the amount of \$252,852, result in a decrease in net position.	(1,050,660)
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Recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(180,673), deferred resource inflows related to OPEB in the amount of \$(8,515), and deferred resource outflows related to pensions in the amount of \$32,496, result in a decrease in net position.	(156,692)
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Net position of governmental activities	\$ 16,388,571
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The notes to the financial statements are an integral part of this statement

City of La Feria, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances –Governmental Funds

For the year ended September 30, 2022

	General Fund	Debt Service Fund	Certificates of Obligation Series 2015 Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 734,436	\$ 1,223,280	\$ -	\$ 58,352	\$ 2,016,068
Sales	1,029,837	-	-	-	1,029,837
Franchise	406,604	-	-	-	406,604
Other	5,463	-	-	18,705	24,168
Licenses and permits	97,540	-	-	-	97,540
Intergovernmental	872,936	-	-	-	872,936
Fees and charges	648,471	-	-	12,500	660,971
Fines	217,679	-	-	-	217,679
Interest income	16,664	14,635	-	-	31,299
Contributions and donations	22,361	-	-	-	22,361
Other	285,002	484,982	-	1,310	771,294
Total revenues	4,336,993	1,722,897	-	90,867	6,150,757
Expenditures					
Current					
General government	1,370,107	25,091	-	-	1,395,198
Public safety	1,847,387	-	-	-	1,847,387
Highways and streets	296,946	-	-	-	296,946
Health and welfare	25,997	-	-	-	25,997
Culture and recreation	514,704	-	-	30,431	545,135
Debt service					
Principal retirement	58,520	1,138,285	-	-	1,196,805
Interest and fiscal agent fees	11,395	425,868	-	-	437,263
Capital outlay	638,917	-	-	-	638,917
Total expenditures	4,763,973	1,589,244	-	30,431	6,383,648
Excess (deficiency) of revenues over (under) expenditures	(426,980)	133,653	-	60,436	(232,891)
Other financing sources (uses)					
Transfers in	795,633	95,959	-	-	891,592
Transfers (out)	(106,713)	-	-	-	(106,713)
Right-to-use lease asset	61,643	-	-	-	61,643
Proceeds from equipment financing	39,750	-	-	-	39,750
Total other financing sources (uses)	790,313	95,959	-	-	886,272
Net change in fund balances	363,333	229,612	-	60,436	653,381
Fund balances, beginning	(1,773,266)	1,735,684	2,788,414	293,830	3,044,662
Fund balances, ending	\$ (1,409,933)	\$ 1,965,296	\$ 2,788,414	\$ 354,266	\$ 3,698,043

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

City of La Feria, Texas

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –Governmental Funds
to the Statement of Activities**

For the year ended September 30, 2022

Net change in fund balances -- total governmental funds	\$ 653,381
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciation and amortization are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay, of \$638,917, was exceeded by depreciation and amortization expense of (\$1,639,763).	(1,000,846)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(31,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are accounted for as revenue in the statement of activities. Other revenues which were accounted for as revenue in prior years on the statement of activities but for which resources were not available until the current year are revenues in the funds but not in the statement of activities.	
Unavailable revenues - property taxes	7,298
Unavailable revenues - grants and other	52,762
Compensated absences in the statement of activities did not require the use of current financial resources, and therefore are not expenditures in governmental funds. The compensated absences increased in the current year.	1,374
GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/21 caused the change in the ending net position to increase in the amount of \$174,700. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(177,393). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$125,061. The result of these changes is to decrease the change in net position by	127,754
GASB 75 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/21 caused the change in the ending net position to increase in the amount of \$3,960. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$3,839). The City's reported TMRS OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by (\$23,867). The result of these changes is to decrease the change in net position by (\$23,988).	(23,988)
Repayment of non-current liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond principal	1,138,285
Financing agreement and lease liability principal	58,520
Other adjustments to report the governmental activities on the full accrual basis of accounting include accounting for the following:	
Note receivable repayment from component unit is accounted for as proceeds in governmental funds but is simply a decrease in the receivable in governmental activities	(365,000)
Recognition of current year accrued interest is not recorded in the governmental funds, but in the statement of activities they are recognized as interest expense.	(4,487)
Debt proceeds (financing agreements) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(101,393)
Change in net position of governmental activities	\$ 512,660

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

City of La Feria, Texas
Proprietary Funds
Statement of Net Position

September 30, 2022

	Enterprise Funds		
	Waste Disposal Fund	Economic Development Corporation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 6,900	\$ 6,900
Investments	-	1,832,869	1,832,869
Receivables, net	97,342	50	97,392
Inventory	2,058	-	2,058
Nonproperty taxes	-	40,276	40,276
Notes receivable, current portion	-	2,034	2,034
Due from other funds	119,904	509,133	629,037
Due from component units	585,991	-	585,991
Total current assets	805,295	2,391,262	3,196,557
Noncurrent assets:			
Notes receivable	-	33,833	33,833
Capital assets			
Land	-	46,000	46,000
Construction in progress	-	281,352	281,352
Buildings	-	441,922	441,922
Machinery and equipment	2,289,848	-	2,289,848
Less accumulated depreciation	(1,765,287)	(118,895)	(1,884,182)
Total capital assets (net of accumulated depreciation)	524,561	650,379	1,174,940
Total assets	1,329,856	3,075,474	4,405,330
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	16,022	-	16,022
Deferred outflows related to total OPEB liability	2,059	-	2,059
Total deferred outflows of resources	18,081	-	18,081
Total assets and deferred outflow of resources	\$ 1,347,937	\$ 3,075,474	\$ 4,423,411
LIABILITIES			
Current liabilities			
Accounts payable	\$ 23,386	\$ 614	\$ 24,000
Accrued payroll	364	-	364
Due to other funds	131,669	20,534	152,203
Due to component units	163,364	-	163,364
Unearned revenues	-	-	-
Current portion of long-term debt	37,601	39,979	77,580
Total current liabilities	356,384	61,127	417,511
Noncurrent liabilities			
Unearned revenues	-	132,577	132,577
Due in more than one year	429,949	1,440,173	1,870,122
Net pension liability	55,970	-	55,970
Total OPEB liability	11,448	-	11,448
Total noncurrent liabilities	497,367	1,572,750	2,070,117
Total liabilities	853,751	1,633,877	2,487,628
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	26,627	-	26,627
Deferred inflows related to total OPEB liability	540	-	540
Total deferred inflows of resources	27,167	-	27,167
NET POSITION			
Net investment in capital assets	57,011	266,621	323,632
Unrestricted	410,008	1,174,976	1,584,984
Total net position	467,019	1,441,597	1,908,616
Total liabilities, deferred inflows of resources and net position	\$ 1,347,937	\$ 3,075,474	\$ 4,423,411

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

City of La Feria, Texas
Proprietary Funds
Statement of Revenues, Expenses and
Changes in Net Position

For the year ended September 30, 2022

	Enterprise Funds		
	Waste Disposal Fund	Economic Development Corporation	Total
Operating revenues			
Nonproperty taxes	\$ -	\$ 514,918	\$ 514,918
Operating grants and contributions	-	44,256	44,256
Charges for services	1,139,920	38,052	1,177,972
Total operating revenues	1,139,920	597,226	1,737,146
Operating expenses			
Personnel services	165,426	-	165,426
Contractual services	371,856	185,379	557,235
Materials, supplies and repairs	131,643	21,167	152,810
Heat, light and power	70,867	-	70,867
Depreciation	76,697	16,425	93,122
Other	3,677	30,661	34,338
Total operating expenses	820,166	253,632	1,073,798
Operating income	319,754	343,594	663,348
Nonoperating revenues (expenses)			
Gain (loss) on sale of asset	-	(172,133)	(172,133)
Financing agreement issuance expense	(6,806)	-	(6,806)
Interest income	-	15,884	15,884
Interest expense	-	(54,315)	(54,315)
Total nonoperating revenues (expenses)	(6,806)	(210,564)	(217,370)
Income before transfers	312,948	133,030	445,978
Transfers out	(600,000)	(184,879)	(784,879)
	(600,000)	(184,879)	(784,879)
Change in net position	(287,052)	(51,849)	(338,901)
Net position--beginning	754,071	1,493,446	2,247,517
Total net position, end of year	\$ 467,019	\$ 1,441,597	\$ 1,908,616

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

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City of La Feria, Texas
Proprietary Funds
Statement of Cash Flows

For the year ended September 30, 2022

	Enterprise Funds		
	Waste Disposal Fund	Economic Development Corporation	Total
Cash flows from operating activities			
Receipts from customers and users	\$ 1,140,332	\$ 565,244	\$ 1,705,576
Payments to suppliers	(587,685)	(292,887)	(880,572)
Payments to employees	(167,170)	-	(167,170)
Net cash provided by operations	385,477	272,357	657,834
Cash flows from (to) noncapital financing activities			
Transfer in from other funds and component units	94,811	71,721	166,532
Transfers out to other funds and component units	(600,000)	(193,415)	(793,415)
Net cash used in noncapital financing activities	(505,189)	(121,694)	(626,883)
Cash flows from capital and related financing activities			
Proceeds from note payable	463,256	-	463,256
Principal paid on long-term debt	-	(38,598)	(38,598)
Net cash provided in capital and related financing activities	463,256	(38,598)	424,658
Cash flows from investing activities			
Proceeds from sale of capital assets	-	286,240	286,240
Payments received from notes receivable	-	1,959	1,959
Purchase of capital assets	(480,405)	(270,041)	(750,446)
Purchase of investments	-	(156,490)	(156,490)
Net cash used in by investing activities	(480,405)	(138,332)	(618,737)
Net increase (dcrease) in cash and cash equivalents	(136,861)	(26,267)	(163,128)
Cash and cash equivalents, beginning of year	136,861	33,167	170,028
Cash and cash equivalents, end of year	\$ -	\$ 6,900	\$ 6,900
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 319,754	\$ 343,594	\$ 663,348
Adjustments to reconcile net income from operations to net cash from operating activities			
Depreciation expense	76,696	16,425	93,121
Financing agreement issuance expense	(6,806)	-	(6,806)
Interest income	-	15,884	15,884
Interest expense	-	(54,315)	(54,315)
Effect of increases and decreases in current assets and liabilities			
Decrease (increase) in receivables, net	412	(3,674)	(3,262)
Decrease (increase) in inventory	(279)	-	(279)
Increase (decrease) in deferred inflows related to net pension liability	9,405	-	9,405
Increase (decrease) in deferred inflows related to total OPEB liability	(68)	-	(68)
Increase (decrease) in accounts payable	(778)	(1,365)	(2,143)
Increase (decrease) in accrued payroll	364	-	364
Increase (decrease) in unearned revenue	-	(44,192)	(44,192)
Increase (decrease) in net pension liability	(10,424)	-	(10,424)
Increase (decrease) in total OPEB liability	1,714	-	1,714
Decrease (increase) in deferred outflows related to net pension liability	(4,660)	-	(4,660)
Decrease (increase) in deferred outflows related to total OPEB liability	147	-	147
Total adjustments	65,723	(71,237)	(5,514)
Net cash provided by operations	\$ 385,477	\$ 272,357	\$ 657,834

