

---

---

**DEVELOPMENT CORPORATION OF MERCEDES**

**AUDITED ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED SEPTEMBER 30, 2022**

---

---

**ADRIAN WEBB**  
**CERTIFIED PUBLIC ACCOUNTANT**

DEVELOPMENT CORPORATION OF MERCEDES  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
 <b><u>Basic Financial Statements</u></b>	
Government Wide Statements:	
Statement of Net Position	11
Statement of Activities	12
Governmental Fund Financial Statements:	
Balance Sheet	13
Reconciliation of Governmental Fund Balance Sheets to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
Notes to the Financial Statements	17
 <b><u>Required Supplementary Information</u></b>	
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - IRP Loan Fund	43
Schedule of Changes in Net Pension Liability and Related Ratios for TMRS	44
Schedule of Contributions for TMRS	45
Schedule of Change in Total OPED Liability and Related Ratios for TMRS	47
 <b><u>Federal Section</u></b>	
Report on Compliance and Internal Control Over Financial Reporting Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

**ADRIAN WEBB**

---

**Certified Public Accountant**  
McAllen, Texas

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Development Corporation of Mercedes

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Development Corporation of Mercedes, a component unit of the City of Mercedes, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Development Corporation of Mercedes' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, of the Development Corporation of Mercedes, a component unit of the City of Mercedes, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Development Corporation of Mercedes, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

#### **Required Supplementary Information**

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

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Development Corporation of Mercedes basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022, on our consideration of the Development Corporation of Mercedes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Development Corporation of City of Mercedes' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Development Corporation of Mercedes' internal control over financial reporting and compliance.

*Adrian Webb, CPA*

ADRIAN WEBB, CPA

McAllen, Texas

January 24, 2023

## **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, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements which begin on page 11.

- Total government-wide net position increased by \$1,131,417 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 \$2,416,960.
- Total revenues in aggregate in the governmental funds increased from \$1,740,422 to \$2,113,906 in the current fiscal year, an increase of \$373,484 from previous fiscal year.
- Total expenditures in the aggregate in the governmental funds increased from \$1,566,782 in prior year to \$2,278,465 in the current year, an increase of \$711,683 from previous year.
- At the end of the current year, DCM's governmental funds reported an ending fund balance of \$6,659,678, out of which \$1,597,162 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 are intended to serve as an introduction to DCM's basic financial statements. DCM's basic financial comprise of 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 11-12.

## **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. DCM only consists of 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 13-16 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 17 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 42-43 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 44-46. Comparative balance sheet and statement of revenue, expenditures, and changes in fund balance for General

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

**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 \$2,416,960 at the close of the fiscal year; an increase of \$1,131,417 when compared to prior year. Total net position of \$2,416,960 is made up of restricted and unrestricted fund balances, which, at the end of the year, totaled \$1,722,317 and \$694,643, respectively.

Development Corporation of Mercedes  
Net Position  
September 30,

	Governmental Activities	
	2022	2021
Current and other assets	\$ 7,128,989	\$ 7,064,472
Capital assets	-	-
Total assets	7,128,989	7,064,472
 Total deferred outflows of resources	 22,178	 24,972
 Total assets and deferred outflows of resources	 7,151,167	 7,089,444
 Long-term liabilities	 4,593,018	 5,662,964
Other liabilities	90,558	104,723
Total liabilities	4,683,576	5,767,687
 Total deferred inflows of resources	 50,631	 36,214
 Net position		
Restricted	1,722,317	2,315,621
Unrestricted (deficit)	694,643	(1,030,078)
Total net position	2,416,960	1,285,543
 Total liabilities, deferred inflows of resources and net position	 \$ 7,151,167	 \$ 7,089,444

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

**Analysis of Changes in Net Position**

**Governmental activities.** During the current fiscal year, net position for governmental activities increased by \$1,131,417.

The following table summarizes the changes in the DCM's net position from its activities for the fiscal year ended September 30, 2022 and 2021:

Development Corporation of Mercedes		
Change in Net Position		
September 30,		
	Governmental Activities	
	2022	2021
Revenues:		
Geeneral Revenues		
General sales and use tax	\$ 1,957,184	\$ 1,616,316
Investment earnings	31,722	30,013
Sale of Redeveloped Assets	357,192	341
Total revenues	2,346,098	1,646,670
Expenses		
Administrative expenses	391,999	345,583
Economic Development	739,359	462,118
Interest on debt	83,323	159,761
Total expenses	1,214,681	967,462
Changes in net position	1,131,417	679,208
Net position, beginning of year	1,285,543	606,335
Net position, end of year	\$ 2,416,960	\$ 1,285,543

Total revenues generated from governmental activities for this year were \$2,346,098 reflecting a \$699,428 Increase/decrease compared to last year.

