

Development Corporation of Mercedes, Inc.

Agenda

January 26, 2022 at 11:30AM

320 S. Ohio

Development Corporation of Mercedes, Inc.

Agenda

January 26, 2022 11:30AM

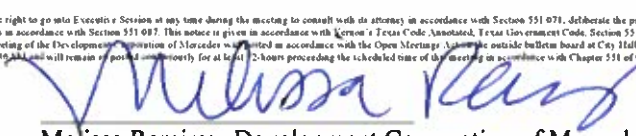
320 S Ohio

NOTICE, is hereby given that the Development Corporation of Mercedes, Inc. will be holding a **Special Called Meeting** on **Wednesday, January 26, 2022 at 11:30AM** at the **Development Corporation of Mercedes** at **320 South Ohio** for the purpose of considering and taking formal action regarding the following items:

1. Call meeting to order
2. Discussion and Action: Audit FY 20-21; Burton McCumber & Longoria, LLP
3. Executive Session: Section 551.087: Economic development negotiations Project J. Duenas and Section 551.071: pending legal issues with delinquent notes and on any regular agenda item requiring confidential, attorney-client advice necessitated by the deliberation or discussion of said item as needed.
4. Discussion and Action: item #3
5. Adjournment

The Board of Directors reserves the right to go into Executive Session at any time during the meeting to consult with its attorney in accordance with Section 551.071, deliberate the purchase or sale of real property in accordance with Section 551.072, deliberate personnel matters in accordance with Section 551.074, and/or deliberate economic development negotiations in accordance with Section 551.087. This notice is given in accordance with Vernon's Texas Code Annotated, Texas Government Code, Section 551.001 et seq. I hereby certify this Notice of a Meeting of the Development Corporation of Mercedes was posted in accordance with the Open Meetings Act on the outside bulletin board at City Hall of the City of Mercedes, located at 400 S Ohio, visible and accessible to the general public during and after working hours. This notice was posted on the 21st day of January, 2022 at 11:39 AM and will remain posted continuously for at least 72 hours preceding the scheduled time of the meeting in accordance with Chapter 551 of the Texas Government Code.

ATTEST:


Melissa Ramirez, Development Corporation of Mercedes

1. Call meeting to order

2. Discussion and Action: Audit FY 20-21; Burton McCumber & Longoria, LLP

DEVELOPMENT CORPORATION OF MERCEDES

**Financial Statements
and
Independent Auditors' Report**

For the year ended September 30, 2021

This page is intentionally left blank.

Development Corporation of Mercedes
Table of Contents
September 30, 2021

INTRODUCTORY SECTION

| | |
|---|---|
| Board of Directors and Management | 1 |
|---|---|

FINANCIAL SECTION

| | |
|--|---|
| Independent Auditors' Report | 3 |
| Management's Discussion and Analysis | 7 |

Basic Financial Statements

| | |
|---|----|
| Government-wide Financial Statements | |
| Statement of Net Position | 17 |
| Statement of Activities | 18 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 19 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 21 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Notes to Financial Statements | 23 |

Required Supplementary Information

| | |
|--|----|
| Budgetary Comparison Schedule – General Fund | 51 |
| Budgetary Comparison Schedule – IRP Loan Fund | 52 |
| Budgetary Notes to Required Supplementary Information | 53 |
| Schedule of Changes in Net Pension Liability and Related Ratios - Texas Municipal Retirement System | 54 |
| Schedule of Contributions for Texas Municipal Retirement System – Pension Plan | 55 |
| Schedule of Change in Total OPEB Liability and Related Ratios – Texas Municipal Retirement System | 56 |