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

City of La Feria, Texas
Discretely Presented Component Units
Combining Statement of Net Position

September 30, 2022

	Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
ASSETS			
Cash and cash equivalents	\$ 475	\$ 7,039	\$ 7,514
Investments	-	3,158,676	3,158,676
Receivables, net			
Service	221,916	-	221,916
Other	46,040	(3,611)	42,429
Intergovernmental	-	40,276	40,276
Current portion of note receivable	-	51,461	51,461
Current portion of lease receivable	-	52,657	52,657
Due from primary government	199,597	-	199,597.00
Inventories	114,758	-	114,758
Restricted assets:			
Cash and cash equivalents	282,785	153,708	436,493
Investments	646,062	-	646,062
Total current assets	1,511,633	3,460,206	4,971,839
Non-current assets			
Note receivable	-	356,981	356,981
Lease receivable	-	156,858	156,858
CAPITAL ASSETS			
Depreciable			
Buildings	-	1,379,642	1,379,642
Machinery and equipment	4,087,454	38,699	4,126,153
Infrastructure	52,621,713	-	52,621,713
Right-to-use lease assets	8,161	-	8,161
	56,717,328	1,418,341	58,135,669
Less accumulated depreciation and amortization	(17,996,392)	(420,554)	(18,416,946)
	38,720,936	997,787	39,718,723
Nondepreciable			
Land	357,079	1,834,609	2,191,688
Easements	117,758	-	117,758
Certificate of Convenience and Necessity	115,978	-	115,978
Construction in progress	146,854	1,960,905	2,107,759
	737,669	3,795,514	4,533,183
Total capital and right-to-use lease assets (net of accumulated depreciation and amortization)	39,458,605	4,793,301	44,251,906
Total assets	40,970,238	8,767,346	49,737,584
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	74,209	-	74,209
Deferred outflows related to total OPEB liability	9,537	-	9,537
Total deferred outflows of resources	83,746	-	83,746
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 41,053,984	\$ 8,767,346	\$ 49,821,330

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

City of La Feria, Texas
Discretely Presented Component Units
Combining Statement of Net Position - Continued

September 30, 2022

	Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
LIABILITIES			
Current liabilities			
Accounts payable	\$ 151,516	\$ 896,301	\$ 1,047,817
Accrued expenses and other liabilities	15,133	-	15,133
Unearned revenues	282,785	5,294	288,079
Lease liability	1,738	-	1,738
Due to primary government	2,609,092	26,085	2,635,177
Compensated absences	6,490	-	6,490
Current portion of notes payable	380,000	66,680	446,680
Current portion of revenue bonds payable	230,000	-	230,000
Total current liabilities	3,676,754	994,360	4,671,114
Current liabilities payable from restricted assets			
Meter deposits	204,807	-	204,807
Total current liabilities payable from restricted assets	204,807	-	204,807
Noncurrent liabilities			
Net pension liability	259,235	-	259,235
Total OPEB liability	53,025	-	53,025
Lease liability	4,737	-	4,737
Notes payable, net of current portion	1,281,973	2,401,952	3,683,925
Revenue bonds payable, net of current portion	1,420,000	-	1,420,000
Total noncurrent liabilities	3,018,970	2,401,952	5,420,922
Total liabilities	6,900,531	3,396,312	10,296,843
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	-	205,422	205,422
Deferred inflows related to net pension liability	123,329	-	123,329
Deferred inflows related to total OPEB liability	2,499	-	2,499
Total deferred inflows of resources	125,828	205,422	331,250
NET POSITION			
Net investment in capital assets	33,531,065	3,748,699	37,279,764
Restricted for capital projects	-	72,369	72,369
Unrestricted	496,560	1,344,544	1,841,104
Total net position	34,027,625	5,165,612	39,193,237
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 41,053,984	\$ 8,767,346	\$ 49,821,330

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

City of La Feria, Texas
Discretely Presented Component Units
Combining Statement of Activities

For the year ended September 30, 2022

Program revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Component units</u>				
Waterworks and Sewer System	\$ 3,770,611	\$ 2,704,875	\$ -	\$ 263,293
Industrial Development Corporation	509,754	80,966	-	-
Total component units	\$ 4,280,365	\$ 2,785,841	\$ -	\$ 263,293

General revenues:

Taxes

Sales taxes

Unrestricted investment earnings

Gain on disposal of asset

Other nonoperating revenue (expense)

Total general revenues

Change in net position

Net position--beginning

Net position--ending

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

City of La Feria, Texas
Discretely Presented Component Units
Combining Statement of Activities - Continued

Component units		
Net (Expense) revenue change in Net Position		
Waterworks and Sewer System	La Feria Industrial Development Corporation	Totals
\$ (802,443)	\$ -	\$ (802,443)
-	(428,788)	(428,788)
(802,443)	(428,788)	(1,231,231)
-	514,919	514,919
-	49,429	49,429
-	370,148	370,148
-	15,155	15,155
-	949,651	949,651
(802,443)	520,863	(281,580)
34,830,068	4,644,749	39,474,817
\$ 34,027,625	\$ 5,165,612	\$ 39,193,237

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NOTES TO FINANCIAL STATEMENTS



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of La Feria, Texas (the "City") was incorporated on March 22, 1915, under the provisions of the laws for the State of Texas. The home rule charter was adopted on November 7, 1989 and amended on May 12, 2007. The City operates under a City Commission - Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and wastewater). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The City's Economic Development Corporation is a blended component unit. The La Feria Economic Development Corporation (the "Corporation") is a Section 4B non-profit industrial development corporation governed by a seven-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote economic development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

Discretely presented component units

Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

The City of La Feria Waterworks and Sewer System (the "System") is governed by a five-member board appointed by the City. The System is intended to operate on a self-supporting basis through user water and sewer charges. The City appoints the Board, has imposition of will, and financial accountability over the System. The System also maintains a September 30 fiscal year end.

The La Feria Industrial Development Corporation (the "Corporation") is a Section 4A non-profit industrial development corporation governed by a five-member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote industrial development within the City. The City appoints the Board, has imposition of will, and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete financial statements of the individual component units can be obtained directly from their administrative offices as indicated.

Waterworks and Sewer System
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Industrial Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

La Feria Economic Development Corporation
115 East Commercial Avenue
La Feria, Texas 78559

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The City and its component units did not have fiduciary funds for this fiscal year. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions under financing agreements are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (normally within 90 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds and discretely presented component units are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-Wide Financial Statements

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

As discussed earlier, the City has two discretely presented component units. These component units are shown in a separate column in the government-wide financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. An ad valorem tax rate and levy is required to be computed and levied, which will be sufficient to produce the money required to pay principal and interest as it becomes due and provide the interest and sinking fund reserve.

The Certificates of Obligation Series 2015 Fund, a Capital Projects Fund, accounts for various capital improvements with the use of proceeds from the issuance of Certificates of Obligation Series 2015.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks and Sewer System and of the waste disposal fund are charges to customers for sales and services. The Waterworks and Sewer System also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Principal operating revenues of the EDC and IDC include lease and rental fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for General, Special Revenue, and Debt Service funds (with the exception of capital projects funds, which adopt project based budgets) and lapse at fiscal year-end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a) City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b) City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1.
- c) Public hearings are conducted at City Hall to obtain taxpayer comments.
- d) Prior to October 1, the budget is adopted by the City Commission.
- e) Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is at the fund level, with the City manager being authorized to transfer budgeted amounts between functional categories within a fund (ex: general government, public safety, highways and streets, and culture and recreation) without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
- f) Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- g) Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
- h) Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level.

Excess of expenditures over appropriations

At September 30, 2022, expenditures did not exceed total budgeted appropriations which is the legal level determined by the City.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balances are classified as follows:

- **Nonspendable:** Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- **Restricted:** Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Resources that are constrained to specific purposes by a formal action of the City Commission such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the City Commission. City Commission action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- **Assigned:** Resources that are constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed.
- **Unassigned:** Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

Committed fund balance is established, modified and/or rescinded by the City Commission in the form of a resolution. City Commission action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

This policy delegates to the City Manager the authority to assign unrestricted fund balance amounts where the City's intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

As of and during the year ended September 30, 2022, the City had assigned fund balance which was for the Promotion of La Feria Fund and forfeiture fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include all demand deposits and short-term investments (inclusive of restricted assets) with maturity dates within ninety days of the date initially acquired.

Deposits, Investments and Investment Policies

Investment Accounting Policy

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments, which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The City policy authorizes all the State allowable investments.

The City's management believes that it has complied in all material respects with the requirements of the act and the City's investment policies.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the City's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities 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 depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits and Investments

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

At September 30, 2022, the carrying amount of the City and its component unit's cash deposits, (cash, certificates of deposit and interest-bearing savings accounts) was \$2,852,193. With the exception of three months out of the fiscal year, the City's cash deposits during the year ended September 30, 2022 were covered by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank. In addition, the City and its component units held \$7,072,798 in investments in Texas CLASS external investment pools.

Restricted cash in the amount of \$1,287 represents bond proceeds from the City's Certificates of Obligation Series 2015 Fund. The proceeds of the Certificates are restricted for constructing various capital improvements in and around the City.

Discretely Presented Component Units Cash Deposits

The component units' unrestricted cash totaled \$7,514 at September 30, 2022.

Restricted cash for qualified business loans under the Revolving Loan and Intermediary Lending Programs totaled \$153,708. Restricted amounts for meter deposits and debt service reserve funds were \$644,058 and were held in investments in Texas CLASS external investment pools.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash in the amount of \$282,785 represents loan forgiveness funds held in escrow which were provided by the Texas Water Development Board through the Disadvantaged Community Programs. The escrow accounts are on deposit at Bank of Texas and are not considered as a banking deposit for the City under the terms of the escrow agreements and loan forgiveness grants. The funds are restricted for approved system improvements and are disbursed to the City with the approval from the TWDB as funds are earned.

In addition, the following is disclosed regarding coverage of *combined balances on the date of highest deposit:

a. *Name of Bank: Texas National Bank.*

b. *Amount of bond and/or market value of securities pledged* as of the date of the highest *combined balance on deposit were \$1,803,835 and occurred during the month of November 2021. The combined deposit balances on that day were \$1,815,362.

The City's cash deposits were properly secured outside of 3 months by FDIC insurance or by pledged collateral held in the City's name by a bank other than the pledging bank in accordance with Texas Law.

- Combined balances include all of the City of La Feria and component unit cash accounts on deposit at Texas National Bank.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy is silent as to maximum investment maturities allowed.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2022, the investments in the Texas CLASS external investment pool was rated AAAM by Moody's Investor Service and Standards and Poor's.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act. The City's portfolio only consisted of amounts in the public funds investment pools, discussed below.