Overall expenses increased/decreased by \$247,2019.

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

**Financial Analysis of the Development Corporation of Mercedes Funds**

**Financial Analysis of the 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 \$6,569,678 an increase of \$192,631 in comparison with prior year. Overall, non-spendable, restricted, and unassigned fund balance of the general fund totaled and \$5,250,919.

**Revenues**

The following table presents a summary of revenues for the governmental funds for the fiscal years ended September 30, 2022 and 2021:

<b>Revenues</b>	2022		2021		Amount Increase/ (Decrease)	% Increase/ (Decrease)
	Balance	% of Total	Balance	% of Total		
Sales tax	\$ 1,957,184	93%	\$ 1,616,316	93%	\$ 340,868	-0.28%
Interest	31,722	2%	30,013	2%	1,709	-0.22%
Other	125,000	6%	94,093	5%	30,907	0.51%
Total Revenues	<u>\$ 2,113,906</u>	<u>100%</u>	<u>\$ 1,740,422</u>	<u>100%</u>	<u>\$ 373,484</u>	<u>0%</u>

The increase in sales tax revenue is due to there being no restrictions relating to COVID-19 placed on businesses compared to prior years. Additionally, there were less restrictions for international travel allowing the increase in economic activity.

**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, 2022 and 2021:

Expenditures	2022		2021		Amount Increase/ (Decrease)	% Increase/ (Decrease)
	Balance	% of Total	Balance	% of Total		
Administrative Services	\$ 403,886	18%	\$ 340,833	22%	\$ 63,053	-4%
Economic Development	739,359	32%	533,732	34%	205,627	-2%
Principal on Debt	1,051,897	46%	531,342	34%	520,555	12%
Interest on Debt	83,323	4%	160,875	10%	(77,552)	-7%
Total Expenditures	<u>\$2,278,465</u>	<u>100%</u>	<u>\$ 1,566,782</u>	<u>100%</u>	<u>\$ 711,683</u>	<u>0%</u>

The increase of expenditures for DCM in year ending September 30, 2022, is due to the payments for long-term debt which is a reduction in long-term liabilities. DCM also incurred an increase of expenditures for economic development for the City of Mercedes.

**Budgetary Highlights**

DCM adopts an annual appropriated budget for its general funds. Budgetary comparison statements have been provided for the general funds to demonstrate compliance with these budgets. Detail budgetary comparisons are included in the supplementary information in pages 42-43.

**General Fund.**

When comparing original and amended budget, revenues were amended to increase the original budget from \$1,449,963 to \$2,012,237 primarily to increase the original budget for sales tax by \$5,712,274. Total expenditures were amended to decrease the original budget from \$2,908,052 to \$2,361,129 primarily to decrease the budget for economic development services to \$718,495. At year-end, total actual revenues exceeded amended budget \$8,300 mainly due to sale of redevelopment assets in the amount of \$357,192. Total actual expenditures were below amended budget by \$115,671.

**IRP Fund**

Original budget was not amended during the year. When comparing budget to actual total revenues, actual total revenues exceeded budget by \$5,368. Expenditures did not exceed the budget in the amount of \$66.

**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, 2022, DCM's investment in capital assets, net of accumulated depreciation, for governmental activities was \$0 as all capital assets have been fully depreciated. Additional information on DCM's capital assets can be found in Note 7 - *Capital Assets*.

**Long-term debt**

As of September 30, 2022, DCM's long-term debt consisted of a bond, 3 notes payable and a settlement payable amounting to \$4,771,138. 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 9- *Long-Term Debt Obligations*.

**Economic Factors and Net 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 Hidalgo County as of November 2022 was 6.4 percent, which represents a decrease of 1.3 percent from prior year.

The 2022 General Fund and IRP Loan Fund budgets were adopted on a basis consistent with generally accepted accounting principles.