Development Corporation of Mercedes
Table of Contents
September 30, 2021

Other Supplementary Information

General Fund

Comparative Balance Sheet59

Comparative Statement of Revenues, Expenditures, and Changes in
Fund Balances60

RBEG Grant Fund

Comparative Balance Sheet61

Comparative Statement of Revenues, Expenditures, and Changes in
Fund Balances62

IRP Loan Fund

Comparative Balance Sheet63

Comparative Statement of Revenues, Expenditures, and Changes in
Fund Balances64

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS

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*.....67

Development Corporation of Mercedes
Board of Directors and Management

Board of Directors

Fred Gonzalez – President

Joe Flores Jr. – Vice President

Tony Garza – Treasurer

Peggy Marie Chavez-Yanez – Secretary

Roel Villanueva – Member

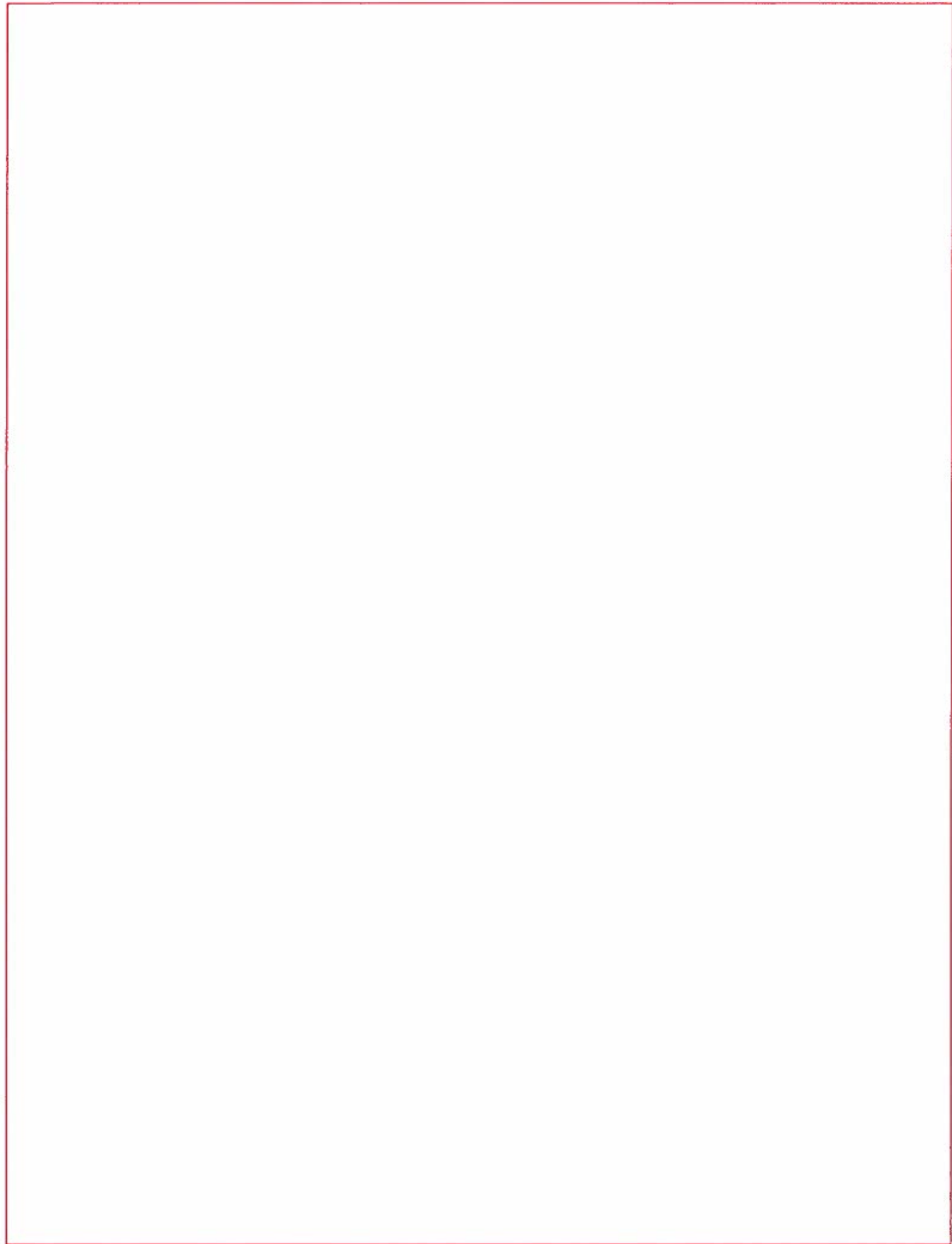
Luis Huerta – Member

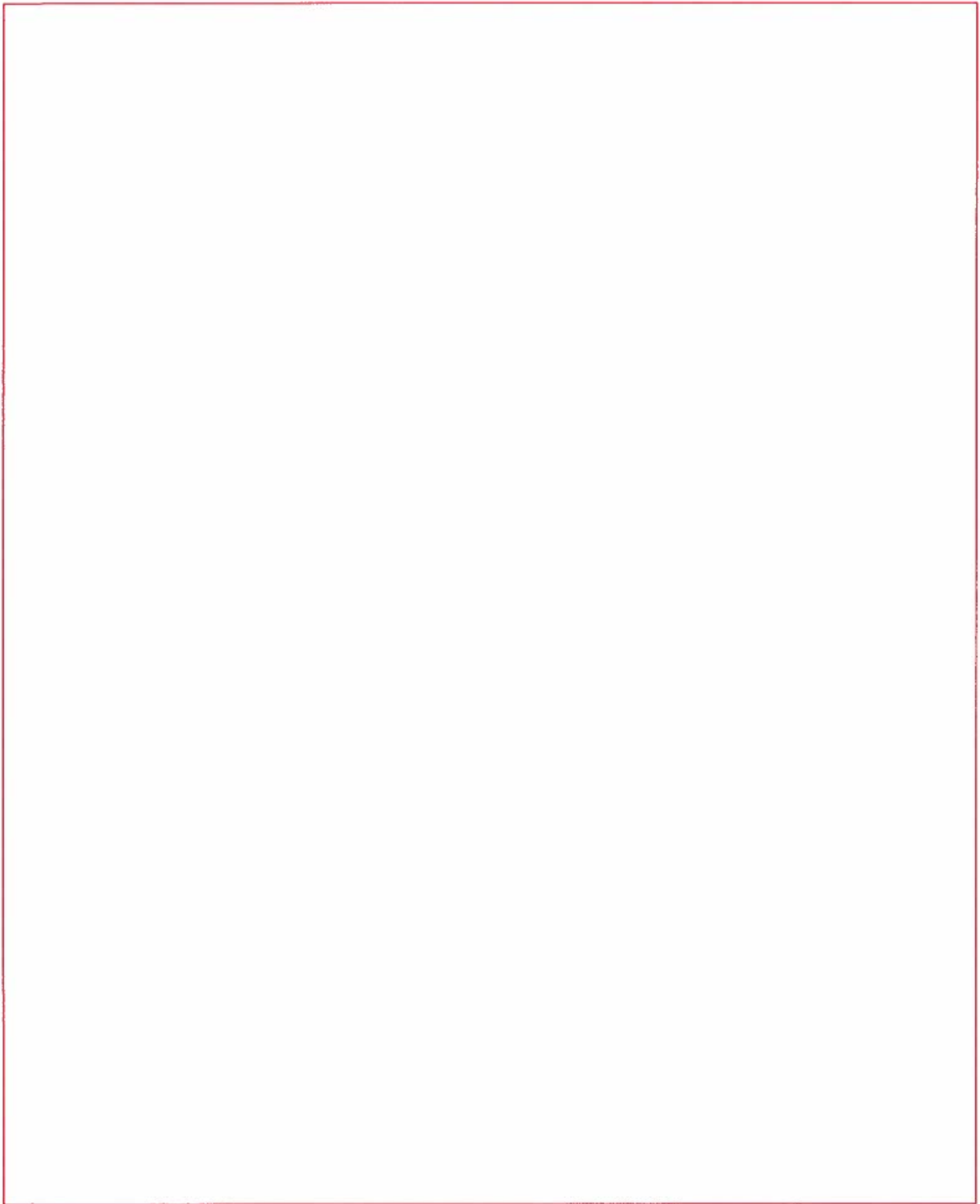
Marcos Garcia – Member

Executive Director

Melissa Ramirez

This page is intentionally left blank.





This page is intentionally left blank

Development Corporation of Mercedes
Management's Discussion and Analysis

As management of the Development Corporation of Mercedes (DCM), we offer readers of the DCM's financial statements this narrative overview of the financial activities for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements which begin on page 17.

FINANCIAL HIGHLIGHTS

- Total government-wide net position increased by \$679,208 as a result of this year's operations.
- Total assets and deferred outflows exceeded liabilities and deferred inflows at the close of the year by \$1,285,543.
- Total revenues in aggregate in the governmental funds increased from \$1,585,239 (net of prior year restatement totaling \$100,706) to \$1,740,422 in current year, an increase of \$155,183 from previous fiscal year.
- Total expenditures in the aggregate in the governmental funds decreased from \$1,741,660 in prior year to \$1,566,782 in current year, a decrease of \$174,878 from the previous fiscal year.
- At the end of current fiscal year, DCM's governmental funds reported an ending fund balance of \$6,377,047, out of which \$1,281,773 is unassigned fund balance from the general fund (available for spending at the government's discretion).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to DCM's basic financial statements. DCM's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The *government-wide financial statements* are designed to provide readers with a broad overview of DCM's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all DCM's assets and deferred outflows of resources and liabilities and deferred inflows of resources of DCM, 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 DCM is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements present governmental activities of DCM that are principally supported by sales taxes. The government-wide financial statements can be found on pages 17-18 of this report.

Development Corporation of Mercedes
Management's Discussion and Analysis

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. DCM, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of DCM are governmental funds.

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.

DCM maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, RBEG Grant Fund, and IRP Loan Fund.

The basic governmental fund financial statements can be found on pages 19-22 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. The notes to the financial statements begin on page 23 of this report.

Other information. A budgetary comparison for the General Fund and IRP Loan Fund are provided as Required Supplementary Information (RSI) on page 51-52 as well as the schedule of changes in net pension liability and related ratios - Texas Municipal Retirement System, schedule of contributions for Texas Municipal Retirement System - Pension Plan, and schedule of changes in total OPEB liability and related ratios - Texas Municipal Retirement System in pages 54-56. Comparative balance sheet and statement of revenue, expenditures, and changes in fund balance for General Fund, RBEG Grant Fund, and IRP Loan Fund are provided as other supplementary information on page 59-64.

Government-wide Financial Analysis

Net position serves over time as a useful indicator of a government's financial position. In the case of DCM, total assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$1,285,543 at the close of the fiscal year; an increase of \$679,208 when compared to prior year. Total net position of \$1,285,543 is made up of restricted and unrestricted fund balances, which, at the end of the year, totaled \$2,315,621 and \$(1,030,078), respectively.

Development Corporation of Mercedes
Management's Discussion and Analysis

The following table summarizes the DCM's net position at September 30, 2021 and 2020:

| Development Corporation of Mercedes Net Position September 30, | | |
|--|-------------------------|---------------------|
| | Governmental Activities | |
| | 2021 | Restated 2020 |
| Current and other assets | \$ 7,064,472 | \$ 6,990,501 |
| Capital assets | - | 483 |
| Total assets | <u>7,064,472</u> | <u>6,990,984</u> |
| Total deferred outflows of resources | <u>24,972</u> | <u>21,130</u> |
| Total assets and deferred outflows of resources | <u>\$ 7,089,444</u> | <u>\$ 7,012,114</u> |
| Long-term liabilities | \$ 5,662,964 | 6,258,387 |
| Other liabilities | <u>104,723</u> | <u>111,756</u> |
| Total liabilities | <u>5,767,687</u> | <u>6,370,143</u> |
| Total deferred inflows of resources | <u>36,214</u> | <u>35,636</u> |
| Net position | | |
| Net investment in capital assets | - | 483 |
| Restricted | 2,315,621 | 2,439,360 |
| Unrestricted (deficit) | <u>(1,030,078)</u> | <u>(1,833,508)</u> |
| Total net position | <u>1,285,543</u> | <u>606,335</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 7,089,444</u> | <u>\$ 7,012,114</u> |

As noted above, DCM's overall net position increased from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities.

Analysis of Changes in Net Position

Governmental activities. During the current fiscal year, net position for governmental activities increased by \$679,208.

**Development Corporation of Mercedes
Management's Discussion and Analysis**

The following table summarizes the changes in the DCM's net position from its activities for the fiscal year ended September 30, 2021 and 2020:

| Development Corporation of Mercedes Change in Net Position September 30, | | |
|--|-------------------------|-------------------|
| | Governmental Activities | |
| | 2021 | Restated 2020 |
| Revenues: | | |
| General revenues: | | |
| General sales and use tax | \$ 1,616,316 | \$ 1,333,421 |
| Investment earnings | 30,013 | 46,659 |
| Miscellaneous | 341 | 80,159 |
| Total revenues | <u>1,646,670</u> | <u>1,460,239</u> |
| Expenses: | | |
| Administrative expenses | 345,583 | 350,814 |
| Economic development | 462,118 | 555,688 |
| Interest on debt | 159,761 | 176,608 |
| Total expenses | <u>967,462</u> | <u>1,083,110</u> |
| Changes in net position | <u>679,208</u> | <u>377,129</u> |
| Net position, beginning of year | 606,335 | 128,500 |
| Prior period adjustments | - | 100,706 |
| Net position, beginning of year restated | <u>606,335</u> | <u>229,206</u> |
| Net position, end of year | <u>\$ 1,285,543</u> | <u>\$ 606,335</u> |

Total revenues generated from governmental activities for this year were \$1,646,670, reflecting a \$186,431 increase compared to last year. The reason for the increase is mainly due to a 21% increase in sales tax revenues which is attributed to less COVID-19 restrictions in place as compared to the prior year. Additionally, COVID-19 vaccines were authorized and distributed to the public in the current fiscal year which helped improve economic activity as compared to the prior year.

The pie chart below illustrates the allocations of revenue as noted above.

Revenues by Source - Governmental Activities



Development Corporation of Mercedes
Management's Discussion and Analysis

Overall, expenses decreased by \$115,648. The decrease in expenses is the combination of a decrease in administrative services of \$5,231, a decrease in interest expenses of \$16,847 and a decrease in economic development expenses of \$93,570.

FINANCIAL ANALYSIS OF THE DEVELOPMENT CORPORATION OF MERCEDES FUNDS

Financial Analysis of Government's Funds

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

Governmental Funds. The focus of DCM governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing DCM financing requirements. In particular, 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.

At the end of the current fiscal year, DCM governmental funds reported a combined ending fund balance of \$6,377,047 an increase of \$1,191,852 (net of prior period adjustments totaling \$1,018,212) in comparison with prior year. Overall, nonspendable, restricted and unassigned fund balance of all governmental funds totaled \$3,373,406, \$1,721,868 and \$1,281,773, respectively.

Revenues

The following table presents a summary of revenues for the governmental funds for the fiscal years ended September 30, 2021 and 2020:

| Revenues | 2021 | | 2020 | | Amount | % |
|----------------|---------------------|------------|---------------------|------------|-------------------------|-------------------------|
| | Balance | % of Total | Balance | % of Total | Increase/ (Decrease) | Increase/ (Decrease) |
| Sales tax | \$ 1,616,316 | 93% | \$ 1,333,421 | 84% | \$ 282,895 | 21% |
| Interest | 30,013 | 2% | 46,659 | 3% | (16,646) | -36% |
| Miscellaneous | 94,093 | 6% | 205,159 | 13% | (111,066) | -54% |
| Total Revenues | <u>\$ 1,740,422</u> | | <u>\$ 1,585,239</u> | | <u>\$ 155,183</u> | |

The increase in sales tax revenue is due to there being less COVID-19 restrictions placed on businesses as compared to in the previous fiscal year. Additionally, COVID-19 vaccines were authorized and became available which made people more comfortable being out and about, thus increasing economic activity. The decrease in miscellaneous revenue due to there not being a sale of redevelopment assets in the current year.

Development Corporation of Mercedes
Management's Discussion and Analysis

Expenditures

The following table presents a summary of General fund, RBEG fund, and IRP fund expenditures for the fiscal years ended September 30, 2021 and 2020:

| Expenditures | 2021 Balance | % of Total | 2020 Balance | % of Total | Amount Increase/ (Decrease) | % Increase/ (Decrease) |
|-------------------------|---------------------|------------|---------------------|------------|-----------------------------------|------------------------------|
| Administrative services | \$ 340,833 | 22% | \$ 339,864 | 20% | \$ 969 | 0% |
| Economic development | 533,732 | 34% | 645,959 | 37% | (112,227) | -17% |
| Principal on debt | 531,342 | 34% | 578,305 | 33% | (46,963) | -8% |
| Interest on debt | 160,875 | 10% | 177,532 | 10% | (16,657) | -9% |
| Total Revenues | <u>\$ 1,566,782</u> | | <u>\$ 1,741,660</u> | | <u>\$(174,878)</u> | |

Decrease in economic development expenditures was a result of less projects being approved in 2021 as compared to the previous fiscal year. The reduction in principal and interest on debt expenditures is due to a decrease in the outstanding balance on debt.