Public Funds Investment Pools

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

For financial reporting purposes the City's governmental activities reported amounts for investment pools of \$3,268,060 as investments on the statement of net position. Discretely presented component units reported \$3,158,676 as unrestricted investments and \$646,062 of restricted investments on the Statement of Net Position as of September 30, 2022. There were no unfunded commitments as of September 30, 2022, and amounts reported in the investment pool had a daily redemption frequency and do not require prior notice for redemption.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of October 1, on property values assessed as of January 1 of the same year. The tax levy are billed and considered past due February 1, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Unbilled receivables – An amount for unbilled revenue is recorded in the Wastewater System and Waste Disposal funds for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Lease Receivables - The City's lease receivables are measured at the present value of lease payments expected to be received during the least term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities and Transactions

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

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) basis. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The capital assets, which include property, plant, equipment, leased assets, right-to-use assets, right-to-use subscription assets and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Within the proprietary funds, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. No interest was capitalized by the City during the fiscal year ended September 30, 2022.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and system	25 to 50 years
Improvements other than buildings	3 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 25 years

Deferred Outflows and Inflows of Resources

The City has two (2) items that qualify for reporting as deferred outflows of resources, the *deferred amount on refunding* and the *deferred outflows related to pensions*, both reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The *deferred inflows related to pensions* will be recognized as a reduction to pension expense in future reporting years. The deferred inflows related to leases are associated with amounts owed to the City, as lessor, by entities leasing the City's capital assets.

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

Compensated Absences

The vacation allowance for eligible employees is based upon length of service according to the following schedule:

<u>Length of Service</u>	<u>Vacation Allowed</u>
After 1 year	5 days
After 2 years	10 days
After 5 years	12 days
After 10 years	15 days
After 20 years	20 days

Sick leave accumulates at the rate of 5 days per year and may not be accumulated from year to year. In addition, upon termination from the City, employees will not be entitled to be paid for any unused sick leave, therefore, a liability for these amounts is not recorded.

Vacation time may not be accrued for more than that allowed in a one-year period. Compensatory time (i.e., overtime for work performed beyond normal working hours) must be used within 30 workdays of being accrued. As a result, although unused vacation and compensatory time is payable to the employee upon termination, the accumulated amount at September 30, 2022 was recognized as accrued when earned during the one-year period in the government-wide and proprietary fund financial statements. Last year's liability was recognized for \$77,793, this year's liability due within a year is \$77,265 including the portions allocated to the component units. This amount is included under non-current liabilities, due within one year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statement, and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as insurance costs on issuance, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

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

Leases

Lease contracts that provide the City with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting.

This includes for purposes of measuring the total OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the applicable OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's total OPEB liability related to the TMRS Supplemental Death Benefit is obtained from TMRS through a report prepared by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

Deficit Fund Equity

A deficit balance in the general fund balance occurred in the amount of \$1,409,932 at September 30, 2022. Management is currently formulating a long-term plan to address the deficit and improve the City's financial condition.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks and Sewer System recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. There were no significant encumbrances at year-end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The City's Net Position is classified as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be used, August 22, 2023 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In the fiscal year 2022, the City implemented the following pronouncements:

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities 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. GASB Statement 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Notes 13 and 14.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This standard had no impact on the City's financials for the year ended September 30, 2022.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

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

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter

GASB Statement No. 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. Receivables

1. Property Tax Receivable

Taxes are levied each October 1st and become delinquent on February 1st of the following year. Liens for unpaid taxes go into effect on July 1st of the year the taxes become delinquent. The City may not have a tax rate higher than \$2.50 per \$100 of assessed valuation. Statutes require that all assessments be made on 100% of fair value.

	General Fund	Debt Service Fund	Total
Gross property taxes receivable	\$ 98,213	\$ 169,844	\$ 268,057
Less allowance for doubtful accounts	(36,490)	(55,952)	(92,442)
Net property taxes receivable	\$ 61,723	\$ 113,892	\$ 175,615

2. Service Receivables

Service receivables consist of uncollected amounts billed to customers for water, sewer and other services.

At September 30, 2022, the City reflected service receivables of the following:

Primary Government (net)	
Waste disposal services	\$ 97,342
General fund service receivables	102,424
Total	\$ 199,766

Component Units Activities (net)	
Water services	\$ 135,006
Sewer services	86,910
Total	\$ 221,916

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

3. Governmental Activities

Receivables for governmental activities at September 30, 2022, consisted of the following:

	General	Debt Service Fund	Nonmajor Funds	Total
Receivables				
Property taxes	\$ 98,213	\$ 169,844	\$ -	\$ 268,057
Other taxes	80,551	-	-	80,551
Accounts	103,909	-	-	103,909
Intergovernmental	661,786	-	-	661,786
Other	-	-	145,899	145,899
Less allowance for uncollectibles	(607,181)	(55,952)	-	(663,133)
Net total receivables	\$ 337,278	\$ 113,892	\$ 145,899	\$ 597,069

4. Component Units

In an effort to stimulate economic growth in the business community, the La Feria Industrial Development Corporation (LFIDC) offers loans to various businesses. One of these programs is the Revolving Loan Fund Program funded by USDA. The Revolving Loan Program was established to assist small businesses to access low interest loans to help with the expansion of a current business or to start a new business in the City of La Feria. The following is a summary of notes receivable payable to the IDC at September 30, 2022:

Revolving loan program	
Aaron's Brakes	\$ 25,204
STCHD Bearfield	30,000
Sale of Depot Subdivision	1,117
RLF #1 to STEM	41,252
Lucania	69,000
Other receivables	
La Villa Bus Center	35,565
Noble Texas Builders	44,277
Forgivable Loan Program	162,027
Total	\$ 408,442

B. Restricted Assets

Governmental Funds

Certificate of Obligation Series 2015 Fund	1,287
Total	\$ 1,287

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

Discretely Presented Component Units

Discretely Presented Component Units - Enterprise Funds		
LFIDC Revolving Loan Fund – business loans		153,708
Debt Service Reserve		462,606
Meter deposits		183,456
Texas Water Development Board-grant/loan forgiveness escrow		282,785
Total	\$	1,082,555

C. Net Position

Net position is composed of three categories: Net investment in Capital Assets, Restricted and Unrestricted.

	Governmental Activities	Business-type Activities	Component Units
<i>Net investment in capital assets consists of the following:</i>			
Long-term assets			
Capital and right-to-use assets, net of accumulated depreciation and amortization	\$ 24,204,714	\$ 1,174,940	\$ 44,251,906
Less related liabilities (bonds, unearned revenues*, due to primary government and notes payable)	(12,155,912)	(2,080,279)	(8,422,257)
Restricted investments (unexpended bond proceeds)	2,386,216	1,228,971	1,450,115
Net investment in capital assets	14,435,018	323,632	37,279,764
<i>Restricted Net Position consists of the following:</i>			
Debt service	1,990,109	-	-
Tax Increment Reinvestment Zone	375,245	-	-
Capital projects	-	-	72,369
Unrestricted net position	(411,801)	1,584,984	1,841,104
Total net position	\$ 16,388,571	\$ 1,908,616	\$ 39,193,237

**Not all unearned revenues are related to capital assets*

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital assets activity for the year ended September 30, 2022 was as follows:

Primary Government

	Beginning Balance October 1, 2021	Additions	Deletions	Transfers	Ending Balance September 30, 2022
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 1,364,363	\$ -	\$ -	\$ -	\$ 1,364,363
Construction in progress	207,963	315,093	(10,000)	-	513,056
Total capital assets, not being depreciated	1,572,326	315,093	(10,000)	-	1,877,419
Capital assets, being depreciated					
Buildings and systems	27,381,438	66,680	-	-	27,448,118
Improvements other than buildings	14,775,605	55,170	-	-	14,830,775
Machinery and equipment	6,734,842	140,331	(21,000)	-	6,854,173
Total capital assets, being depreciated	48,891,885	262,181	(21,000)	-	49,133,066
Less accumulated depreciation for					
Buildings and systems	(6,272,332)	(1,112,931)	-	-	(7,385,263)
Improvements other than buildings	(14,019,799)	(207,207)	-	-	(14,227,006)
Machinery and equipment	(4,935,520)	(306,176)	-	-	(5,241,696)
Total accumulated depreciation	(25,227,651)	(1,626,314)	-	-	(26,853,965)
Total capital assets, being depreciated, net	23,664,234	(1,364,133)	(21,000)	-	22,279,101
Right-to-use lease assets, being amortized	61,643	-	-	-	61,643
Total right-to-use lease assets, being amortized	61,643	-	-	-	61,643
Less accumulated amortization for:	-				
Right-to-use lease assets	-	(13,449)	-	-	(13,449)
Total accumulated amortization	-	(13,449)	-	-	(13,449)
Total right-to-use lease assets, being amortized, net	61,643	(13,449)	-	-	48,194
Governmental activities capital assets, net	\$ 25,298,203	\$ (1,062,489)	\$ (31,000)	\$ -	\$ 24,204,714
Business-type Activities					
Capital assets, not being depreciated					
Land	\$ 388,558	\$ -	\$ (342,558)	\$ -	\$ 46,000
Construction in progress	11,311	270,041	-	-	281,352
Total capital assets, not being depreciated	399,869	270,041	(342,558)	-	327,352
Capital assets, being depreciated					
Buildings	592,648	-	(150,726)	-	441,922
Machinery and equipment	1,809,444	480,404	-	-	2,289,848
Total capital assets, being depreciated	2,402,092	480,404	(150,726)	-	2,731,770
Less accumulated depreciation for					
Buildings	(137,381)	(16,425)	34,913	-	(118,893)
Machinery and equipment	(1,688,592)	(76,697)	-	-	(1,765,289)
Total accumulated depreciation	(1,825,973)	(93,122)	34,913	-	(1,884,182)
Total capital assets being depreciated, net	576,119	387,282	(115,813)	-	847,588
Business-type activities capital assets, net	\$ 975,988	\$ 657,323	\$ (458,371)	\$ -	\$ 1,174,940

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 556,552
Public safety	736,931
Highways and streets	118,453
Health and welfare	10,370
Culture and recreation	217,457
<hr/>	
Total depreciation and amortization expenses - governmental activities	<u>\$ 1,639,763</u>
Business-type activities	
Waste disposal fund	\$ 76,697
Economic Development	16,425
<hr/>	
Total depreciation expenses - business-type activities	<u>\$ 93,122</u>