**Request 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.

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

EXHIBIT A-1

Data Control Codes	<u>Primary</u> <u>Government</u>
	Governmental Activities
<b>ASSETS</b>	
1010 Cash and Cash Equivalents	\$ 1,432,218
1050 Taxes Receivable, Net	320,698
1150 Receivables, Net	867,533
1260 Due from Other Governments	860,077
1611 Restricted Cash and Cash Equivalents	386,231
1990 Redevelopment Assets	<u>3,262,232</u>
1000 Total Assets	<u>7,128,989</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1997 Deferred Outflow Related to Pension Plan	17,982
1998 Deferred Outflow Related to OPEB	<u>4,196</u>
1500 Total Deferred Outflows of Resources	<u>22,178</u>
<b>LIABILITIES</b>	
2010 Accounts Payable	8,239
2020 Wages and Salaries Payable	3,514
2090 Due to Others	78,805
2140 Accrued Interest Payable	11,051
Noncurrent Liabilities:	
2501 Due Within One Year	1,053,242
Due in More Than One Year:	
2502 Due in More Than One Year	3,467,895
2580 Net Pension Liability	48,121
2585 Net OPEB Liability	<u>12,709</u>
2000 Total Liabilities	<u>4,683,576</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Inflow Related to Pension Plan	48,166
2603 Deferred Inflow Related to OPEB	<u>2,465</u>
2500 Total Deferred Inflows of Resources	<u>50,631</u>
<b>NET POSITION</b>	
3810 Restricted	1,722,317
3900 Unrestricted	<u>694,643</u>
3000 Total Net Position	<u>\$ 2,416,960</u>

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

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
100 General Government	\$ 391,999	\$ -	\$ -	\$ (391,999)
650 Economic Development and Assistance	739,359	-	-	(739,359)
720 Interest on Debt	83,323	-	-	(83,323)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,214,681</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,214,681)</b>

General Revenues:

Sales Taxes	1,957,184
Investment Earnings	31,722
Sale of Redevelopment Assets:	357,192
Total General Revenues and Transfers	2,346,098
Change in Net Position	1,131,417
Net Position - Beginning	1,285,543
Net Position - Ending	\$ 2,416,960

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

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022

	General Fund	RBEG Grant Fund	IRP Loan Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 975,698	\$ -	\$ -	\$ 975,698
Restricted Cash and Cash Equivalents	275,024	275,671	292,056	842,751
Taxes Receivable	320,698	-	-	320,698
Notes Receivable, Net	116,501	549,199	201,833	867,533
Due from City of Mercedes	391,324	-	-	391,324
Redevelopment Assets	3,262,232	-	-	3,262,232
Total Assets	<u>\$ 5,341,477</u>	<u>\$ 824,870</u>	<u>\$ 493,889</u>	<u>\$ 6,660,236</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 8,239	\$ -	\$ -	\$ 8,239
Wages and Salaries Payable	3,514	-	-	3,514
Due to Others	78,805	-	-	78,805
Total Liabilities	<u>90,558</u>	<u>-</u>	<u>-</u>	<u>90,558</u>
<b>FUND BALANCES</b>				
Non-Spendable	3,262,232	-	-	3,262,232
Restricted	391,525	824,870	493,889	1,710,284
Unassigned Fund Balance	1,597,162	-	-	1,597,162
Total Fund Balances	<u>5,250,919</u>	<u>824,870</u>	<u>493,889</u>	<u>6,569,678</u>
Total Liabilities and Fund Balances	<u>\$ 5,341,477</u>	<u>\$ 824,870</u>	<u>\$ 493,889</u>	<u>\$ 6,660,236</u>

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

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2022

---

Total Fund Balances - Governmental Funds	\$6,569,678
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital Assets totaled \$11,885, while Accumulated Depreciation was (\$11,885).	0
Long-Term receivable due from the City of Mercedes is not available to pay current expenditures and is not reported in the funds.	468,750
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.	(28,450)
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.	<u>(4,593,018)</u>
Net position of governmental activities	<u>\$2,416,960</u>