BUDGETARY HIGHLIGHTS

DCM adopts an annual appropriated budget for its general and IRP loan funds. Budgetary comparison statements have been provided for the general and IRP loan funds to demonstrate compliance with these budgets. Detail budgetary comparisons are included as required supplementary information in pages 51-52.

General fund. When comparing original and amended budget, revenues were amended to increase the original budget from \$1,238,780 to \$1,469,963, primarily to increase the original budget for sales tax by \$226,093 and \$5,000 for loan proceeds. Total expenditures were amended to increase the original budget from \$1,842,141 to \$2,067,324, primarily to increase the budget for economic development services to \$220,686. At year-end, total actual revenues exceeded amended budget by \$243,457 mainly due to sales tax exceeding amended budget by \$248,795. Total actual expenditures were below amended budget by \$549,747 because less economic incentives than anticipated were approved in the year.

IRP fund. Original budget was not amended during the year. When comparing budget to actual total revenues, actual total revenues exceeded budget by \$4,333. When comparing budget to expenditures, total actual expenditures exceeded budget by \$17,062, mainly because DCM did not set up a budget for bad debt expenses.

RBEG fund. No budget is required to be set up for the RBEG fund.

Development Corporation of Mercedes
Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2021, DCM's investment in capital assets, net of accumulated depreciation, for governmental activities was \$0 as all capital assets are fully depreciated. Additional information on DCM's capital assets can be found in Note 3 - DETAIL NOTES ON ALL FUNDS- C. *Capital Assets*.

Long term debt. As of September 30, 2021, DCM's long-term debt consisted of a bond, 3 notes payable and a settlement payable amounting to \$5,573,034. None of the notes or bond payable originated during the current year. Proceeds from long-term debt issued in prior years has been used to purchase redevelopment assets in years prior to fiscal year 2021. Additional information on DCM's long-term debt can be found in Note 3 - DETAIL NOTES ON ALL FUNDS- D. *Long-Term Debt and Liabilities*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

DCM's major revenue source is revenue from sales taxes which are collected by the City of Mercedes. Thus, changes in the economy of the City of Mercedes have a direct impact on DCM's financial situation. Another major economic factor that affects DCM's financial situation is changes in unemployment rates.

According to the Texas Labor Market Review, the unemployment rate for the McAllen-Edinburg- Mission MSA as of November 2021 was 7.7 percent, which represents a decrease of 2.8 percent from prior year.

The 2021 General Fund and IRP Loan Fund budgets were adopted on a basis consistent with generally accepted accounting principles.

Requests for Information

This financial report is designed to provide a general overview of Development Corporation of Mercedes' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Development Corporation of Mercedes: 320 S. Ohio Avenue, Mercedes, Texas, 78570, Melissa Ramirez, Executive Director.

This page is intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page is intentionally left blank.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Statement of Net Position
September 30, 2021

| | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| Cash and cash equivalents | \$ 704,153 |
| Sales taxes receivable, net | 279,968 |
| Due from City of Mercedes | 391,324 |
| Notes receivable, net | 1,478,931 |
| Restricted assets: | |
| Restricted cash and equivalents | 836,690 |
| Redevelopment assets | 3,373,406 |
| Total assets | <u>7,064,472</u> |
| DEFERRED OUTFLOW OF RESOURCES | |
| Deferred outflow of resources related to pension plan | 20,035 |
| Deferred outflow of resources related to OPEB | 4,937 |
| Total deferred outflows of resources | <u>24,972</u> |
| Total assets and deferred outflows of resources | <u>\$ 7,089,444</u> |
| LIABILITIES | |
| Accounts payable | \$ 4,340 |
| Wages and salaries payable | 3,998 |
| Accrued interest payable | 11,051 |
| Other accrued expenses | 6,529 |
| Due to City of Mercedes | 49,093 |
| Due to Mercedes Industrial Foundation | 29,712 |
| Non-current liabilities: | |
| Due within one year | 906,906 |
| Due in more than one year | 4,666,128 |
| Net pension liability | 78,132 |
| Net OPEB liability | 11,798 |
| Total liabilities | <u>5,767,687</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflow related to pension plan | 33,187 |
| Deferred inflow related to OPEB | 3,027 |
| Total deferred inflows of resources | <u>36,214</u> |
| NET POSITION | |
| Restricted | 2,315,621 |
| Unrestricted | (1,030,078) |
| Total net position | <u>1,285,543</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 7,089,444</u> |

The accompanying notes are an integral part of this financial statement.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Statement of Activities
September 30, 2021

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net |
|--------------------------------------|-------------------|-------------------------|--|--|
| | | | | Primary |
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Administrative services | \$ 345,583 | \$ - | \$ - | \$(345,583) |
| Economic development services | 462,118 | - | - | (462,118) |
| Interest on debt | 159,761 | - | - | (159,761) |
| Total primary government | <u>\$ 967,462</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$(967,462)</u> |
| General revenues: | | | | |
| General sales and use tax | | | | 1,616,316 |
| Investment earnings | | | | 30,013 |
| Miscellaneous revenue | | | | 341 |
| Total general revenues and transfers | | | | <u>1,646,670</u> |
| Change in net position | | | | <u>679,208</u> |
| Net position - beginning | | | | <u>606,335</u> |
| Net position - ending | | | | <u>\$ 1,285,543</u> |

The accompanying notes are an integral part of this financial statement.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Balance Sheet – Governmental Funds
September 30, 2021

| | General Fund | RBEG Grant Fund | IRP Loan Fund | Total Governmental Funds |
|---------------------------------------|---------------------|-------------------|-------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 704,153 | \$ - | \$ - | \$ 704,153 |
| Restricted cash and cash equivalents | 272,798 | 274,415 | 289,478 | 836,691 |
| Sales tax receivable | 279,968 | - | - | 279,968 |
| Due from City of Mercedes | 391,324 | - | - | 391,324 |
| Redevelopment assets | 3,373,406 | - | - | 3,373,406 |
| Notes receivable, net | 122,879 | 535,493 | 226,805 | 885,177 |
| Total assets | <u>\$ 5,144,528</u> | <u>\$ 809,908</u> | <u>\$ 516,283</u> | <u>\$ 6,470,719</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 4,340 | \$ - | \$ - | \$ 4,340 |
| Accrued wages payable | 3,998 | - | - | 3,998 |
| Other accrued expenses | 6,529 | - | - | 6,529 |
| Due to City of Mercedes | 49,093 | - | - | 49,093 |
| Due to Mercedes Industrial Foundation | 29,712 | - | - | 29,712 |
| Total liabilities | <u>93,672</u> | <u>-</u> | <u>-</u> | <u>93,672</u> |
| FUND BALANCE | | | | |
| Nonspendable | 3,373,406 | - | - | 3,373,406 |
| Restricted | 395,677 | 809,908 | 516,283 | 1,721,868 |
| Unassigned fund balance | 1,281,773 | - | - | 1,281,773 |
| Total fund balance | <u>5,050,856</u> | <u>809,908</u> | <u>516,283</u> | <u>6,377,047</u> |
| Total liabilities & fund balances | <u>\$ 5,144,528</u> | <u>\$ 809,908</u> | <u>\$ 516,283</u> | <u>\$ 6,470,719</u> |

The accompanying notes are an integral part of this financial statement.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
September 30, 2021

Total fund balances - governmental funds \$ 6,377,047

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds.

| | | |
|--------------------------------|-----------|---|
| Capital assets | 11,885 | |
| Less: Accumulated depreciation | (11,885) | - |

Long-term receivable due from the City of Mercedes is not available to
pay current expenditures and is not reported in the funds. 593,753

Interest on long-term debt is not accrued in the governmental funds,
but is recognized as an expenditure in the funds. (11,051)

Deferred outflows and (inflows) of resources related to net pension and
OPEB Liabilities are not recognized in the governmental funds; however,
they are recorded in the statement of net position under full accrual.

| | | |
|------------------|-----------|-----------|
| Pension outflows | 20,035 | |
| Pension inflows | (33,187) | |
| OPEB outflows | 4,937 | |
| OPEB inflows | (3,027) | (11,242) |

Long-term liabilities, including net pension and total OPEB liability are
not due and payable in the current period and, therefore, are not reported
in the funds.

| | | |
|-------------------------|--------------|--------------|
| Net pension liability | (78,132) | |
| Net OPEB liability | (11,798) | |
| Bonds and notes payable | (5,573,034) | (5,662,964) |

Net position of governmental activities \$ 1,285,543

The accompanying notes are an integral part of this financial statement.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental Funds
For the Year Ended September 30, 2021

| | General Fund | RBEG Grant Fund | IRP Loan Fund | Total Governmental Funds |
|---------------------------------|---------------------|-------------------|-------------------|--------------------------|
| REVENUES | | | | |
| Sales tax | \$ 1,616,316 | \$ - | \$ - | \$ 1,616,316 |
| Interest | 3,011 | 18,899 | 8,103 | 30,013 |
| Miscellaneous | 94,093 | - | - | 94,093 |
| Total revenues | <u>1,713,420</u> | <u>18,899</u> | <u>8,103</u> | <u>1,740,422</u> |
| EXPENDITURES | | | | |
| Administrative services | 340,833 | - | - | 340,833 |
| Economic development services | 515,377 | 1,293 | 17,062 | 533,732 |
| Debt Service: | | | | |
| Principal on debt | 506,286 | - | 25,056 | 531,342 |
| Interest on debt | 155,083 | - | 5,792 | 160,875 |
| Total expenditures | <u>1,517,579</u> | <u>1,293</u> | <u>47,910</u> | <u>1,566,782</u> |
| Net change in fund balances | 195,841 | 17,606 | (39,807) | 173,640 |
| Fund Balance, beginning of year | 4,724,077 | 257,219 | 203,899 | 5,185,195 |
| Prior period adjustment | <u>130,938</u> | <u>535,083</u> | <u>352,191</u> | <u>1,018,212</u> |
| Fund Balance, end of year | <u>\$ 5,050,856</u> | <u>\$ 809,908</u> | <u>\$ 516,283</u> | <u>\$ 6,377,047</u> |