Discretely Presented Component Units

	Beginning Balance October 1, 2021	Additions	Deletions	Transfers	Ending Balance September 30, 2022
Waterworks and Sewer System					
Capital assets, not being depreciated					
Land	\$ 357,079	\$ -	\$ -	\$ -	\$ 357,079
Easement	117,758	-	-	-	117,758
CCN	115,978	-	-	-	115,978
Construction in progress	1,128,614	146,854	-	(1,128,614)	146,854
Total capital assets, not being depreciated	1,719,429	146,854	-	(1,128,614)	737,669
Capital assets, being depreciated					
Machinery and equipment	4,087,454	-	-	-	4,087,454
Infrastructure	51,303,625	189,474	-	1,128,614	52,621,713
Total capital assets, being depreciated	55,391,079	189,474	-	1,128,614	56,709,167
Less accumulated depreciation for					
Machinery	(2,349,098)	(181,942)	-	-	(2,531,040)
Infrastructure	(14,166,994)	(1,296,576)	-	-	(15,463,570)
Total accumulated depreciation	(16,516,092)	(1,478,518)	-	-	(17,994,610)
Total capital assets, being depreciated, net	38,874,987	(1,289,044)	-	1,128,614	38,714,557
Right-to-use lease assets, being amortized	8,161	-	-	-	8,161
Total right-to-use lease assets, being amortized	8,161	-	-	-	8,161
Less accumulated amortization for:					
Right-to-use lease assets	-	(1,782)	-	-	(1,782)
Total accumulated amortization	-	(1,782)	-	-	(1,782)
Total right-to-use lease assets, being amortized, net	8,161	(1,782)	-	-	6,379
Waterworks and Sewer System activities capital assets, net	\$ 40,602,577	\$ (1,143,972)	\$ -	\$ -	\$ 39,458,605

City of La Feria, Texas
Notes to Financial Statements

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance October 1, 2021	Additions	Deletions	Transfers	Ending Balance September 30, 2022
Industrial Development Corporation					
Capital assets, not being depreciated					
Land	\$ 2,103,949	\$ -	\$ (269,340)	\$ -	\$ 1,834,609
Construction in progress	80,063	1,880,842	-	-	1,960,905
Total capital assets, not being depreciated	2,184,012	1,880,842	(269,340)	-	3,795,514
Capital assets, being depreciated					
Buildings and improvements	1,404,942	-	(25,302)	-	1,379,640
Furniture, fixtures and equipment	38,699	-	-	-	38,699
Total capital assets, being depreciated	1,443,641	-	(25,302)	-	1,418,339
Less accumulated depreciation for					
Buildings and improvements	(368,549)	(33,810)	7,689	-	(394,670)
Furnitures, fixtures and equipment	(24,184)	(1,698)	-	-	(25,882)
Total accumulated depreciation	(392,733)	(35,508)	7,689	-	(420,552)
Total capital assets, being depreciated, net	1,050,908	(35,508)	(17,613)	-	997,787
Industrial Development Corporation activities capital assets, net	\$ 3,234,920	\$ 1,845,334	\$ (286,953)	\$ -	\$ 4,793,301

Construction Commitments

At September 30, 2022, the City was a party to the following contracts:

Governmental Funds:

The City was awarded a grant in the amount of \$18,400,000 from the U.S. Department of Housing and Urban Development (HUD) and passed through the Texas General Land Office (GLO) under the Community Development Block Grant Disaster Recovery Program to fund improvements to the public flood and drainage facilities and components, as well as watershed improvements. The GLO is the lead state agency for managing disaster recovery grants through HUD. Construction of the watershed improvements and other public flood components funded with GLO funds is completed but the City is waiting on final approval of the project from GLO for release of final funds.

As part of these improvements, the City worked with the La Feria Irrigation District (LFID) as some of the areas of improvement were property of the LFID. In order to finalize the project and obtain the necessary engineering certifications required by GLO to release the final funds to reimburse the City, the City has entered into an agreement with the LFID to complete these improvements. The agreement stipulates that, beginning with the fiscal year 2019-2020, the City will pay \$100,000 per year for a period of 10 years to the LFID in order to fund the improvements. These amounts will be considered expenditures when paid and do not represent asset additions of the City, although the City will benefit from the infrastructure improvements.

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

Construction Commitments

Waterworks and Sewer System:

The Texas Water Development Board (TWDB) approved a \$7,167,700 loan forgiveness grant from the Drinking Water State Revolving Fund (DWSRF) Disadvantaged Community Program to finance water system improvements on May 4, 2011. The proposed project consists of water treatment plant and distribution improvements and upgrades to comply with the disinfection byproducts rule. Improvements to the water treatment plant include electrical motor controls and the installation of a Supervisory Control and Data Acquisition (SCADA) system. The distribution improvements include extending water lines to provide first time service to disadvantaged areas, replacing water meters and implementing an automated meter reading and leak detection system to improve efficiency and reduce water loss. Construction on this project started in January of 2014 and all projects that had been started are now completed. The City is working with the TWDB to complete any remaining items in the 2022 fiscal year or after. Remaining funds available to fund additional projects are \$282,785, which are in an escrow fund and reflected as restricted cash and unearned revenue in the statement of net position.

On May 4, 2011, the Texas Water Development Board (TWDB) also approved an \$8,381,340 loan forgiveness grant from the Clean Water State Revolving Fund (CWSRF) Disadvantaged Community Program to finance wastewater system improvements. The proposed project includes extending first-time sanitary sewer service to several disadvantaged areas by constructing and installing approximately 31,550 feet of pipe, three lift stations and manholes and related appurtenances. Also included in the project is the purchase and installation of a SCADA system at the System's wastewater treatment plant. Construction on this project began in April 2014 and all projects previously started are now complete. The City is working with the TWDB to complete any remaining items in the 2022 fiscal year or after. There are no remaining funds available to fund additional projects.

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

E. Inter-fund Receivables, Payables, and Transfers

The following is a summary of the composition of inter-fund balances at September 30, 2022:

Receivable Fund	Payable Fund						Total
	General Fund	CO Bonds Series 2015 Fund	Non-major Governmental Funds	Business-Type Activities			
				Waste Disposal Fund	EDC Fund		
Governmental Funds							
General Fund	\$ 137,356	\$ -	\$ 78,868	\$ 125,337	\$ 12,537	\$ 354,098	
Debt Service	407,929	-	-	-	7,997	415,926	
C O Bonds - Series 2015 Fund	2,485,252	-	-	-	-	2,485,252	
Non-major Governmental Funds	217,630	-	-	6,332	-	223,962	
Subtotal	3,248,167	-	78,868	131,669	20,534	3,479,238	
Business Type Activities							
Economic Development Corporation	509,133	-	-	-	-	509,133	
Waste Disposal Fund	119,904	-	-	-	-	119,904	
Subtotal	629,037	-	-	-	-	629,037	
Total interfund balances	\$ 3,877,204	\$ -	\$ 78,868	\$ 131,669	\$ 20,534	\$ 4,108,275	

The outstanding balances between funds result mainly from the time lag between the dates that 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Balances due to the C.O. Bonds Series 2015 and non-major Governmental Funds are not anticipated to be repaid within one year.

Transfers

Inter-fund transfers for the year ended September 30, 2022, are as follows:

Transfer Out	Transfer In			
	General Fund	Debt Service Fund	Non-major Governmental Funds	Total
Governmental funds				
General Fund	\$ 106,713	\$ -	\$ -	\$ 106,713
Non-major Governmental Funds	-	-	-	-
Subtotal	106,713	-	-	106,713
Business-type activities				
Economic Development Corporation	88,920	95,959	-	184,879
Waste Disposal Fund	600,000	-	-	600,000
Subtotal	688,920	95,959	-	784,879
Total transfers	\$ 795,633	\$ 95,959	\$ -	\$ 891,592

NOTE 2: DETAILED NOTES ON ALL FUNDS (Continued)

E. Inter-fund Receivables, Payables, and Transfers

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies. Transfers to the debt service fund primarily represent resources which the general fund received from the La Feria Waterworks & Sewer System, EDC, and IDC, to fund the respective portion of debt service which is provided for those entities, where the debt is paid out of the debt service fund.

NOTE 3: LONG-TERM DEBT

1. General Government Bank Notes and Long-Term Notes Payable

Long-term notes payable at September 30, 2022 consist of the following:

City of La Feria

2. General Government Financing Agreement

The government entered into a 10-year financing agreement with Musco Finance, LLC on July 8, 2013, with the first payment due on July 8, 2014 for the acquisition and installation of a “green lighting project system” at one of the municipal baseball parks. The lighting equipment has a ten-year estimated useful life and is valued at \$122,000. The installation of the equipment was completed in October 2013. This year, \$12,200 was included in depreciation expense. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The finance agreement is secured by the lighting equipment being financed, and is payable from general fund revenues. A final payment of \$15,849 is due on July 8, 2023, at which time the title of the lighting equipment passes to the government and becomes property of the government. The balance at September 30, 2022 was \$15,084.

NOTE 3: LONG-TERM DEBT (Continued)

2. General Government Financing Agreement (Continued)

The City entered into a 10 year financing agreement on November 14, 2018, with payments due annually beginning with the first payment due on November 1, 2019, for the acquisition of a fire truck. The fire truck has a ten-year estimated useful life and is valued at \$240,000. The fire truck was placed in service in December of 2018. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of \$15,000 and the remaining payments for \$26,433.26. Final payment is due on November 1, 2028, at which time the title of the fire truck passes to the government and becomes property of the government. The balance at September 30, 2022 was \$157,233.

The City entered into a 10 year financing agreement on November 10, 2020, with payments due annually beginning with the first payment due on January 13, 2022, for the acquisition of a street sweeper. The street sweeper has a ten-year estimated useful life and is valued at \$279,266. The street sweeper was placed in service in June of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the street sweeper being financed, and is payable from general fund revenues. Payments are due annually, with the first two payments of \$20,000 and the remaining payments for \$46,396.30. Final payment is due on January 13, 2029, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2022 was \$266,775.

The City entered into a 5 year financing agreement on August 10, 2021, with payments due annually beginning with the first payment due on November 1, 2022, for the acquisition of three Ford explorer vehicles. The police vehicles has a seven-year estimated useful life and is valued at \$194,857. The police vehicles have not been placed in service in as of September 30, 2022. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the vehicles being financed, and is payable from general fund revenues. Payments are due annually with 5 annual payments of \$42,749.31. Final payment is due on November 1, 2026, at which time the title of the police vehicles passes to the government and becomes property of the government. The balance at September 30, 2022 was \$194,857.

NOTE 3: LONG-TERM DEBT (Continued)

2. General Government Financing Agreement (Continued)

The City entered into a 4 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on December 22, 2022, for the acquisition of a fire truck. The fire truck has a four-year estimated useful life and is valued at \$39,750. The fire truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the fire truck being financed, and is payable from general fund revenues. Payments are due annually with 4 annual payments of \$10,811.97. Final payment is due on December 22, 2025, at which time the title of fire truck passes to the government and becomes property of the government. The balance at September 30, 2022 was \$30,314.