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Data Control Codes	General Fund	RBEG Grant Fund	IRP Loan Fund	Total Governmental Funds
<b>REVENUES:</b>				
5120 General Sales and Use Taxes	\$ 1,957,184	\$ -	\$ -	\$ 1,957,184
5610 Investment Earnings	6,147	16,437	9,138	31,722
5700 Other Revenue	125,000	-	-	125,000
5020 Total Revenues	<u>2,088,331</u>	<u>16,437</u>	<u>9,138</u>	<u>2,113,906</u>
<b>EXPENDITURES:</b>				
Current:				
0100 General Government	401,727	1,475	684	403,886
Conservation and Development:				
0650 Economic Development and Assistance	739,359	-	-	739,359
Debt Service:				
0710 Principal on Debt	1,026,590	-	25,307	1,051,897
0720 Interest on Debt	77,782	-	5,541	83,323
6030 Total Expenditures	<u>2,245,458</u>	<u>1,475</u>	<u>31,532</u>	<u>2,278,465</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(157,127)</u>	<u>14,962</u>	<u>(22,394)</u>	<u>(164,559)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7949 Sale of Redevelopment Assets	357,192	-	-	357,192
7080 Total Other Financing Sources (Uses)	<u>357,192</u>	<u>-</u>	<u>-</u>	<u>357,192</u>
1200 Net Change in Fund Balances	200,065	14,962	(22,394)	192,633
0100 Fund Balance - October 1 (Beginning)	<u>5,050,854</u>	<u>809,908</u>	<u>516,283</u>	<u>6,377,045</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 5,250,919</u>	<u>\$ 824,870</u>	<u>\$ 493,889</u>	<u>\$ 6,569,678</u>

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

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2022

---

Net Change in fund balance - governmental funds	\$192,633
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.	1,051,897
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.	(125,000)
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.	<u>11,887</u>
Change in net position of governmental activities	<u>\$1,131,417</u>

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**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.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

***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.

***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.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 2. Summary of Significant Accounting Policies- Continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the 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.

***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.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 2. Summary of Significant Accounting Policies- Continued**

**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.

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 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

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 2. Summary of Significant Accounting Policies- Continued**

*Excess of expenditures over appropriations*

At September 30, 2022, expenditures did not exceeded appropriations.

*Deficit Fund Balance or Fund Net position of Individual Funds*

The DCM does not have funds with a deficit fund balance at year-end.

*Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position*

**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**  
**For the Year Ended September 30, 2022**

**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, 2022, DCM's redevelopment assets include land and buildings totaling \$3,262,232.

**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:

Furniture and Equipment	3-15 years
-------------------------	------------

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 2. Summary of Significant Accounting Policies- 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 or resources* represent a consumption of net position that applies to 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 10 and 11.

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 expenses 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 of 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**  
**For the Year Ended September 30, 2022**

**Note 2. Summary of Significant Accounting Policies- Continued**

**Pensions**

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and addition 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 Roder 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 (commitment fund balance) or an assignment (assigned fund balance). The provision 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 or other governments: or (b) imposed by law through constitutional provisions enabling legislation.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 2. Summary of Significant Accounting Policies- Continued**

*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.

*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 remove it or revise a commitment. At September 31, 2022, 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.*”

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 3. Deposits and Investments**

It is a policy of DCM as well as a requirement in its Depository Agreement for deposits plus accrued interest thereon to be 102% secured 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 \$1,301,364 and the bank balance was \$1,445,674.

A breakdown of cash and investments are as follows:

Cash	\$	846,862
Cash - Restricted		456,519
Texas CLASS		128,836
Texas CLASS - Restricted		<u>386,231</u>
 Total Cash and Cash Equivalents	 \$	 <u>1,818,449</u>

Texas Cooperative Liquid Asset Securities Trust (“Texas CLASS”) is an investment pool (local government investment pool) for its participant 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 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 are 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 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 a 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 deposit 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.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 3. Deposits and Investments- Continued**

At September 30, 2022, DCM’s deposits and investment balances were fully insured or collateralized as required by state statutes.

*Interest rate risk-* Interest rate risk is the possibility of 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.

**Note 4. Sales Tax Receivable**

The City of Mercedes is the recipient of all Sales Taxes from the State Comptrollers for which the DCM is due 25% of all Sales Taxes due to the City of Mercedes. As of September 30, 2022, DCM had a balance of \$320,698.