The accompanying notes are an integral part of this financial statement.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
For the Year Ended September 30, 2021

| | |
|---|------------|
| Net change in fund balance - governmental funds | \$ 173,640 |
|---|------------|

Amounts reported 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 as depreciation expense. The following represents depreciation expense reported in the current period. | (483) |
|--|--------|

| | |
|---|---------|
| Repayment of long-term debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. | 602,956 |
|---|---------|

| | |
|--|-----------|
| Repayment of notes receivable from the city are recorded as revenue in the governmental funds but reduces the receivable in the statement of net position. | (93,750) |
|--|-----------|

| | |
|---|-------|
| Governmental funds do not accrue for interest expense on long-term debt. This is the net change in accrued interest payable for the year. | 1,114 |
|---|-------|

Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable and available financial resources. In the statement of activities, however, which is presented in the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

| | | |
|--|----------|----------|
| Change in deferred outflow of resources - pensions | 2,232 | |
| Change in deferred outflow of resources - OPEB | 1,610 | |
| Change in deferred inflow of resources - pensions | (538) | |
| Change in deferred inflow of resources - OPEB | (40) | |
| Change in net pension obligations | (2,949) | |
| Change in net OPEB obligations | (4,584) | (4,269) |

| | |
|---|-------------------|
| Change in net position of governmental activities | <u>\$ 679,208</u> |
|---|-------------------|

The accompanying notes are an integral part of this financial statement.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2021

Note 1: DESCRIPTION OF THE ENTITY

The Development Corporation of Mercedes (DCM), was incorporated on October 1, 1990 under the provisions of the Development Corporation Act of 1979. The Development Corporation of Mercedes is authorized by its charter to provide, assist, and enhance orderly and proper economic and industrial activities for the City of Mercedes. Its main focus is the areas of business retention and expansion, formation of new businesses, business attraction, facilitation of construction facilities, and the enhancement of community assets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

DCM is a component unit of the City of Mercedes, Texas (the City). The City, the primary government, appoints DCM board of directors, is authorized to negotiate the issuance of bonds which are payable solely from the revenues of DCM, and is not liable for the payment of any obligations or agreements created or incurred by the DCM. Therefore, the accompanying financial statements are not intended to present fairly the financial position, results of operation and cash flows of the City of Mercedes. These financial statements are included in the annual financial report of the City as a discretely presented component unit because exclusion of these financial statements would cause the primary government's financial statements to be misleading or incomplete.

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 activities of DCM. Governmental activities normally are supported by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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) operating/capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental 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.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental Fund Financial Statements

The 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 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 are recorded only when payment is due. When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the DCM considers restricted resources to be expensed first, then unrestricted resources. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the DCM considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources.

Sales taxes 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. All other revenue items are considered to be measurable and available only when cash is received by DCM.

Government-Wide Financial Statements

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.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

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 DCM 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.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund Financial Statements

DCM uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Each fund is a separate accounting entry with a self-balancing set of accounts. All DCM funds are classified as governmental funds and are divided into separate "fund types." These governmental funds are used to account for all or most of the government's general activities.

DCM reports the following major governmental funds:

The *General fund* is DCM's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Special revenue funds* are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects (*RBEG Grant fund and IRP Loan fund*).

During the course of operations, DCM has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General fund and IRP Loan fund. Formal budgetary integration is employed as a management control device during the year. There is no requirement of the DCM to legally adopt a budget for the RBEG Grant fund.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Budgetary Information (Continued)

Budgetary basis of accounting (Continued)

Unused appropriations of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Revisions that alter total expenditures must be approved by DCM Board of Directors.

DCM management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. DCM management submits to the DCM Board of Directors a proposed operating budget for the fiscal year commencing the following October 1.

The budgets for General and IRP Loan funds include proposed expenditures and the means of financing them. The budget is presented to the City Commission of Mercedes for additional approval. Prior to October 1, the budget is adopted by the Board of Directors of DCM. Expenditures may not legally exceed budgeted appropriations at the DCM fund level. During the year, supplementary appropriations are approved if necessary.

Compliance and Accountability

Finance Related Legal and Contractual Provisions

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

Excess of expenditures over appropriations

At September 30, 2021, expenditures exceeded appropriations in the following functional categories:

| | Budgeted | Actual | Expenditures |
|-------------------------------|----------|--------------|---------------|
| IRP Loan Fund | Amount | Actual | Exceeding |
| | | Expenditures | Appropriation |
| Economic development services | \$ - | \$ 17,062 | \$ (17,062) |

The variance was a result of bad debt expense incurred during the fiscal year that had not been budgeted.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compliance and Accountability (Continued)

Deficit Fund Balance or Fund Net Position of Individual Funds

The DCM does not have funds with a deficit fund balance at year-end. However, the DCM has a negative unrestricted net position in the Governmental Activities of \$1,030,078. This deficit is primarily attributed to a settlement payable in which DCM and the City of Mercedes each pay a portion of. Because there is no corresponding asset associated with this liability, the settlement payable has contributed to the unrestricted net position. See Note 3, D., *Settlement Payable*, for more detail.

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

Cash and cash equivalents

The DCM's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. It is DCM's policy, as well as a requirement in its Depository Agreement, for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the federal depository insurance (FDIC).

Investments

Investments for the DCM are reported at fair value (generally based on quoted market prices) except for the position in the TexPool public fund investment pool (Pool). The pool 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 DCM's position in the pool is equal to the value of the pooled shares. DCM presents these investments along with cash and cash equivalents.

Receivables

Receivables consist of sales tax revenue and notes receivable. No allowance is recorded related to sales tax revenue since DCM expects to collect 100% from the state comptroller's office. For allowance related to notes receivable, DCM maintains an allowance for uncollectible receivable for estimated losses resulting from the failure of individuals to make required payments. DCM reviews the loans receivable on a periodic basis and makes allowances where there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances and the possibility of uncollectability, DCM considers many factors, including age of the balances, individual's payment history, current individual's credit worthiness, and current economic trends.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Redevelopment Assets

Redevelopment assets are assets that, after purchase, are not used in operations, are not depreciated, and are expected to be disposed of by sale transaction. Redevelopment assets are reported at net realizable value. As of September 30, 2021, DCM's redevelopment assets include land and buildings totaling \$3,373,406.

Interfund Activities and Transactions

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 funds are netted as part of the reconciliation to the government-wide financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets include property and equipment. Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Any normal maintenance and repairs spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life are not capitalized. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation is provided in amounts sufficient to relate the cost of the capital assets to operations over their estimated service lives on the straight-line basis. The estimated useful lives by type of capital assets are as follows:

| Asset Description | Estimated Useful Life |
|-------------------------|-----------------------|
| Furniture and Equipment | 3 to 15 years |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. *Deferred outflows of resources* represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. *Deferred inflows of resources* represent 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. DCM reports deferred outflows and inflows of resources related to pensions and OPEB as further described in Notes 4 and 5.

Because DCM is a component unit of the City of Mercedes, the greater portion of pension and OPEB outflows and inflows of resources is recorded and presented in the City of Mercedes' financial statements; however, the portion that pertains to DCM is presented in these financial statements. Note disclosures include the City portion but show the allocated portion for DCM.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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 debt proceeds, are reported as debt service expenditures in the governmental funds.

Restricted Assets

Certain proceeds of long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable debt covenants.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Information included in this report is the DCM allocated portion based on contribution percentage out of the City's total OPEB liability related to the TMRS Supplemental Death Benefit 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

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. DCM 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:

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 DCM's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the DCM 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.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Categories and Classification of Fund Equity (Continued)

Assigned fund balance - Amounts in the assigned fund balance classification are intended to be used by the DCM for specific purposes but do not meet the criteria to be classified as committed. 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. At September 30, 2021, DCM did not have assigned fund balance.

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

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. DCM did not have any program revenues.

All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Fair Value Measurements

Investments are carried at fair value as defined in GASB Statement No. 72 "*Fair Value Measurement and Application*."

Recently Issued and Implemented Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

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

Statement No. 87 improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 97 increases the consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

It is the policy of DCM as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 102% secured by collateral valued at fair value, less the amount of the Federal Deposit Insurance Corporation Insurance (FDIC). At year-end, the carrying amount of the DCM's deposits (cash and cash equivalents) was \$1,029,945 and the bank balance was \$1,036,188.

A breakdown of cash and investments follows:

| | |
|---|---------------------|
| Cash | \$ 576,359 |
| Cash - Restricted | 453,586 |
| Texas CLASS | 127,794 |
| Texas CLASS - Restricted | 383,105 |
| | <hr/> |
| Total cash and cash equivalents, including restricted portion | <u>\$ 1,540,844</u> |

Texas Cooperative Liquid Asset Securities 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 Statement Accounting Standards Board (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.

The State of Texas's Public Funds Investment Act (PFIA) (Gov't Code title 10, subtitle F, chapter 2256) requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies; DCM reports its information to the City of Mercedes Council. Additionally, investment practices of DCM were in accordance with local policies. DCM's management believes that it complies with the requirements of the PFIA and its adopted investment policies.

Custodial credit risk - Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificates of deposit are defined as public deposits. The financial institutions in which DCM places its deposits are certified as "qualified public depositories." For an investment, this is the risk that, in the event of the failure of the counterparty, DCM will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At September 30, 2021, DCM's deposits and investment balances were fully insured or collateralized as required by state statutes.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (continued)

Interest rate risk - Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. DCM's investment policy states that no investment shall exceed two years in maturity. By limiting the exposure of its investments to less than two years, DCM reduces the risk of rising interest rates.

B. Notes Receivable

As an inducement to expand economic business operations in the City of Mercedes, Texas, DCM accepted notes from various businesses. These notes are for cash loans that carry various interest rates and terms. The interest rates vary by individual entity and are based on individual credit worthiness. A promissory note exists from the City due to a cooperative agreement to fund future debt of the DCM.