The annual financing agreement requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities
2023	\$ 115,843
2024	126,391
2025	126,391
2026	126,391
2027	115,579
Thereafter	145,701
Total minimum payments	756,296
Less amount representing interest	(82,575)
Present value of minimum payments	\$ 673,721

Enterprise Fund

La Feria Economic Development Corporation, Inc., (EDC)

Note payable to *Government Capital Corporation* dated August 10, 2021, original principal amount of \$1,518,750 at an interest rate of 3.576% payable in seven annual installments of \$92,913 (including interest) with the first payment due on August 10, 2022 and a final payment due at maturity on August 10, 2046. The note is payable from EDC revenues and was issued to finance the costs of improvements to certain streets and roads, water and sewer utilities, drainage, site improvements and related improvements within the City. The balance at September 30, 2022 was \$1,480,152.

NOTE 3: LONG-TERM DEBT (Continued)

Waste Disposal Fund

The City entered into a 10 year financing agreement on December 22, 2021, with payments due annually beginning with the first payment due on November 1, 2023, for the acquisition of an Autocar Xpeditor truck. The truck has a 10-year estimated useful life and is valued at \$460,561. The truck was placed in service in December of 2021. This purchase financing agreement qualifies as a financing agreement for accounting purposes and, therefore has been recorded at the present value of future minimum financing agreement payments as of the inception date. The financing agreement is secured by the truck being financed, and is payable from general fund revenues. Payments are due annually with 10 annual payments of \$54,558. Final payment is due on November 1, 2032, at which time the title of street sweeper passes to the government and becomes property of the government. The balance at September 30, 2022 was \$460,561.

Discretely Presented Component Units

La Feria Industrial Development Corporation, Inc., (IDC)

At year-end, the IDC had one long-term debt outstanding. The long-term debt was incurred for the purchase of land for industrial development. The following table shows the loan description, original value, acquisition date, and year-end principal balance.

	Original Loan	Rate	Loan Date	Balance at September 30, 2022	Current Term Portion	Long- Term Portion
Government Capital	\$2,500,000	3.58%	Aug-21	\$ 2,468,632	\$ 66,680	\$ 2,401,952
				\$ 2,468,632	\$ 66,680	\$ 2,401,952

3. *Certificates of Obligation Bonds*

Certificates of obligation bonds have only been issued for governmental activities.

- Proceeds from the Series 2011 were used for street improvements, the expansion to city hall, public works equipment, the fire department expansion, and the development of two dome/shelter facilities.
- Proceeds from the Series 2012A were used for the expansion of the library.
- Proceeds from the Series 2015 were used for a variety of capital projects throughout the City.

Certificates of obligation bonds are direct obligations and pledge the full faith credit of the City. These bonds are generally issued as 7-year serial bonds with non-equal amounts of principal maturing each year.

NOTE 3: LONG-TERM DEBT (Continued)

On December 6, 2011, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011 at a fixed rate of 3.9% in the amount of \$5,005,000 to finance the City's match of the funding needed for capital projects and further capital street improvements throughout the City. The City of La Feria Waterworks and Sewer System (the "System") was allocated \$670,000 of this amount to complete capital projects and meet certain local match grant requirements. The System agreed to pay its portion of debt services to the City as required annually until the bonds mature in 2032.

On December 22, 2011, the City of La Feria issued General Obligation Refunding Bonds, Series 2011 at a fixed rate of 3.4% in the amount of \$7,970,000 and a maturity date of May 15, 2028. The proceeds were used to refund the total outstanding principal balances of three prior bond series listed below which had interest rates ranging from 3.85% to 5.85%:

- The City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2000, (principal balance totaling \$255,000),
- City of La Feria, Texas Utility System Revenue Bonds, Series 2004, (principal balance totaling \$4,450,000) and
- City of La Feria, Texas Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2008, (principal balance totaling \$3,060,000).

Accrued interest payments of \$115,110 and issuance costs of \$89,890 were also paid with part of the refunding bond proceeds. The refunding bonds were issued to restructure the City's debt service and associated tax rates in the coming years, and resulted in an economic net present value savings of \$399,256 (3.57%) and a gross savings of \$403,118. At September 30, 2022, the balance of the defeased debt still outstanding was \$4,560,000.

An inter-local agreement was signed by the City of La Feria, Texas (the "City") and the City of La Feria Waterworks and Sewer System (the "System") whereby the City agreed to refund the City of La Feria, Texas Utility System Revenue Bonds, Series 2004. In order to take advantage of lower interest rates the City refunded the bonds in the City's name and ultimately removed the long-term debt from the books of the System. However, the System is still responsible for their portion of the debt service payments related to the 2004 refunded bonds. The inter-local agreement provides for the System to make annual payments to the City for its portion of debt service related to these refunded bonds until 2027.

The City commission passed Resolution 2011-46 on November 1, authorizing the interlocal cooperative agreement between the City and the System for the two certificate issues mentioned above.

On February 24, 2015, the City issued Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 at a fixed rate of 3.210% in the amount of \$6,330,000 to finance the City's various ongoing capital projects. The bonds have principal and interest payments due every year on August 15 and February 15, with full maturity on February 15, 2035.

City of La Feria, Texas
Notes to Financial Statements

NOTE 3: LONG-TERM DEBT (Continued)

On October 1, 2015, the City issued Texas Tax Notes, Series 2015 at a fixed rate of 2.51% in the amount of \$315,000 to finance the City's purchase of a vactor truck, which was purchased on behalf of the Water and Sewer System and transferred to the assets of the Water and Sewer System. The notes have interest payments due every year on August 15 and February 15, and principal payments due every year on August 15, with full maturity on August 15, 2022. As of September 30, 2022, the notes have been fully paid off.

On April 1, 2016, the City issued Texas Tax Notes, Series 2016 at a fixed rate of 2.53% in the amount of \$303,000 to finance the City's purchase of a garbage truck. The notes have interest payments due every year on February 15 and August 15, and principal payments due every year on February 15, with full maturity on February 15, 2023.

The following schedule reflects the remaining requirements for the System's portion of the GO Refunding, Series 2011 and CO Series 2011:

Year Ending September 30,	Due to Primary Government - GO Refunding Series 2011			Due to Primary Government - CO Series 2011			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2023	\$ 340,000	\$ 41,650	\$ 381,650	\$ 40,000	\$ 18,915	\$ 58,915	\$ 440,565
2024	345,000	30,090	375,090	40,000	17,355	57,355	432,445
2025	150,000	18,360	168,360	45,000	15,795	60,795	229,155
2026	195,000	13,260	208,260	45,000	14,040	59,040	267,300
2027	146,973	6,630	153,603	50,000	12,285	62,285	215,888
2028-2032	-	-	-	265,000	31,590	296,590	296,590
Total	\$ 1,176,973	\$ 109,990	\$ 1,286,963	\$ 485,000	\$ 109,980	\$ 594,980	\$ 1,881,943

Certificates of obligation bonds currently outstanding as of September 30, 2022 are as follows:

Purpose	Interest Rates	Amount
<i>Certificates of obligation bonds</i>		
Governmental activities	3.210 - 4.00%	\$ 11,433,285

4. Revenue Bonds issued by Component Units

The City also issues bonds where the City allows the Waterworks and Sewer System (System), to pledge income derived from the acquired or constructed assets to pay debt service. The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the System is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least equal to the annual debt service requirements.

NOTE 3: LONG-TERM DEBT (Continued)

The System, for the purpose of financing partially the improvements and extensions to the combined waterworks and sanitary sewer system, has revenue bonds, 2004-A, and 2009 at a 4.4% average interest rate with a maturity date of September 15, 2032. The bonds are secured by a lien on and pledge of the net revenues of the System.

The principal balance outstanding on these bonds at September 30, 2022 was \$1,875,000. City of La Feria, Texas Utility System Revenue Bonds, Series 2004 in the amount of \$4,450,000 were retired with proceeds from the City of La Feria, Texas GO Refunding Series 2011.

Revenue bonds currently outstanding consist of the following:

Purpose	Interest Rates	Amount	Current Term Portion
Water/sewer infrastructure			
Waterworks & Sewer System	0.00% - 5.26%	\$ 1,650,000	\$ 230,000

5. Changes in Long-Term Debt

During the year ended September 30, 2022, the following changes occurred:

Changes in long-term debt

	Beginning Balance 10/1/2021	Increase	Decrease	Ending Balance 9/30/2022	Due Within One Year
Governmental Activities					
<i>Certificate of Obligation Bonds</i>					
Combination Tax and Limited Pledge Revenue					
Certificates of Obligation - Series 2011	\$ 3,840,000	\$ -	\$ 330,000	\$ 3,510,000	\$ 290,000
General Obligation Refunding Bonds - Series 2011	3,085,000	-	520,000	2,565,000	540,000
Combination Tax and Limited Pledge Revenue					
Certificates of Obligation - Series 2012A	310,000	-	10,000	300,000	10,000
Combination Tax and Limited Pledge Revenue					
Certificates of Obligation - Series 2015	5,205,000	-	190,000	5,015,000	235,000
Tax Notes Series 2015	45,000	-	45,000	-	-
Tax Notes Series 2016	86,570	-	43,285	43,285	43,285
	12,571,570	-	1,138,285	11,433,285	1,118,285
Net pension liability	1,082,832	-	199,538	883,294	-
Total OPEB liability	158,761	21,912	-	180,673	-
Lease liability	61,643	-	12,737	48,906	13,124
Financing agreement	679,754	39,750	45,783	673,721	93,038
Compensated absences	65,160	60,481	61,855	63,786	63,786
Total governmental activities	14,619,720	122,143	1,458,198	13,283,665	1,288,233
Business-type Activities					
Notes payable	1,518,750	460,561	38,598	1,940,713	70,591
Net pension liability	66,394	-	10,424	55,970	-
Total OPEB liability	9,734	1,714	-	11,448	-
Compensated absences	4,294	7,417	4,722	6,989	6,989
Total business type activities	1,599,172	469,692	53,744	2,015,120	77,580
Discretely Presented Component Units Activities					
Revenue bonds	1,875,000	-	225,000	1,650,000	230,000
Notes payable	2,531,250	-	62,618	2,468,632	66,680
Net pension liability	405,673	-	146,438	259,235	-
Total OPEB liability	59,478	-	6,453	53,025	-
Lease liability	8,161	-	1,686	6,475	1,738
Compensated absences	8,339	8,180	10,029	6,490	6,490
Due to primary government	2,026,973	-	365,000	1,661,973	380,000
Total component unit activities	6,914,874	8,180	817,224	6,105,830	684,908
Total	\$ 23,133,766	\$ 600,015	\$ 2,329,166	\$ 21,404,615	\$ 2,050,721

NOTE 3: LONG-TERM DEBT (Continued)

The City's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities. In regard to business-type activities, other noncurrent liabilities are liquidated through the waste disposal fund or the economic development corporation.