**Note 5. Related Party Receivables**

Note Payable - City Portion

On March 1, 2016, DCM established a resolution with the City of Mercedes to fund debt service requirement obligations by 50% payable to Valley Telephone Cooperative. The City makes monthly payments to DCM in the amount of \$10,417 to make the principal payments to Valley Telephone Cooperative. The outstanding balance due from the City as of September 30, 2022 was \$468,750. Refer to *Note. 9 Long-term Obligations – Notes Payable* for more information.

VTX Note Receivable

The DCM and the City of Mercedes reached a resolution in regards to proceeds earned by the City for sale of property to which DCM had liens to. The amount still due to DCM by the City of Mercedes has a remaining balance of \$391,324 as of September 30, 2022.

Related Party Receivable as September 30, 2022, consist of the following:

<u>Due From city of Mercedes</u>	
Valley Telephone Cooperative	468,753
VTX Note	391,324
Total Intergovernmental Receivables	\$ 860,077

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 6. Note Receivables**

As an inducement to expand economic business operations in the City of Mercedes, Texas, DCM accepted notes from various business. 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 as of September 30, 2022, consist of the following:

DeleGarza Bakery	\$ 97,318
MD International (Orb-Galvan)	116,501
MD International	48,000
MD International (Galvan)	115,652
First National Bank (Gomez)	16,133
First National Bank (Gomez)	25,822
Mario and Martha Castaneda	65,641
Reybotic, LLC	146,280
Ashley Werbisky	7,706
Raquel Moreno	4,408
The Grind	38,214
Top Gym	37,840
Valor Fitness LLC	47,269
NTM Ventures LLC	85,260
Ashley R. Gonzalez	43,815
Total notes receivable	<u>895,860</u>
Less: Allowance for Uncollectible	<u>(28,327)</u>
Total Notes Receivable, net	<u><u>\$ 867,533</u></u>

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 7. Capital Assets**

	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				
Furniture and equipment	11,885	-	-	11,885
Total accumulated depreciation	11,885	-	-	11,885
Capital assets net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No Depreciation expense was incurred as of September 30, 2022.

**Note 8. Other Liabilities**

As of September 30, 2022, DCM had the following other liabilities:

Payable to	Governmental Activities
Accounts Payable	\$ 8,238
Payroll Liabilities	3,514
Due to City of Mercedes	78,805
Total Other Liabilities	<u>\$ 90,557</u>

**Note 9. Long-term Debt Obligations**

***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, 2022, the principal outstanding on the bond was \$1,225,000.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 9. Long-term Debt and Liabilities- Continued**

The annual requirements to retire bonds payable are as follows:

	Governmental Activities		
	Bonds Payable		Total
Year ended September 30,	Principal	Interest	Requirements
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	265,000	12,058	277,058
Total	1,225,000	171,764	1,396,764
Current portion	\$ (225,000)	\$ (55,738)	\$ (280,738)
Total due in more than one year	1,000,000	116,026	1,116,026

***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 IRP revolving fund and various collateral obtained as a result of lending activity. As of September 30, 2022, the principal outstanding on the note was \$528,811.

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 a security interest in sales tax revenue. As of September 30, 2022, the principal outstanding on the note was \$291,971.

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 began on February 17, 2016 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, 2022, the principal outstanding on the note was \$937,500.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 9. Long-term Debt and Liabilities- Continued**

The annual requirements to retire notes payable are as follows:

	Governmental Activities		
	Notes Payable		Total
Year ended September 30,	Principal	Interest	Requirements
2023	\$ 384,535	\$ 20,828	\$ 405,364
2024	402,819	13,790	416,609
2025	331,664	5,751	337,415
2026	213,834	4,514	218,348
2027	26,598	4,250	30,848
2028-2032	144,022	10,218	154,240
2033-2037	144,022	10,218	154,240
2038-2041	117,376	2,903	120,279
Total	<u>1,764,871</u>	<u>72,473</u>	<u>1,837,343</u>
Current portion	<u>\$ (384,535)</u>	<u>\$ (20,828)</u>	<u>\$ (405,364)</u>
Total due in more than one year	<u>1,380,335</u>	<u>51,644</u>	<u>1,431,979</u>

***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, 2022, the principal outstanding was \$1,529,856. Annual requirements to pay off the settlement payable are for a period of 10 years and are based on sales tax collections received from the Texas Comptroller. The amount due in one year for the settlement payable is based on management's estimate of anticipated eligible sales tax collections.