Notes receivable at September 30, 2021 consist of the following:

| | |
|---|---------------------|
| Promissory note from the City of Mercedes | \$ 593,753 |
| Michael Salinas | 48,807 |
| DeLeGarza Bakery | 115,697 |
| MD International (Orb-Galvan) | 122,879 |
| MD International | 48,000 |
| MD International (Galvan) | 126,223 |
| First National Bank (Gomez) | 16,134 |
| First National Bank (Gomez) | 25,825 |
| Jaime Gonzalez | 23,409 |
| Mario and Martha Castaneda | 76,864 |
| Reybotics, LLC | 146,280 |
| Ashley Werbiski | 13,868 |
| Raquel Moreno | 7,584 |
| The Grind | 47,451 |
| Top Gym | 50,500 |
| Ashely R. Gonzalez | 43,984 |
| Total notes receivable | <u>1,507,258</u> |
| Less: allowance for uncollectible | <u>(28,327)</u> |
| Total notes receivable, net | <u>\$ 1,478,931</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 3: DETAILED NOTES ON All FUNDS (Continued)

C. Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2021:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|----------------------|-----------|-----------|-------------------|
| Governmental Activities | | | | |
| Capital assets, being depreciated | | | | |
| Furniture and equipment | \$ 11,885 | \$ - | \$ - | \$ 11,885 |
| Total capital assets, being depreciated | 11,885 | - | - | 11,885 |
| Less: accumulated depreciation for | | | | |
| Furniture and equipment | (11,402) | (483) | - | (11,885) |
| Total accumulated depreciation | (11,402) | (483) | - | (11,885) |
| Capital assets, net | \$ 483 | \$ (483) | \$ - | \$ - |

Depreciation expense of \$483 was charged to economic development services.

D. Long-Term Debt and Liabilities

Bonds payable

On August 15, 2009, DCM issued sales tax revenue bond series 2007, due in annual installments not exceeding \$265,000, beginning August 15, 2009 through August 15, 2027. The interest rate is fixed at 4.550%. The bond is secured by sales tax revenue. As of September 30, 2021, the principal outstanding on the bond was \$1,440,000.

Notes payable

On February 16, 2011, DCM borrowed \$750,000 payable to the USDA. The terms of the note include annual principal and interest payments of \$30,848 commencing October 1, 2015 and continue until February 16, 2041 when the entire balance, including principal and interest, will be due and payable. Interest rate is fixed at 1%. The note is secured by funds placed in the IRP revolving fund and various collateral obtained as a result of lending activity. As of September 30, 2021, the principal outstanding on the note was \$554,118.

On January 5, 2015, DCM borrowed \$1,075,000 payable to the Office of the Governor Economic Development and Tourism Division. The terms of the note include monthly principal and interest payments of \$10,530 which commenced on March 1, 2015 and continue until February 1, 2025 when the entire balance, including principal and interest, will be due and payable. Interest rate is variable (between 3.25% and 5%). The note is secured by a lien on and security interest in sales tax revenue. As of September 30, 2021, the principal outstanding on the note was \$417,853.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-Term Debt and Liabilities (Continued)

Notes payable (Continued)

On March 1, 2016, DCM borrowed \$2,000,000 payable to Valley Telephone Cooperative. The terms of the note include monthly principal payments of \$20,833 which commenced on February 17, 2016 and continue until March 1, 2026. The note is secured by sales tax revenue and is used to purchase redevelopment assets to further economic objectives. As of September 30, 2021, the principal outstanding on the note was \$1,187,500.

As of September 30, 2021, DCM's total governmental activities notes payable from direct borrowing was \$971,971.

Settlement payable

On November 20, 2018, the City of Mercedes approved Resolution No. 2018-13, which is a resolution established for the DCM and the City to each pay a portion of a settlement resulting from a prior year agreement with a developer. The DCM portion of the settlement was \$2,195,882. As of September 30, 2021, the principal outstanding on the settlement was \$1,973,563. Annual requirements to pay off the settlement payable are for a period of 10 (ten) years and are based on sales tax collections. The DCM is only obligated to make such payments from actual collections received from the Texas Comptroller. The amount due in one year for the settlement payable as outlined in the schedule below is based on management's estimate of anticipated eligible sales tax collections.

Long-term liability activity for the year ended September 30, 2021, was as follows for governmental activities:

| | Beginning Balance | Increase | Decrease | Ending Balance | Due in One Year |
|--------------------------------|----------------------|----------|------------------|-------------------|--------------------|
| Governmental Activities | | | | | |
| Notes payable | \$ 2,485,813 | \$ - | \$(326,342) | 2,159,471 | \$ 215,000 |
| Bond payable | 1,645,000 | - | (205,000) | 1,440,000 | 391,906 |
| Settlement payable | 2,045,177 | - | (71,614) | 1,973,563 | 300,000 |
| Total long-term liability | \$ 6,175,990 | \$ - | \$(602,956) | \$ 5,573,034 | \$ 906,906 |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-Term Debt and Liabilities (Continued)

The annual requirements to retire the bond payable are as follows:

| Year ended September 30, | Governmental Activities | | |
|---------------------------------|-------------------------|------------|--------------|
| | Bonds Payable | | Total |
| | Principal | Interest | Requirements |
| 2022 | \$ 215,000 | \$ 65,520 | \$ 280,520 |
| 2023 | 225,000 | 55,738 | 280,738 |
| 2024 | 235,000 | 45,500 | 280,500 |
| 2025 | 245,000 | 34,808 | 279,808 |
| 2026 | 255,000 | 23,660 | 278,660 |
| 2027-2031 | 265,000 | 12,058 | 277,058 |
| Total | 1,440,000 | 237,284 | 1,677,284 |
| Current portion | (215,000) | (65,520) | (280,520) |
| Total due in more than one year | \$ 1,225,000 | \$ 171,764 | \$ 1,396,764 |

The annual requirements to retire the notes payable are as follows:

| Year ended September 30, | Governmental Activities | | |
|---------------------------------|-------------------------|-----------|--------------|
| | Notes Payable | | Total |
| | Principal | Interest | Requirements |
| 2022 | \$ 391,906 | \$ 23,111 | \$ 415,017 |
| 2023 | 397,820 | 17,197 | 415,017 |
| 2024 | 404,012 | 11,004 | 415,016 |
| 2025 | 326,773 | 5,457 | 332,230 |
| 2026 | 213,809 | 4,539 | 218,348 |
| 2027-2031 | 135,545 | 18,695 | 154,240 |
| 2032-2026 | 142,459 | 11,781 | 154,240 |
| 2027-2041 | 147,147 | 4,514 | 151,661 |
| Total | 2,159,471 | 96,298 | 2,255,769 |
| Current portion | (391,906) | (23,111) | (415,017) |
| Total due in more than one year | \$ 1,767,565 | \$ 73,187 | \$ 1,840,752 |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 4: PENSION PLAN

Description of Plan

DCM participates as part of the City of Mercedes, Texas nontraditional, joint contributory, hybrid defined benefit 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.

TMRS places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with 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 (CAFR) that can be obtained at www.tmrs.com.

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 benefits 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

| | TMRS |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 72 |
| Inactive employees entitled to but no yet receiving benefits | 112 |
| Active employees | 131 |
| Total participants | <u>315</u> |

These figures are City-wide as the Plan has not provided this information specific to the DCM.

Contributions

The contribution rate for employees in TMRS is 7% of employee gross earnings, and the City matching percentage is 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.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 4: PENSION PLAN (Continued)

Contributions (Continued)

Employees for the DCM were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the DCM were 18.12% and 18.09% in calendar year 2019 and 2020, respectively. The DCM contributions to TMRS for the year ended September 30, 2021 were \$22,601, and were equal to the retirement contributions.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 20, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability at the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

| <u>Schedule of Actuarial Assumptions</u> | |
|--|--|
| Valuation Date | December 31, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 25 Years |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018. |
| Mortality Assumption | 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. |

Actuarial assumptions used in the December 31, 2020 valuation were based on the results of the actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. Assumptions are reviewed annually. No additional changes were made to the 2020 valuation.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 4: PENSION PLAN (Continued)

Actuarial assumptions (Continued)

The long-term rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of investments assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of pension plan investments was determined using a building block method in which best estimated ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce a 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.

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return (Arithmetic) |
|-----------------------|----------------------|---|
| Global equity | 30.00% | 5.30% |
| Core fixed income | 10.00% | 1.25% |
| Non-core fixed income | 20.00% | 4.14% |
| Real return | 10.00% | 3.85% |
| Real estate | 10.00% | 4.00% |
| Absolute return | 10.00% | 3.48% |
| Private equity | 10.00% | 7.75% |
| Total | 100% | |

Discount Rate

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

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 4: PENSION PLAN (Continued)

Schedule of Changes in Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balance at December 31, 2019 | \$ 22,712,703 | \$ 19,443,877 | \$ 3,268,826 |
| Changes for the year: | | | |
| Service cost | 931,185 | - | 931,185 |
| Interest | 1,522,121 | - | 1,522,121 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (209,134) | - | (209,134) |
| Change of assumptions | - | - | - |
| Contributions - employer | - | 959,839 | (959,839) |
| Contributions - employee | - | 371,413 | (371,413) |
| Net investment income | - | 1,476,699 | (1,476,699) |
| Benefit payments, including refunds of employee contributions | (1,256,720) | (1,256,720) | - |
| Administrative expense | - | (9,550) | 9,550 |
| Other changes | - | (373) | 373 |
| Net changes | 987,452 | 1,541,308 | (553,856) |
| Balance at December 31, 2020 | <u>\$ 23,700,155</u> | <u>\$ 20,985,185</u> | <u>\$ 2,714,970</u> |
| Net pension liability allocation: | | | |
| City of Mercedes | | 97.1% | \$ 2,636,838 |
| Development Corporation of Mercedes | | 2.9% | 78,132 |

Net pension liability amounts were allocated between the City and DCM based on the DCM's proportionate share of covered payroll.