Annual debt service requirements to maturity for bonded indebtedness are as follows:

Year Ending September 30,	Governmental Activities			Component Units Activities			
	Primary Government						
	General	General		Revenue	Revenue		
	Obligation	Obligation		Bonds	Bonds		Total
	Bonds	Bonds		Principal	Interest	Total	Requirements
2023	\$ 1,118,285	\$ 387,679	\$ 1,505,964	\$ 230,000	\$ 60,212	\$ 290,212	\$ 1,796,176
2024	1,111,000	349,101	1,460,101	245,000	51,091	296,091	1,756,192
2025	946,000	309,895	1,255,895	255,000	41,144	296,144	1,552,039
2026	1,012,000	276,288	1,288,288	230,000	30,581	260,581	1,548,869
2027	1,047,000	240,328	1,287,328	240,000	20,943	260,943	1,548,271
2028-2032	4,071,000	739,608	4,810,608	450,000	10,783	460,783	5,271,391
2033-2037	2,031,000	150,712	2,181,712	-	-	-	2,181,712
2038-2042	97,000	8,663	105,663	-	-	-	105,663
Total	\$ 11,433,285	\$ 2,462,274	\$ 13,895,559	\$ 1,650,000	\$ 214,754	\$ 1,864,754	\$ 15,760,313

NOTE 4: RISK MANAGEMENT

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

The risk pool is an inter-local non-assessable agency with present unreserved resources in excess of \$392,000,000 (as of September 30, 2022, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on type of insurance coverage.

City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

NOTE 5: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with the acquisition of the City's fund balance that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. At the end of the current fiscal year, deferred inflows of resources reported in the fund financial statements were as follows:

Governmental Funds	
Delinquent property taxes receivable	\$ 152,584
Grants and other	177,347
Total deferred inflows of resources for governmental funds	\$ 329,931

Deferred inflows related to the net pension liability are recognized in governmental activities and business-type activities in the amounts of \$420,218 and \$26,627, respectively. Component unit deferred inflows related to net pension liability are \$123,329. Deferred outflows related to pensions are \$252,852, \$16,022 and \$74,209 in the governmental activities, business-type activities, and component unit, respectively. Additionally, deferred outflows related to OPEB are \$32,496, \$2,059, and \$9,537 in the governmental activities, business-type activities, and component unit respectively. Deferred inflows related to OPEB are \$8,515, \$540, and \$2,499 in the governmental activities, business-type activities, and component unit respectively.

NOTE 6: COMMITMENTS AND CONTINGENCIES

1. *Litigation*

At September 30, 2022, the City was involved in various litigation matters, none of which can be reasonably determined as to the likelihood of outcome or financial impact on the City.

2. *Grant Programs*

The City participates in a number of grant programs funded by federal agencies. These programs are subject to compliance audits by the grantor agencies or their representatives. Audits of all these programs including the year ended September 30, 2022 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of La Feria participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	71
Active employees	<u>52</u>
Total members	<u>158</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

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

Employees for the City of La Feria, Texas were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.71% and 14.56% in calendar 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$362,452 and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

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

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>(Arithmetic)</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
Total	<u>100.0%</u>	

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.

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Schedule of Changes in Net Pension Liability

The change in the City's net pension liability for TMRS pension for the fiscal year ended September 30, 2022 is as follows:

	City Increase (decrease)			Component Unit Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2020	\$ 5,796,012	\$ 4,646,786	\$ 1,149,226	\$ 2,510,295	\$ 2,104,622	\$ 405,673
Changes for the year						
Service cost	280,091	-	280,091	77,305	-	77,305
Interest	439,999	-	439,999	121,439	-	121,439
Change in benefit terms	-	-	-	-	-	-
Difference between expected/ actual experience	116,959	-	116,959	32,280	-	32,280
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	297,916	(297,916)	-	82,224	(82,224)
Contributions - employee	-	132,745	(132,745)	-	36,637	(36,637)
Net investment income	-	688,868	(688,868)	-	190,127	(190,127)
Benefit payments, including refunds of employee contributions	(262,392)	(262,392)	-	(72,420)	(72,420)	-
Administrative expenses	-	(3,191)	3,191	-	(881)	881
Other charges	-	(69,327)	69,327	-	69,355	(69,355)
Net changes	574,657	784,619	(209,962)	158,604	305,042	(146,438)
Balance at December 31, 2021	\$ 6,370,669	\$ 5,431,405	\$ 939,264	\$ 2,668,899	\$ 2,409,664	\$ 259,235

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,933,741	\$ 939,264	\$ 124,606
Component unit's net pension liability	533,710	259,235	34,391
Total net pension liability	\$ 2,467,451	\$ 1,198,499	\$ 158,997

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended September 30, 2022, the City and component unit recognized a combined pension expense in the amount of \$95,894. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 80,179	\$ 95,665	\$ 22,129	\$ 26,403
Changes in actuarial assumptions	2,926	-	807	-
Differences between projected and actual investment earnings (net of current year amortization)	-	351,180	-	96,926
Contributions subsequent to the measurement date	185,769	-	51,273	-
Total	\$ 268,874	\$ 446,845	\$ 74,209	\$ 123,329

The \$185,769 and \$51,273 in the City and Component Unit, respectively, which is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	City	Component Unit
Year ending September 30,		
2023	\$ (95,799)	\$ (26,444)
2024	(133,783)	(36,929)
2025	(67,807)	(18,717)
2026	(66,351)	(18,303)
2027	-	-
Thereafter	-	-
Total	\$ (363,740)	\$ (100,393)

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS

A. TMRS Supplemental Death Benefit

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other 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).

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	10
<u>Active employees</u>	<u>52</u>
<u>Total members</u>	<u>87</u>

Contributions

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

Employees for the City of La Feria were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of La Feria were 0.34% and 0.33% in calendar year 2021 and 2022, respectively. The City's contributions to the SDBF for the year ended September 30, 2022 were \$8,087, and were equal to the required contributions.

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions:

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

Valuation date:	12/31/2021
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount rate*	1.84%
	Administrative expenses-All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
	Mortality rates- service retirees2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
	Mortality rates- disabled retirees2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date. The following presents a summary of the changes in Total OPEB liability:

	City Increase (decrease)	Component Unit Increase (decrease)	Total
	Total OPEB Liability	Total OPEB Liability	Total OPEB Liability
Balance at December 31, 2020	\$ 168,495	\$ 59,478	\$ 227,973
Changes for the year			
Service cost	10,051	2,774	12,825
Interest	3,629	1,001	4,630
Change in benefit terms	-	-	-
Difference between expected/ actual experience	(1,634)	(451)	(2,085)
Changes of assumptions	5,964	1,646	7,610
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(4,551)	(1,256)	(5,807)
Administrative expenses	-	-	-
Other charges	10,167	(10,167)	-
Net changes	23,626	(6,453)	17,173
Balance at December 31, 2021	\$ 192,121	\$ 53,025	\$ 245,146

Total OPEB liability amounts are allocated between the City and its component unit in the statement of net position by \$181,153 and \$63,993, respectively.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (0.84%) or 1 percentage point higher (2.84%) than the current rate.

	1% Decrease in Discount Rate 0.84%	Discount Rate 1.84%	1% Increase in Discount Rate 2.84%
City's total OPEB liability	\$ 235,988	\$ 192,121	\$ 158,741
Component unit's total OPE	65,132	53,025	43,812
Total OPEB liability	\$ 301,120	\$ 245,146	\$ 202,553

NOTE 8: OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2022 the City recognized combined OPEB expense in the amount of \$27,720. At September 30, 2022 the City reported deferred outflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ -	\$ 6,798	\$ -	\$ 1,876
Changes in actuarial assumptions	30,344	2,257	8,375	623
Differences between projected and actual investment earnings (net of current year amortization)	-	-	-	-
Contributions subsequent to the measurement date	4,211	-	1,162	-
Total	\$ 34,555	\$ 9,055	\$ 9,537	\$ 2,499

Deferred outflows of resources related to the total OPEB liability related to the supplemental death benefit are allocated between the City and component unit in the statement of net position.

The \$4,211 and \$1,162 which are reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023.

Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	City	Component Unit
Year ending September 30,		
2023	\$ 7,200	\$ 1,987
2024	7,201	1,987
2025	5,084	1,403
2026	1,695	468
2027	108	31
Thereafter	-	-
Total	\$ 21,289	\$ 5,876

NOTE 9: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

In prior years, the Internal Revenue Code specified that the plan's assets were the property of the City of La Feria until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. A 1996 federal law requires all assets and income of Internal Revenue Code 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Private corporations under contract with the City administer assets of the City's plan. The private administrators have amended the plans to comply with the new federal law. Consequently, the plan's assets and liabilities are not reported in the City's financial statements.

NOTE 10: TAX INCREMENT REINVESTMENT ZONE (TIRZ)

In 2007, the City of La Feria established a tax increment reinvestment zone (TIRZ) consisting of 759.66 acres through an inter-local agreement with Cameron County. A portion of the real property ad valorem taxes levied by both participating taxing entities will be set aside for capital improvement projects beginning with taxes levied after January 1st, 2008. The amount set aside for the TIRZ is based upon the incremental increase in the appraised value each January 1st compared to the base year appraised value of property in the zone as of January 1, 2007. The City will contribute 100% of property tax revenue portion generated from the TIRZ; Cameron County agreed to contribute 50% of the property tax revenue generated from the TIRZ through August 31, 2036. On December 27, 2013, The TIRZ contributed \$290,000 to a local developer for public improvements for a new 70-unit single family subdivision. As of September 30, 2022, the TIRZ fund balance was at \$310,025.

NOTE 11: RELATED ORGANIZATION TRANSACTIONS

As described in Note 1, the City has two discretely presented component units all of which have fiscal years ended September 30, 2022. During the year and at year end, the City and the components had the following transactions.

Due from Component Units - During the year, the City maintained receivables totaling \$2,609,092 and \$26,085 from the Waterworks and Sewer System and La Feria IDC for unreimbursed advances. A portion of the current receivable from the Waterworks and Sewer System of \$340,000 was due to the City for the System's current portion of debt service requirements on the 2011 Bond Series, as disclosed in Note 4. Total amounts due to the City from component units is \$585,991.

NOTE 11: RELATED ORGANIZATION TRANSACTIONS (Continued)

Payments from Component Units - Included in other Intergovernmental revenues are payments of \$18,177 and \$57,392 from the Waterworks and Sewer System and La Feria IDC, respectively, for administrative fees to the City and for their share of debt service related to General Obligation Refunding Bonds, Series 2011 and City of La Feria Certificates of Obligation, Series 2011.

NOTE 12: COMMITMENTS AND CONTINGENCIES

At September 30, 2022, the City has a deficit in the general fund. The deficit at September 30, 2021 was \$(1,773,266), and this decreased at September 30, 2022 to \$(1,409,932). The primary factor contributing to this deficit relates to various capital projects previously completed in prior years, which were funded by grant awards and have been closed out and for which portions of the reimbursements are being contested with the State and are delayed in being received. These amounts are reflected in the General Fund as a receivable with an allowance for the full amount of these pending reimbursements which means the amounts are not considered available for spending, and therefore are not reflected in the fund balance.