Long-term debt liability activity for the year ended September 30, 2022 was as followed:

Governmental Activities	Beginning	Increase	Decrease	Ending Balance	Due in One
	Balance				Year
Notes Payable	\$ 2,159,471	\$ -	(393,189)	\$ 1,766,282	\$ 384,535
Bond payable	1,440,000	-	(215,000)	1,225,000	225,000
Settlement payable	1,973,563	-	(443,707)	1,529,856	443,707
	<u>\$ 5,573,034</u>	<u>\$ -</u>	<u>\$ (1,051,896)</u>	<u>\$ 4,521,138</u>	<u>\$ 1,053,242</u>

**Development Corporation of Mercedes  
(A Component Unit of the City of Mercedes, Texas)  
Notes to Financial Statements  
For the Year Ended September 30, 2022**

**Note 10. Defined 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, 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, appoint the Board, TMRS is not fiscally dependent on the State of Texas TMRS' 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 that can be obtained at [www.tmr.com](http://www.tmr.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 of statues governing TMRS.

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

***Employees covered by benefit terms***

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

	TMRS
Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but no yet receiving benefits	138
Active employees	128
Total participants	346

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

**Development Corporation of Mercedes  
(A Component Unit of the City of Mercedes, Texas)  
Notes to Financial Statements  
For the Year Ended September 30, 2022**

**Note 10. Defined Pension Plan - Continued**

**Contributions**

The contribution rate for employees in TMRS is 7% of employee gross earnings, and the City matching percentage is 200%, both 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 cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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 16.94% and 15.79% in calendar year 2020 and 2021 respectively. The DCM contribution to TMRS for the year ended September 30, 2022 were \$20,247, and were equal to retirement contributions.

**Net Pension Liability**

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

Schedule of Actuarial Assumptions

Valuation Date	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increase	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality 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(1) 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.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 10.                      Defined Pension Plan – Continued**

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 1.84% (based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index). A single discount rate of 6.75% was used to measure the total pension liability as of December 31, 2021. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. Based on the stated assumptions and the projection of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

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**  
**For the Year Ended September 30, 2022**

**Note 10. Defined Pension Plan – Continued**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/20	\$ 23,700,155	\$ 20,985,186	\$ 2,714,969
Changes for the year:			
Service cost	924,643		924,643
Interest	1,587,158		1,587,158
Change in benefit terms	-		-
Diff between expected/actual experience	418,406		418,406
Changes of assumptions	-		-
Contributions - employer		879,935	(879,935)
Contributions - employee		368,174	(368,174)
Net investment income		2,737,517	(2,737,517)
Benefit payments, including refunds of employee contributions	(1,298,057)	(1,298,057)	-
Administrative expenses		(12,658)	12,658
Other charges		87	(87)
Net changes	1,632,150	2,674,998	(1,042,848)
Balance at 12/31/21	\$ 25,332,305	\$ 23,660,184	\$ 1,672,121

Net pension liability allocation:

City of Mercedes	97.1%	\$ 1,624,000
Development Corporation of Mercedes	2.9%	\$ 48,121

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 5,276,670	\$ 1,672,121	\$ (1,254,849)

**Development Corporation of Mercedes  
(A Component Unit of the City of Mercedes, Texas)  
Notes to Financial Statements  
For the Year Ended September 30, 2022**

**Note 10. Defined Pension Plan – Continued**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

**Related to Pensions**

For the year ended September 30, 2022, the City recognized pension expense in the amount of \$72,087.

At September 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 309,446	\$ 257,332
Changes in actuarial assumptions	\$ 25,131	\$ -
Differences between projected and actual investment earnings (net of current year amortization)	\$ -	\$ 1,416,380
Contributions subsequent to the measurement date	632,786	
Total	\$ 967,363	\$ 1,673,712

\$632,782 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions expense as follows:

Fiscal Year Ending September 30,	
2023	\$ (320,476)
2024	\$ (546,347)
2025	\$ (208,109)
2026	\$ (264,203)
2027	\$ -
Thereafter	\$ -

**Development Corporation of Mercedes  
(A Component Unit of the City of Mercedes, Texas)  
Notes to Financial Statements  
For the Year Ended September 30, 2022**

**Note 11. 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 comprehensive annual financial report that can be obtained at [www.tmr.com](http://www.tmr.com)

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

Employees Covered by Benefit Terms

	TMRS
Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but no yet receiving benefits	11
Active employees	128
Total participants	197

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, 2021 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  
For the Year Ended September 30, 2022**

**Note 11. Other Post Employment Benefits (OPEB)**

**Summary of Actuarial Assumptions:**

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount rate*	1.84%
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under requirements of GASB no. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis 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 floor.