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

The following represents the net pension liability of the DCM, calculated using the discount rate of 6.75%, as well as what the DCM'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% | Current Discount Rate 6.75% | 1% Increase in Discount Rate 7.75% |
|------------------------------|--|-----------------------------------|--|
| City's net pension liability | 5,913,983 | 2,636,838 | (29,168) |
| DCM's net pension liability | 175,238 | 78,132 | (864) |
| | <u>\$ 6,089,221</u> | <u>\$ 2,714,970</u> | <u>\$ (30,032)</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 4: PENSION PLAN (Continued)

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

For the year ended September 30, 2021, the DCM recognized pension expense in the amount of \$29,376. At September 30, 2021, the DCM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Outflow of Resources | Inflow of Resources |
|--|-------------------------|------------------------|
| Differences between expected and actual experience | \$ - | \$ 582,335 |
| Changes in actuarial assumptions | 49,067 | - |
| Differences between projected and actual investment earnings | - | 570,846 |
| Contributions subsequent to the measurement date | 647,128 | - |
| | <u>696,195</u> | <u>1,153,181</u> |
| Total | \$ 696,195 | \$ 1,153,181 |
| Deferred outflows of resources: | | |
| City of Mercedes | 97.1% | \$ 676,160 |
| Development Corporation of Mercedes | 2.9% | 20,035 |
| Deferred inflows of resources | | |
| City of Mercedes | 97.1% | \$ 1,119,994 |
| Development Corporation of Mercedes | 2.9% | 33,187 |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$18,623 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 (i.e., recognized in the DCM's financial statements September 30, 2022).

The remaining deferred outflows and inflows of resources related to the pension will be amortized and recognized in pension expense as follows:

| Year ending September 30, | |
|---------------------------|--------------------|
| 2022 | \$(14,745) |
| 2023 | (4,755) |
| 2024 | (11,255) |
| 2025 | (1,020) |
| 2026 | - |
| Thereafter | - |
| | <u>\$(31,775)</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 5: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The DCM participates, as part of the City, in the single-employer benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com

The DCM offers supplemental death benefits to both active and retired employees.

Employees Covered by Benefit Terms

The most recent measurement date for SDBF was December 31, 2020. As of the most recent measurement date, the following employees were covered by the benefit terms:

| | TMRS |
|---|------|
| Inactive employees currently receiving benefits | 53 |
| Inactive employees entitled to but not yet receiving benefits | 12 |
| Active employees | 131 |
| Total participants | 196 |

These figures are City-wide, as the Plan has not provided this information specific to the DCM.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 5: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Schedule of Actuarial Assumptions

| | |
|---|--|
| Valuation date | December 31, 2020 |
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Discount rate* | 2.00% |
| Retirees' share of benefits-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 75. |
| Mortality rates - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality rates - disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at December 31, 2019 | \$ 313,644 |
| Changes for the year: | |
| Service cost | 20,162 |
| Interest on Total OPEB Liability | 8,866 |
| Changes of benefit terms including TMRS plan participation | - |
| Differences between expected and actual experience | 14,641 |
| Change in assumptions and other inputs | 55,298 |
| Benefit payments | (2,653) |
| Net changes | 96,314 |
| Balance at December 31, 2020 | \$ 409,958 |
| Total OPEB liability allocation: | |
| City of Mercedes | 97.1% \$ 398,160 |
| Development Corporation of Mercedes | 2.9% 11,798 |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 5: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability (Continued)

Net OPEB liability amounts were allocated between the City and the DCM based on the DCM's proportionate share of covered payroll. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020.

Sensitivity of the total OPEB liability to changes in the discount rate

| | 1% Decrease in Discount rate | Current Discount Rate | 1% Increase in Discount Rate |
|------------------------------|---------------------------------|--------------------------|---------------------------------|
| | 5.75% | 6.75% | 7.75% |
| City's net pension liability | 488,133 | 398,160 | 328,776 |
| DCM's net pension liability | 14,464 | 11,798 | 9,742 |
| | <u>\$ 502,597</u> | <u>\$ 409,958</u> | <u>\$ 338,518</u> |

OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the DCM recognized OPEB expense of \$3,014. At September 30, 2021, the DCM reported deferred outflows of resources related to OPEB from the following sources:

| | Outflow of Resources | Inflow of Resources |
|--|--------------------------|--------------------------|
| Differences between expected and actual experience | \$ 76,898 | \$ 95,507 |
| Changes in actuarial assumptions | 89,499 | 9,691 |
| Differences between projected and actual investment earnings | - | - |
| Contributions subsequent to the measurement date | 5,173 | - |
| Total | <u>\$ 171,570</u> | <u>\$ 105,198</u> |
| Deferred outflows of resources: | | |
| City of Mercedes | 97.1% | \$ 166,633 |
| Development Corporation of Mercedes | 2.9% | 4,937 |
| Deferred inflows of resources | | |
| City of Mercedes | 97.1% | \$ 102,171 |
| Development Corporation of Mercedes | 2.9% | 3,027 |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 5: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$149 will be recognized as a reduction of the net OPEB liability for the measurement year ending December 31, 2021 (i.e., recognized in the DCM's financial statements September 30, 2022). The remaining outflows and inflows of resources related to OPEB will be amortized and recognized in OPEB expense as follows:

| Year ending September 30, | | |
|---------------------------|----|-------|
| 2022 | \$ | 466 |
| 2023 | | 466 |
| 2024 | | 418 |
| 2025 | | 134 |
| 2026 | | 175 |
| Thereafter | | 102 |
| | \$ | 1,761 |

Note 6: RISK MANAGEMNET

DCM is exposed to various risks of loss due to torts, theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural catastrophes. During fiscal year 2021, DCM purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage from prior years. Furthermore, DCM is not aware of any pending claims for which liability would exceed the limits of commercial insurance coverage in any of the past three years.

Note 7: ECONOMIC INCENTIVE COMMITMENTS

DCM extended economic incentives to the following entities:

| <i>Incentives</i> | Commitment | Paid Previous Years | Paid in Current Year | Balance Due |
|----------------------------|--------------|------------------------|-------------------------|----------------|
| Knapp Medical Center | \$ 750,000 | \$ 600,000 | \$ 75,000 | \$ 75,000 |
| OA Mercedes Health Realty | 590,000 | 472,000 | 59,000 | 59,000 |
| Rio Grande Livestock Show | 300,000 | 150,000 | 25,000 | 125,000 |
| Raybecc Ohio Street LLC | 200,000 | 100,000 | 50,000 | 50,000 |
| Rios of Mercedes | 254,000 | 203,200 | 50,800 | - |
| Texas Rio Grande Legal Aid | 330,000 | 280,000 | 25,000 | 25,000 |
| Bert Ogden | 300,000 | - | - | 300,000 |
| La Herencia | 200,000 | - | 66,666 | 133,334 |
| Orchard Grove Apartments | 450,000 | 200,000 | 50,000 | 200,000 |
| | \$ 3,374,000 | \$ 2,005,200 | \$ 401,466 | \$ 967,334 |

Subsequent year balances of \$967,334 are contingent on the business entities maintaining agreed upon conditions relating to the incentives. The amount is not recognized as a liability in the financial statements.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 8: OPERATING LEASE COMMITMENTS

The DCM leases office space under operating leases. Total costs for this lease as of September 30, 2021 was \$15,582. The future minimum lease payments for this lease is as follows:

| <u>Year ending September 30,</u> | |
|----------------------------------|------------------|
| 2022 | \$ 15,582 |
| 2023 | 7,791 |
| | <u>\$ 23,373</u> |

Note 9: RELATED PARTY TRANSACTIONS

The City's economic development activities via City Council resolution has delegated all economic development activities to DCM.

At September 30, 2021, the City of Mercedes owes \$391,234 to DCM, which is recorded as a due from in the Statement of Net Position. DCM owes City of Mercedes and Mercedes Industrial Foundation (MIF) \$49,093 and \$29,712, respectively recorded as a due to in the Statement of Net Position and Balance Sheet.

Note 10: PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

Prior year financial statements include unavailable revenue related to loans receivable balances outstanding at year end. These balances should have been included in prior year as part of restricted fund balance. The following prior period adjustments were made conform with generally accepted accounting principles:

| | General Fund | RBEG Grant Fund | IRP Loan Fund | Total Governmental Funds |
|---------------------------------|---------------------|--------------------|-------------------|--------------------------------|
| Fund Balance, beginning of year | \$ 4,724,077 | \$ 257,219 | \$ 203,899 | \$ 5,185,195 |
| Prior period adjustment | 130,938 | 535,083 | 352,191 | 1,018,212 |
| Fund Balance, end of year | <u>\$ 4,855,015</u> | <u>\$ 792,302</u> | <u>\$ 556,090</u> | <u>\$ 6,203,407</u> |

In the previous year, the fund balance in the general fund associated with redevelopment assets totaling \$3,373,406 had been classified as unassigned fund balance. This balance has been reclassified from unassigned to nonspendable fund balance to conform with generally accepted accounting principles.

| | Fund Balance September 30, 2020, as Previously Presented | Prior Period Adjustment | Reclassification of Fund Balance | Fund Balance September 30, 2020 (Restated) | Fund Balance September 30, 2021 |
|---------------------------|---|-------------------------------|-------------------------------------|--|------------------------------------|
| FUND BALANCE | | | | | |
| Nonspendable | \$ - | \$ - | \$ 3,373,406 | \$ 3,373,406 | \$ 3,373,406 |
| Restricted | 733,645 | 1,018,212 | - | 1,751,857 | 1,721,868 |
| Unassigned | 4,451,550 | - | (3,373,406) | 1,078,144 | 1,281,773 |
| Total fund balance | <u>\$ 5,185,195</u> | <u>\$ 1,018,212</u> | <u>\$ -</u> | <u>\$ 6,203,407</u> | <u>\$ 6,377,047</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements - Continued
For the Year Ended September 30, 2021

Note 10: PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS (Continued)

In the previous year, the statement of net position did not properly classify net position as restricted for certain items. These items included notes receivable restricted for loan programs and a receivable from the City of Mercedes restricted for debt payments.

| NET POSITION | Net Position September 30, 2020, as Previously Presented | Reclassification of Net Position | Net Position September 30, 2020 (Restated) | Net Position September 30, 2021 |
|------------------------------|---|-------------------------------------|--|------------------------------------|
| Investment in capital assets | \$ 483 | \$ - | \$ 483 | \$ - |
| Restricted | 733,645 | 1,705,715 | 2,439,360 | 2,315,621 |
| Unrestricted | (127,793) | (1,705,715) | (1,833,508) | (1,030,078) |
| Total net position | <u>\$ 606,335</u> | <u>\$ -</u> | <u>\$ 606,335</u> | <u>\$ 1,285,543</u> |

Note 11: CONTINGENCIES

In the normal course of business, the DCM may be involved in litigation claims against DCM. Generally, these litigation claims are incidental to its operations.