As a result of the circumstances previously described, in prior years, cash from the Certificates of Obligation Series 2015 was used to fund ongoing operations of the general fund and to cover cash flow shortages caused by delays in grant reimbursements. The City has an obligation to replenish those funds, which had a balance of \$2,788,414 at September 30, 2022. Until repayment occurs, the City will not be able to adequately fund the projects in those restricted funds, which had been previously planned for with those restricted funds. However, in the current year, the City obtained funding by issuing note payables through its EDC and IDC to complete some of the projects meant to be funded through the issuance of the 2015 Certificates of Obligation. The City began the planning stage of these projects in the current year and work is expected to continue through the next fiscal year.

In order to meet the General Fund's obligations, the City is currently pursuing actions to collect the outstanding grant funds, which includes coordinating finalization of many of the grant funded projects. In addition, the City plans to budget for a more conservative spending pattern and is exploring other means of raising additional revenues.

NOTE 13: LEASES – LESSOR

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The City's operations consist of use of various properties within the City, which expire between 2023 and 2046. The City recognized \$44,236 of lease revenue principal and \$6,764 of lease revenue interest for the year ended September 30, 2022.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

For the years ended September 30,	Principal Payments	Interest Income	Total
2023	\$ 52,657	\$ 5,543	\$ 58,200
2024	37,902	4,098	42,000
2025	2,465	3,535	6,000
2026	3,449	3,451	6,900
2027	3,862	3,338	7,200
2028-2032	20,386	14,414	34,800
2033-2037	26,381	11,519	37,900
2038-2042	35,166	6,834	42,000
2043-2045	27,247	1,453	28,700
Total	\$ 209,515	\$ 54,185	\$ 263,700

NOTE 14: LEASES - LESSEE

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The City has entered into lease agreements to obtain the right-to-use phone system equipment. The total annual payments for the assets that the City paid for the fiscal year ended September 30, 2022 was \$16,320. The leases have a maturity date of 2026. Monthly payment amounts are \$1,360 for the assets.

For the years ended September 30,	Governmental Activities		
	Principal Payments	Interest Expense	Total
2023	\$ 13,124	\$ 1,288	\$ 14,412
2024	13,523	889	14,412
2025	13,935	477	14,412
2026	8,324	83	8,407
Total	\$ 48,906	\$ 2,737	\$ 51,643

For the years ended September 30,	Waterworks and Sewer System		
	Principal Payments	Interest Expense	Total
2023	\$ 1,738	\$ 170	\$ 1,908
2024	1,790	118	1,908
2025	1,845	63	1,908
2026	1,102	11	1,113
Total	\$ 6,475	\$ 362	\$ 6,837



REQUIRED SUPPLEMENTARY INFORMATION



City of La Feria, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes
In Fund Balance – Budget and Actual

For the fiscal year ended September 30, 2022

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive/ (Negative)
REVENUES				
Taxes:				
Property	\$ 811,084	\$ 811,084	\$ 734,436	\$ (76,648)
Sales	898,405	898,405	1,029,837	131,432
Mix Beverage	1,500	1,500	5,463	3,963
Franchise	369,500	369,500	406,604	37,104
Licenses and permits	48,600	48,600	97,540	48,940
Intergovernmental	1,740,213	1,740,213	872,936	(867,277)
Fees and charges	645,175	645,175	648,471	3,296
Fines	250,100	250,100	217,679	(32,421)
Interest income	5,100	5,100	16,664	11,564
Contributions and donations	30,050	30,050	22,361	(7,689)
Other	248,773	248,773	285,002	36,229
Total revenues	5,048,500	5,048,500	4,336,993	(711,507)
EXPENDITURES				
Current:				
General government	1,250,975	1,250,975	1,370,107	(119,132)
Public safety	1,838,088	1,838,088	1,847,387	(9,299)
Highways and streets	262,871	262,871	296,946	(34,075)
Health and welfare	22,800	22,800	25,997	(3,197)
Culture and recreation	508,383	508,383	514,704	(6,321)
Debt service:				
Principal	26,830	26,830	58,520	(31,690)
Interest	-	-	11,395	(11,395)
Capital outlay	1,025,000	1,025,000	638,917	386,083
Total expenditures	4,934,947	4,934,947	4,763,973	170,974
Excess (deficiency) of revenues over (under) expenditures	113,553	113,553	(426,980)	(540,533)
OTHER FINANCING SOURCES (USES)				
Transfers in	812,440	812,440	795,633	(16,807)
Transfers (out)	(139,500)	(139,500)	(106,713)	32,787
Right-to-use lease asset	-	-	61,643	61,643
Contributed capital	-	-	-	-
Proceeds from equipment financing	-	-	39,750	39,750
Total other financing sources and uses	672,940	672,940	790,313	117,373
Net change in fund balance	786,493	786,493	363,333	(423,160)
Fund balance - beginning	(1,773,266)	(1,773,266)	(1,773,266)	-
Fund balance - ending	\$ (986,773)	\$ (986,773)	\$ (1,409,933)	\$ (423,160)

City of La Feria, Texas
Notes to Required Supplementary Information

Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds and lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year.
- b. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- c. Public hearings are conducted at City Hall to obtain taxpayer comments.
- d. Prior to October 1, the budget is adopted by the City Commission.
- e. Revisions that alter total expenditures of any fund must be approved by the City Commission. The legal level of budgetary control (the level at which the governing body must approve any over expenditure of appropriations or transfers of appropriated amounts) is the fund level with the City manager being authorized to transfer budgeted amounts between functional categories within a fund without prior City Commission approval. The final annual amended appropriated budgets are used in this report.
- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Debt Service Fund.
- g. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds were adopted on a basis consistent with GAAP.
- h. Appropriations lapse at the end of each fiscal year.

Expenditures may not legally exceed budgeted appropriations at the fund level. In the current year the City's expenditures did not exceeded budgeted appropriations at the fund level.

City of La Feria, Texas

Schedule of Changes in Net Pension Liability and Related Ratios
For Agent Multiple Employer Pension Plan –
Texas Municipal Retirement System

For the year ended September 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 357,396	\$ 321,536	\$ 315,533	\$ 224,723	\$ 219,389	\$ 219,149	\$ 236,999	\$ 208,767
Interest (on the total pension liability)	561,438	546,282	517,731	455,299	441,558	424,054	410,898	380,234
Changes of benefit terms	-	-	591,316	-	-	-	-	-
Difference between expected and actual experience	149,239	(288,407)	(45,293)	(31,086)	(50,318)	10,628	(46,049)	(16,944)
Changes of assumptions	-	-	26,584	-	-	-	61,615	-
Benefit payments, including refunds of employee contributions	(334,812)	(410,799)	(378,373)	(343,090)	(476,350)	(312,921)	(171,531)	(124,740)
Net change in total pension liability	733,261	168,612	1,027,498	305,846	134,279	340,910	491,932	447,317
Total pension liability - beginning	8,306,308	8,137,696	7,110,198	6,804,352	6,670,073	6,329,163	5,837,231	5,389,914
Total pension liability - ending (a)	\$ 9,039,569	\$ 8,306,308	\$ 8,137,696	\$ 7,110,198	\$ 6,804,352	\$ 6,670,073	\$ 6,329,163	\$ 5,837,231
Plan Fiduciary Net Position								
Contributions - employer	\$ 380,140	\$ 347,153	\$ 233,845	\$ 202,008	\$ 183,954	\$ 190,998	\$ 209,142	\$ 200,979
Contributions - employee	169,382	151,975	148,137	131,417	131,935	136,846	150,000	141,391
Net investment income	878,995	469,841	828,948	(165,962)	694,800	316,601	6,638	231,877
Benefit payments, including refunds of employee contributions	(334,812)	(410,799)	(378,373)	(343,090)	(476,350)	(312,921)	(171,531)	(124,740)
Administrative expense	(4,072)	(3,043)	(4,690)	(3,212)	(3,604)	(3,579)	(4,044)	(2,420)
Other	28	(119)	(140)	(168)	(183)	(193)	(200)	(199)
Net change in plan fiduciary net position	1,089,661	555,008	827,727	(179,007)	530,552	327,752	190,005	446,888
Plan fiduciary net position - beginning	6,751,407	6,196,399	5,368,672	5,547,679	5,017,127	4,689,375	4,499,370	4,052,482
Plan fiduciary net position - ending (b)	\$ 7,841,068	\$ 6,751,407	\$ 6,196,399	\$ 5,368,672	\$ 5,547,679	\$ 5,017,127	\$ 4,689,375	\$ 4,499,370
Net pension liability - ending (a) - (b)	\$ 1,198,501	\$ 1,554,901	\$ 1,941,297	\$ 1,741,526	\$ 1,256,673	\$ 1,652,946	\$ 1,639,790	\$ 1,337,862
Plan fiduciary net position as a percentage of total pension liability	86.74%	81.28%	76.14%	75.51%	81.53%	75.22%	74.09%	77.08%
City's covered payroll	\$ 2,419,740	\$ 2,171,074	\$ 2,116,249	\$ 1,877,389	\$ 1,884,782	\$ 1,954,942	\$ 2,142,851	\$ 2,019,877
Net pension liability as a percentage of city's covered payroll	49.53%	71.62%	91.73%	92.76%	66.67%	84.55%	76.52%	66.23%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

City of La Feria, Texas
Schedule of Contributions
For Agent Multiple Employer Pension Plan –
Texas Municipal Retirement System

For the year ended September 30,	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 362,452	\$ 352,562	\$ 309,638	\$ 228,478	\$ 192,956	\$ 183,998	\$ 202,962	\$ 206,371
Contributions in relation to actuarially determined contribution	(362,452)	(352,562)	(309,638)	(228,478)	(192,956)	(183,998)	(202,962)	(206,371)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,426,320	\$ 2,233,285	\$ 2,105,089	\$ 2,081,078	\$ 1,839,977	\$ 1,884,782	\$ 2,078,015	\$ 2,103,613
Contributions as a percentage of city covered payroll	14.94%	15.79%	14.71%	10.98%	10.49%	9.76%	9.77%	9.81%

City of La Feria, Texas
Notes to Schedule of Contributions
For Agent Multiple Employer Pension Plan –
Texas Municipal Retirement System

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table based on 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:	There were no benefit changes during the year.

GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.