Note 12: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2021 through January 11, 2022 the date the current year's financial statements were available to be issued. The following events occurred:

On November 17, 2021, DCM sold 2.05 acres of land (redevelopment asset) for a sales price of \$357,192. Total proceeds from the sale of the property, net of expenses, totaled \$332,554.

REQUIRED SUPPLEMENTARY INFORMATION

This page is intentionally left blank.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Budgetary Comparison Schedule – General Fund
For the Year Ended September 30, 2021

| | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance Positive (Negative) |
|--|------------------|--------------|--------------------------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Sales tax | \$ 1,141,428 | \$ 1,367,521 | \$ 1,616,316 | \$ 248,795 |
| Interest | 2,352 | 2,442 | 3,011 | 569 |
| Miscellaneous | 95,000 | 95,000 | 94,093 | (907) |
| Loan proceeds | - | 5,000 | - | (5,000) |
| Total revenues | 1,238,780 | 1,469,963 | 1,713,420 | 243,457 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| Administrative services | 345,233 | 349,730 | 340,833 | 8,897 |
| Economic development services | 761,826 | 982,512 | 515,377 | 467,135 |
| Debt Service: | | | | |
| Principal on debt | 552,897 | 552,897 | 506,286 | 46,611 |
| Interest on debt | 182,185 | 182,185 | 155,083 | 27,102 |
| Total expenditures | 1,842,141 | 2,067,324 | 1,517,579 | 549,745 |
| Excess (deficiency) of revenues over (under) Expenditures | (603,361) | (597,361) | 195,841 | 793,202 |
| Net Change in Fund Balances | (603,361) | (597,361) | 195,841 | 793,202 |
| Fund Balance, beginning of year | 4,724,077 | 4,724,077 | 4,724,077 | - |
| Prior period adjustment | - | - | 130,938 | 130,938 |
| Fund Balance, end of year | \$ 4,120,716 | \$ 4,126,716 | \$ 5,050,856 | \$ 924,140 |

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Budgetary Comparison Schedule - IRP Loan Fund
For the Year Ended September 30, 2021

| | Budgeted Amounts | | Actual | Variance |
|---------------------------------|-------------------|-------------------|----------------------------|------------------------|
| | Original | Final | Amounts (GAAP BASIS) | Positive (Negative) |
| REVENUES | | | | |
| Interest | \$ 3,770 | \$ 3,770 | \$ 8,103 | \$ 4,333 |
| Total revenues | <u>3,770</u> | <u>3,770</u> | <u>8,103</u> | <u>4,333</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic development services | - | - | 17,062 | (17,062) |
| Debt service: | | | | |
| Principal on debt | - | 25,056 | 25,056 | - |
| Interest on debt | - | 5,792 | 5,792 | - |
| Total expenditures | <u>-</u> | <u>30,848</u> | <u>47,910</u> | <u>(17,062)</u> |
| Net Change in Fund Balances | 3,770 | (27,078) | (39,807) | (12,729) |
| Fund Balance, beginning of year | 203,899 | 203,899 | 203,899 | 203,899 |
| Prior period adjustment | - | - | 352,191 | 352,191 |
| Fund Balance, end of year | <u>\$ 207,669</u> | <u>\$ 176,821</u> | <u>\$ 516,283</u> | <u>\$ 543,361</u> |

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Budgetary Notes to Required Supplementary Information
For the Year Ended September 30, 2021

Note 1: BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. The DCM is legally required to adopt a budget for the IRP fund revenues in order to comply with USDA funding. Formal budgetary integration is employed as a management control device during the year for the DCM general fund and IRP Loan Fund. Unused appropriations of the annually adopted budgeted fund lapse at the end of each year.

DCM adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the day of October of each year, the executive director prepares a proposed budget for the next succeeding fiscal year and submits it to the City of Mercedes Commission and DCM Board of Directors for approval. The recommended budget includes proposed expenditures and the sources of receipts to finance them.
- b. Complete copies of the proposed budget are made available for public inspection. Public hearings are conducted to obtain taxpayers' comments.
- c. The executive director is authorized to transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any department must be approved by the DCM Board of Directors. Expenditures may not exceed legal appropriations at the DCM fund level. All appropriations lapse at year end.
- d. The budgetary comparison schedule shown in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results. The original adopted budget is presented for purposes of comparison to the final, amended budget.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Schedule of Changes in Net Position Liability
and Related Ratios – For Texas Municipal Retirement System
For the Measurement Year Ended December 31,

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Pension Liability | | | | | | |
| Service cost | \$ 931,185 | \$ 814,509 | \$ 723,965 | \$ 712,113 | \$ 740,529 | \$ 753,182 |
| Interest (on the total pension liability) | 1,522,121 | 1,487,612 | 1,447,569 | 1,398,746 | 1,332,821 | 1,296,517 |
| Difference between expected and actual experience | (209,134) | (490,403) | (398,692) | (478,060) | (236,560) | (421,205) |
| Change in assumptions | - | 96,939 | - | - | - | 193,616 |
| Benefit payments, including refunds of employee contributions | (1,256,720) | (1,654,784) | (794,999) | (1,035,847) | (655,971) | (527,954) |
| Net change in total pension liability | 987,452 | 253,873 | 977,843 | 596,952 | 1,180,819 | 1,294,156 |
| Total pension liability – beginning | \$ 22,712,703 | \$ 22,458,830 | \$ 21,480,987 | \$ 20,884,035 | \$ 19,703,216 | \$ 18,409,060 |
| Total pension liability – ending (a) | \$ 23,700,155 | \$ 22,712,703 | \$ 22,458,830 | \$ 21,480,987 | \$ 20,884,035 | \$ 19,703,216 |
| Plan fiduciary net position | | | | | | |
| Contributions – employer | \$ 959,839 | \$ 827,756 | \$ 766,842 | \$ 783,036 | \$ 789,320 | \$ 847,433 |
| Contributions – employee | 371,413 | 319,774 | 288,596 | 286,977 | 289,431 | 301,273 |
| Net investment income | 1,476,699 | 2,675,917 | (526,655) | 2,135,982 | 950,023 | 19,805 |
| Benefit payments, including refunds of employee contributions | (1,256,720) | (1,654,784) | (794,999) | (1,035,847) | (655,971) | (527,954) |
| Administrative Expense | (9,550) | (15,104) | (10,170) | (11,068) | (10,722) | (12,061) |
| Other | (373) | (455) | (531) | (561) | (578) | (596) |
| Net change in plan fiduciary net position | 1,541,308 | 2,153,104 | (276,917) | 2,158,519 | 1,361,503 | 627,900 |
| Plan fiduciary net position – beginning | \$ 19,443,878 | \$ 17,290,774 | \$ 17,567,691 | \$ 15,409,172 | \$ 14,047,669 | \$ 13,419,769 |
| Plan fiduciary net position – ending (b) | \$ 20,985,186 | \$ 19,443,878 | \$ 17,290,774 | \$ 17,567,691 | \$ 15,409,172 | \$ 14,047,669 |
| Net pension liability/(asset) (a - b) | \$ 2,714,969 | \$ 3,268,825 | \$ 5,168,056 | \$ 3,913,296 | \$ 5,474,863 | \$ 5,655,547 |
| Plan fiduciary net position as a percentage of the total pension liability | 88.54% | 85.61% | 76.99% | 81.78% | 73.78% | 71.30% |
| Covered-employee payroll | \$ 5,305,900 | \$ 4,568,193 | \$ 4,122,806 | \$ 4,099,672 | \$ 4,134,721 | \$ 4,303,896 |
| Net pension liability/(asset) as a percentage of covered employee payroll | 51.17% | 71.56% | 125.35% | 95.45% | 132.41% | 131.41% |

Note: GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, the City of Mercedes and DCM will present information for those year for which information is available. This exhibit includes DCM's pension related information.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Schedule of Contributions for Texas Municipal Retirement System – Pension Plan
For the Year Ended September 30,

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 959,839 | \$ 933,895 | \$ 809,721 | \$ 783,036 | \$ 795,685 | \$ 810,771 |
| Contributions in related to actuarially determined contributions | (959,839) | (933,895) | (809,721) | (783,036) | (795,685) | (810,771) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 5,305,900 | \$ 4,568,193 | \$ 4,122,806 | \$ 4,099,672 | \$ 4,122,412 | \$ 4,167,060 |
| Contributions as a percentage of covered payroll | 18.09% | 20.44% | 19.64% | 19.10% | 19.30% | 19.46% |

Notes to Schedule of Contributions

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 | Early Age Nominal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 25 Years |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last Updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

Other Information:

Notes: There were no benefit changes during the year.

Note: GASB 68 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, the City of Mercedes and DCM will present information for those year for which information is available. This exhibit includes DCM's pension related information.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Schedule of Changes in Total OPEB Liability and
Related Ratios for Texas Municipal Retirement System
For the Plan Year Ended December 31,

| | 2021 | 2020 | 2019 |
|---|------------|------------|------------|
| Total OPEB Liability | | | |
| Service Cost | \$ 20,162 | \$ 14,161 | \$ 14,018 |
| Interest on Total OPEB Liability | 8,866 | 14,145 | 8,541 |
| Differences between expected and actual experience | 14,641 | (139,319) | 120,401 |
| Changes in assumptions or other inputs | 55,298 | 51,382 | (18,067) |
| Benefit payments | (2,653) | (1,827) | (1,649) |
| Changes in the Total OPEB Liability | 96,314 | (61,458) | 123,244 |
| Total OPEB Liability – beginning of year | 313,644 | 375,102 | 251,858 |
| Total OPEB Liability – end of year | \$ 409,958 | \$ 313,644 | \$ 375,102 |
| Covered Payroll | 5,305,900 | 4,568,193 | 4,122,806 |
| Total OPEB Liability as a percentage of covered payroll | 7.73% | 6.87% | 9.10% |

Notes to Schedule of Contributions

Valuation Date: December 31, 2020

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Discount rate* | 2.00% |
| Retirees' share of benefit-related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68. |
| Mortality rates – service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality rates – disabled retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. |

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Note: GASB 75 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, the City of Mercedes and DCM will present information for those year for which information is available. This exhibit includes DCM's OPEB related information.

OTHER SUPPLEMENTARY INFORMATION

This page is intentionally left blank.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Comparative Balance Sheet – General Fund
September 30,

| | 2021 | Restated 2020 |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 704,153 | \$ 580,763 |
| Restricted cash & cash equivalents | 272,798 | 272,527 |
| Sales tax receivable | 279,968 | 205,648 |
| Due from City of Mercedes | 391,324 | 391,324 |
| Redevelopment assets | 3,373,406 | 3,373,406 |
| Notes receivable, net | 122,879 | 130,938 |
| Total assets | <u>\$ 5,144,528</u> | <u>\$ 4,954,606</u> |
| LIABILITIES | | |
| Accounts payable | \$ 4,340 | \$ 18,080 |
| Accrued wages payable | 3,998 | 2,706 |
| Other accrued expenses | 6,529 | - |
| Due to City of Mercedes | 49,093 | 49,093 |
| Due to Mercedes Industrial Foundation | 29,712 | 29,712 |
| Total liabilities | <u>93,672</u> | <u>99,591</u> |
| FUND BALANCE | | |
| Nonspendable | 3,373,406 | 3,373,406 |
| Restricted | 395,677 | 403,465 |
| Unassigned fund balance | 1,281,773 | 1,078,144 |
| Total fund balance | <u>5,050,856</u> | <u>4,855,015</u> |
| Total liabilities & fund balances | <u>\$ 5,144,528</u> | <u>\$ 4,954,606</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Comparative Statement of Revenues, Expenditures, and
Changes in Fund Balances – General Fund
For the Year Ended September 30,

| | 2021 | Restated 2020 |
|---------------------------------|---------------------|---------------------|
| REVENUES | | |
| Sales tax | \$ 1,616,316 | \$ 1,333,421 |
| Interest | 3,011 | 9,533 |
| Miscellaneous | 94,093 | 205,159 |
| Total revenues | <u>1,713,420</u> | <u>1,548,113</u> |
| EXPENDITURES | | |
| Administrative services | 340,833 | 339,865 |
| Economic development services | 515,377 | 486,904 |
| Debt Service: | | |
| Principal on debt | 506,286 | 644,792 |
| Interest on debt | <u>155,083</u> | <u>171,491</u> |
| Total Expenditures | <u>1,517,579</u> | <u>1,643,052</u> |
| Net Change in Fund Balances | 195,841 | (94,939) |
| Fund Balance, beginning of year | 4,855,015 | 4,814,738 |
| Prior period adjustments | <u>-</u> | <u>135,216</u> |
| Fund Balance, end of year | <u>\$ 5,050,856</u> | <u>\$ 4,855,015</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Comparative Balance Sheet – RBEG Grant Fund
September 30,

| | 2021 | Restated 2020 |
|---------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Restricted cash & cash equivalents | \$ 274,415 | \$ 257,219 |
| Notes receivable, net | 535,493 | 535,083 |
| Total assets | <u>\$ 809,908</u> | <u>\$ 792,302</u> |
| LIABILITIES | | |
| Total liabilities | <u>-</u> | <u>-</u> |
| FUND BALANCE | | |
| Restricted | 809,908 | 792,302 |
| Total fund balance | <u>809,908</u> | <u>792,302</u> |
| Total liabilities & fund balances | <u>\$ 809,908</u> | <u>\$ 792,302</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Comparative Statement of Revenues, Expenditures, and
Changes in Fund Balances – RBEG Grant Fund
For the Year Ended September 30,

| | 2021 | Restated 2020 |
|---------------------------------|-------------------|-------------------|
| REVENUES | | |
| Interest | \$ 18,899 | \$ 21,568 |
| Loan proceeds | - | - |
| Total revenues | <u>18,899</u> | <u>21,568</u> |
| EXPENDITURES | | |
| Economic development services | <u>1,293</u> | <u>66,389</u> |
| Total Expenditures | <u>1,293</u> | <u>66,389</u> |
| Net Change in Fund Balances | 17,606 | (44,821) |
| Fund Balance, beginning of year | 792,302 | 248,068 |
| Prior period adjustment | <u>-</u> | <u>589,055</u> |
| Fund Balance, end of year | <u>\$ 809,908</u> | <u>\$ 792,302</u> |

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Comparative Balance Sheet – IRP Loan Fund
September 30,

| | 2021 | Restated 2020 |
|---------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Restricted cash & cash equivalents | \$ 289,478 | \$ 203,899 |
| Notes receivable, net | 226,805 | 352,191 |
| Total assets | <u>\$ 516,283</u> | <u>\$ 556,090</u> |
| LIABILITIES | | |
| Total liabilities | <u>-</u> | <u>-</u> |
| FUND BALANCE | | |
| Restricted | 516,283 | 556,090 |
| Total fund balance | <u>516,283</u> | <u>556,090</u> |
| Total liabilities & fund balances | <u>\$ 516,283</u> | <u>\$ 556,090</u> |

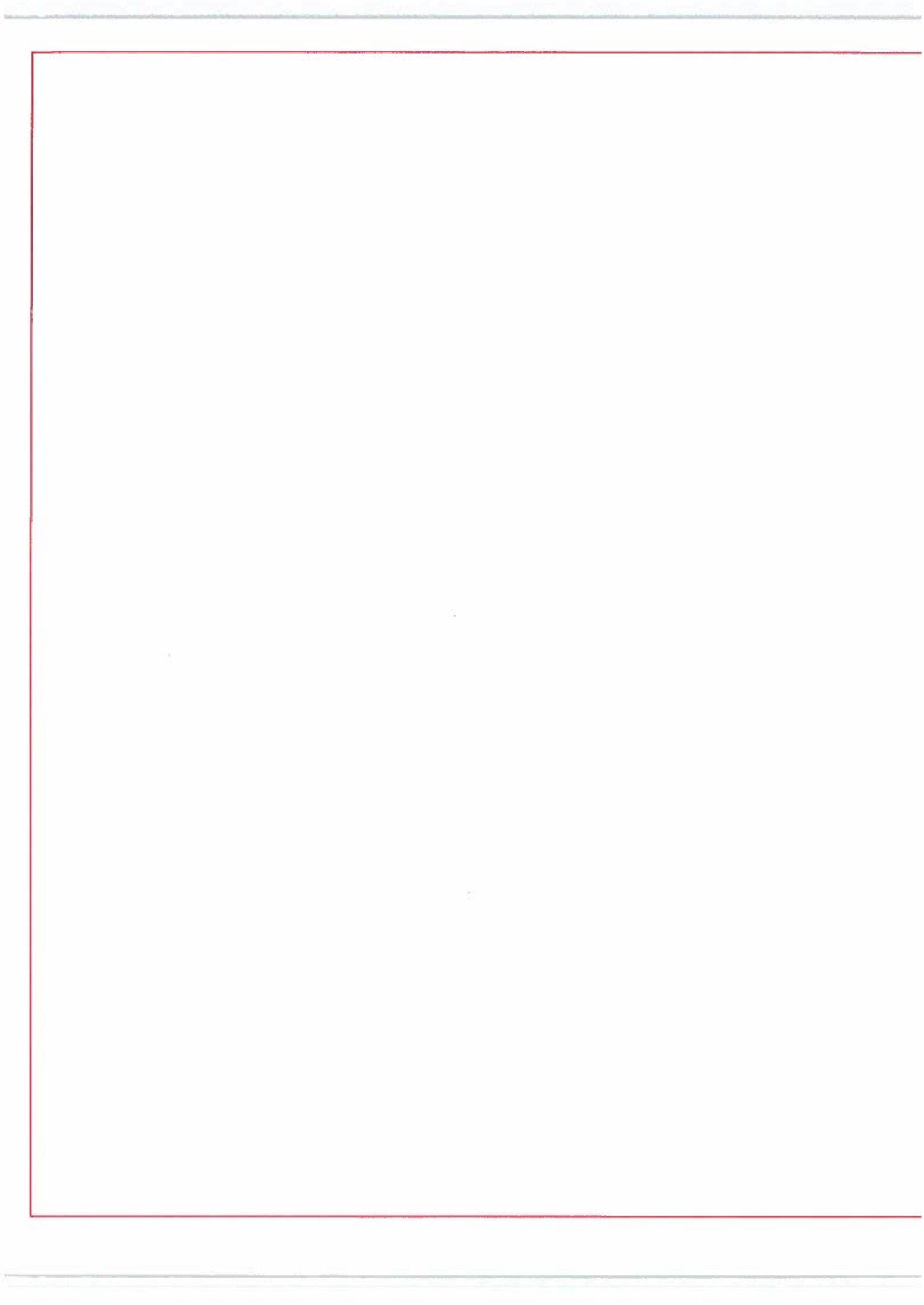
Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Comparative Statement of Revenues, Expenditures, and
Changes in Fund Balances – IRP Loan fund
For the Year Ended September 30,

| | 2021 | Restated 2020 |
|---------------------------------|-------------------|-------------------|
| REVENUES | | |
| Interest | \$ 8,103 | \$ 15,558 |
| Total revenues | <u>8,103</u> | <u>15,558</u> |
| EXPENDITURES | | |
| Economic development services | 17,062 | 1,371 |
| Debt Service: | | |
| Principal on debt | 25,056 | 24,808 |
| Interest on debt | 5,792 | 6,040 |
| Total Expenditures | <u>47,910</u> | <u>32,219</u> |
| Net Change in Fund Balances | (39,807) | (16,661) |
| Fund Balance, beginning of year | 556,090 | 178,104 |
| Prior period adjustment | - | 394,647 |
| Fund Balance, end of year | <u>\$ 516,283</u> | <u>\$ 556,090</u> |

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS

DRAFT

This page is intentionally left blank.



3. Executive Session: Section 551.087: Economic development negotiations for Project J. Duenas and Section 551.071: pending legal issues with delinquent notes and on any regular agenda item requiring confidential, attorney-client advice necessitated by the deliberation or discussion of said item as needed

4. Discussion and Action: item #3

5. Adjournmet