City of La Feria, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System

For the year ended September 30,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 12,825	\$ 9,336	\$ 6,984	\$ 6,946	\$ 6,031
Interest (on the total OPEB liability)	4,630	5,456	5,863	5,270	5,174
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(2,085)	(8,567)	(3,030)	(1,335)	-
Change of assumptions	7,610	28,983	31,199	(10,560)	11,882
Benefit payments, including refunds of employee contributions	(5,807)	(1,955)	(1,692)	(1,314)	(1,131)
Net Change in Total OPEB Liability	17,173	33,253	39,324	(993)	21,956
Total OPEB Liability - Beginning	227,974	194,721	155,397	156,390	134,434
Total OPEB Liability - Ending (a)	\$ 245,147	\$ 227,974	\$ 194,721	\$ 155,397	\$ 156,390
 Covered Employee Payroll	 \$ 2,419,740	 \$ 2,171,074	 \$ 2,116,249	 \$ 1,877,389	 \$ 1,884,782
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 10.13%	 10.50%	 9.20%	 8.28%	 8.30%

Notes to schedule:

- (1) The schedule above reflects the changes in the total OPEB liability for the current year. GASB 75 requires 10 fiscal years of data to be provided in this schedule. Additional years will be presented as the information becomes available.
- (2) No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits

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OTHER SUPPLEMENTARY INFORMATION



City of La Feria, Texas
Non-Major Governmental Funds
Combining Statements

Special revenue fund: The Tax Increment Reinvestment Zone (TIRZ) Fund was established to account for a portion of property taxes levied by the City and Cameron County to facilitate the provision of capital improvements.

Special revenue fund: The Texas Capital Fund was established to account for the City's economic development grant received from the State.

Special revenue fund: The Community Development Block Grant (CDBG) Fund was established to account for Federal grant awards which provide communities with flexible programs with resources to address a wide range of unique community development needs. The current CDBG grants complement capital improvements to the water and sewer system.

Special revenue fund: The Promotion of La Feria Fund was established to account for the hotel/motel tax revenue and the activities specifically related to the promotion of the City of La Feria.

Special revenue fund: The forfeiture fund was established to account for monies received by the La Feria Police Department. These funds are used to finance the police investigations and equipment.

City of La Feria, Texas
Non-Major Governmental Funds
Combining Balance Sheet

September 30, 2022

	Special Revenue Funds		
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Forfeiture Fund
ASSETS			
Cash and cash equivalents	\$ 92,395	\$ 32,581	\$ 4,591
Receivables			
Other	65,220	80,679	-
Due from other funds	217,630	-	-
Total assets	375,245	113,260	4,591
LIABILITIES			
Accounts payable	-	35,992	-
Due to other funds	-	78,768	-
Total liabilities	-	114,760	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - other	65,220	-	-
Total deferred inflows of resources	65,220	-	-
FUND BALANCES (DEFICIT)			
Restricted fund balances:			
Tax increment reinvestment zone	310,025	-	-
Assigned	-	-	4,591
Unassigned	-	(1,500)	-
Total fund balances (deficit)	310,025	(1,500)	4,591
Total liabilities, deferred inflows of resources and fund balance	\$ 375,245	\$ 113,260	\$ 4,591

City of La Feria, Texas
Non-Major Governmental Funds
Combining Balance Sheet - Continued

Special Revenue Funds - Continued				
Community Development Block Grant Fund	Promotion of La Feria Fund	Total	Total Nonmajor Governmental Funds	
\$ 100	\$ 34,826	\$ 164,493	\$ 164,493	
-	-	145,899	145,899	
-	6,332	223,962	223,962	
100	41,158	534,354	534,354	
-	8	36,000	36,000	
100	-	78,868	78,868	
100	8	114,868	114,868	
-	-	65,220	65,220	
-	-	65,220	65,220	
-	-	310,025	310,025	
-	41,150	45,741	45,741	
-	-	(1,500)	(1,500)	
-	41,150	354,266	354,266	
\$ 100	\$ 41,158	\$ 534,354	\$ 534,354	

City of La Feria, Texas
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance

For the year ended September 30, 2022

	Special Revenue Funds		
	Tax Increment Reinvestment Zone Fund	Texas Capital Fund	Forfeiture Fund
Revenues			
Property taxes	\$ 58,352	\$ -	\$ -
Hotel / motel tax	-	-	-
Fees and charges	-	-	-
Other	-	-	1,310
Total revenues	58,352	-	1,310
Expenditures			
Current			
Culture and recreation	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	58,352	-	1,310
Net change in fund balances	58,352	-	1,310
Fund balance, beginning	251,673	(1,500)	3,281
Fund balance, ending	\$ 310,025	\$ (1,500)	\$ 4,591

City of La Feria, Texas
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Continued

Special Revenue Funds - Continued			
Community Development Block Grant Fund	Promotion of La Feria Fund	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 58,352	\$ 58,352
-	18,705	18,705	18,705
-	12,500	12,500	12,500
-	-	1,310	1,310
-	31,205	90,867	90,867
-	30,431	30,431	30,431
-	30,431	30,431	30,431
-	774	60,436	60,436
-	774	60,436	60,436
-	40,376	293,830	293,830
\$ -	\$ 41,150	\$ 354,266	\$ 354,266

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COMPLIANCE SECTION



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

To the City Honorable Mayor and
Members of the City Commission
City of La Feria, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of La Feria, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of La Feria, Texas' basic financial statements, and have issued our report thereon dated August 22, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of La Feria Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002.

City of La Feria, Texas's Response to Findings

City of La Feria Texas's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of La Feria Texas's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Carr, Rigg & Ingram, L.L.C.

Harlingen, Texas
August 22, 2023

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City of La Feria, Texas
Schedule of Findings and Responses

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?	_____ yes	__X__ no
* Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	__X__ yes	_____ no

City of La Feria, Texas
Schedule of Findings and Responses

**Section II – Findings Relating to the Financial Statement Audit as Required to Be
Reported in Accordance with Generally Accepted Government Auditing Standards**

2022-001

Compliance with Bond Covenants

Criteria:

The City Water & Sewer System has issued various revenue bonds, which are also governed by various regulations of the Texas Water Development Board and have certain covenants which require the establishment of a bond debt service reserve fund.

Condition Found:

The utility system revenue bond reserve fund had been established and maintained with proper balances, until the funds were drawn out during the 2016 fiscal year in order to pay the debt service of the revenue bonds. The City has been depositing an amount every month based on agreed upon arrangement with the TWDB. However, as of September 30, 2022, the ending balance of the reserve fund is not adequate to comply with the bond covenants.

Context:

Due to continued shortfalls in cash and available resources at the City, the City was not able to fully replenish the reserve fund in 2022.

Cause:

The City's financial condition has not significantly improved and continues to face various challenges. The lack of available resources resulted in the Water and Sewer System being unable to fully fund the reserve.

Effect:

The Water and Sewer System is out of compliance with the requirements of the bond covenants.

Recommendation:

We recommend that the City continue to fund the reserve fund in accordance with the arrangement established with the TWDB, or else fully fund the reserve as soon as possible.

Views of Responsible Officials:

Management agrees with auditors' recommendation. As recommended, the City will strive to continue to fund the reserve fund in accordance with the arrangement established with the TWDB, or else fully fund the reserve as soon as possible.

City of La Feria, Texas
Schedule of Findings and Responses

**Section II – Findings Relating to the Financial Statement Audit as Required to Be
Reported in Accordance with Generally Accepted Government Auditing Standards**

2022-002

Use of Restricted Funds, City Financial Condition

Criteria:

The City issued Certificates of Obligation, Series 2015 for the purpose of constructing various capital improvements in and around the City. The proceeds of the Certificates are restricted for the uses as defined in the City Ordinance 2015-03 and are to be used only for those purposes.

Condition Found:

In prior fiscal years, the General Fund, Component Units, and certain other funds of the City utilized the restricted resources obtained from the issuance of the 2015 Certificates of Obligation, with the intention of repaying it. As of the fiscal year ended September 30, 2022, the amount has still not been replenished. The General Fund continues to have a significant deficit in the fund balance which is preventing the City from being able to significantly replenish the bond fund.

Context:

The City's General Fund financial condition worsened as a result from current year results, and the deficit is still very substantial. Much of the fund balance is tied up in deferred inflows for long term grant projects.

Cause:

A variety of factors, including deficit fund balances in the City General Fund, longer than normal time periods elapsing for the City to receive reimbursement on substantial expenditures for projects funded by grants, as well as cost overruns on those same projects, contributed to the declining financial condition of the City.

Effect:

Until the amounts are replenished or the projects for which the restricted funds were issued are otherwise funded, the City is out of compliance with the bond ordinance since funds were not used for the purposes for which they were originally issued.

Recommendation:

We recommend the City implement a formal written action plan designed to improve the City's financial condition and replenish the funding to the Bond Fund. Future year budgets need to be monitored closely and planned for with these circumstances in mind. The City may also consider consulting with legal counsel or bond counsel on ramifications of failing to comply with the restrictions of the bond ordinance.

Views of Responsible Officials:

Management agrees with auditors' recommendation. As recommended, the City will continue monitoring future budgets in hopes that expenses will not exceed revenues. Potential future savings are considered as possible repayment to the appropriate fund(s), in order to reduce the amount owed by the general fund.

City of La Feria, Texas
Schedule of Findings and Responses

Section III –Findings and Responses

None noted that were required to be reported

CITY OF LA FERIA



City of La Feria, Texas Corrective Action Plan

PROGRAM DESCRIPTION

Findings - Financial Statements

Schedule Reference Number: (2022-001)
Compliance with Bond Covenants

Corrective Action Plan:

CORRECTIVE ACTION PLAN

The City has an agreement with the Texas Water Development Board (TWDB) to deposit \$8,650 every month into a holding account until the reserve is met. The City has and continues to deposit the required amounts and report to TWDB regularly in accordance with this agreement.

Anticipated Completion Date: September 30, 2023

Responsible Contact: Frank Rios, Finance Director

Schedule Reference Number: (2022-002)
Use of Restricted Funds, City Financial Condition

Corrective Action Plan:

The City understands that certain projects related to the Series 2015 are still needed; therefore, it has begun the process of exploring all funding opportunities, in order to determine if a viable option is available and feasible. The Finance Department will continue monitoring future budgets in hopes that expenses will not exceed revenues. Potential future savings, at a minimum, are considered as possible repayment to the appropriate fund(s), in order to reduce the amount owed by the general fund.

Anticipated Completion Date: September 30, 2025

Responsible Contact: Frank Rios, Finance Director

City of La Feria, Texas
Summary Schedule of Prior Audit Findings

DESCRIPTION

STATUS OF PRIOR YEAR FINDINGS

Schedule Reference Number:
(2021-001)

Compliance with Bond Covenants

Corrective Action Plan:

The City reached an agreement with the Texas Water Development Board (TWDB) to deposit \$8,650 per month into a reserve fund until the reserve is fully replenished. For the fiscal year ended September 30, 2022, the City has complied with this arrangement and is making progress toward fully replenishing this reserve fund as required by the TWDB. However the amount required by the covenants is not yet met, so this is still considered a current year finding 2022-001.

Schedule Reference Number:
(2021-002)

Use of Restricted Funds, City Financial Condition

Corrective Action Plan:

See current year finding 2022-002. The City has yet to make significant progress to replenishing the bond fund.

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Frank Rios, Finance Director
Jaime S. Sandoval, City Manager

No exceptions were taken to the factual contents of the items contained in this report.