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

**Total OPEB Liability**

Employees for the City of Mercedes were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.94% and 15.79% in calendar 2021 and 2022 respectively. The City's contributions to TMRS for your ended September 30, 2022 were \$11,840 and were equal to the required Contributions.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 11. Other Post Employment Benefits (OPEB) - Continued**

	Increase (Decrease)
	Total OPEB Liability (a)
Balance at 12/31/20	\$ 409,958
Changes for the year:	
Service cost	22,616
Interest	8,357
Change in benefit terms	-
Diff between expected/actual experience	(6,176)
Changes of assumptions	13,696
Contributions - employer	
Contributions - employee	
Net investment income	
Benefit payments, including refunds of employee contributions	(6,838)
Administrative expenses	
Other charges	
Net changes	31,655
Balance at 12/31/21	\$ 441,613

Net OPEB allocation:

<u>City of Mercedes</u>	<u>97.1%</u>	<u>\$ 428,904</u>
<u>Development Corporation of Mercedes</u>	<u>2.9%</u>	<u>\$ 12,709</u>

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

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

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's total OPEB liability	\$ 540,054	\$ 441,613	\$ 365,159

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 11. Other Post Employment Benefits (OPEB) - Continued**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2022 the City recognized OPEB expense in the amount of \$48,377.

At September 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience (net of current year amortization)	\$ 55,972	\$ 78,776
Changes in actuarial assumptions	\$ 81,018	\$ 6,899
Differences between projected and actual investment earnings (net of current year amortization)	\$ -	\$ -
Contributions subsequent to the measurement date	8,817	
Total	\$ 145,807	\$ 85,675

\$8,817 of deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30,	
2023	\$17,404
2024	\$15,747
2025	\$ 5,891
2026	\$ 7,311
2027	\$ 4,756
Thereafter	\$ 206

**Note 12. Risk Management**

DCM is exposed to various risk 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 2022, 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.

**Development Corporation of Mercedes**  
**(A Component Unit of the City of Mercedes, Texas)**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2022**

**Note 13. Contingencies**

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

**Note 14. Economic Incentive Commitments**

DCM extended economic incentives to the following entities:

<i><b>Incentives</b></i>	<b>Commitment</b>	<b>Paid Previos Years</b>	<b>Paid in Current Year</b>	<b>Balance Due</b>
Knapp Medical Center	\$ 750,000	\$ 675,000	\$ 75,000	\$ -
OA Mercedes Health Realty	590,000	531,000	59,000	\$ -
Rio Grande Livestock Show	300,000	175,000	25,000	\$ 100,000
Raybecc Ohio Street LLC	200,000	150,000	50,000	\$ -
Texas Rio Grande Legal Aid	330,000	305,000	25,000	\$ -
Bert Ogden	300,000	-	-	\$ 300,000
La Herencia	200,000	66,000	66,000	\$ 68,000
Orchard Grove Apartments	450,000	250,000	50,000	\$ 150,000
	<u>\$ 3,120,000</u>	<u>\$ 2,152,000</u>	<u>\$ 350,000</u>	<u>\$ 618,000</u>

Subsequent year balances of \$618,000 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.

**Note 15. Operating Lease Commitments**

The DCM leases office space under operating leases. Total costs for this lease as of September 30, 2022, was \$7,791. The future minimum lease payments for this lease are as follows:

Year Ending September 30, 2023,	\$7,791
---------------------------------	---------

**Note 16. Related Party Transactions**

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

As of September 30, 2022, as stated in Note 5, the City of Mercedes owes \$860,074 to DCM, which is recorded as Due From City of Mercedes. DCM owes City of Mercedes and Mercedes Industrial Foundation as a Due to in the Statement of Net Position and Balance Sheet.

**Note 17. Subsequent Events**

Management evaluated all events or transactions that occurred after September 30, 2022, through January 25, 2023, the date the current year's financial statements were available to be issued.

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5120 General Sales and Use Taxes	\$ 1,367,521	\$ 1,879,795	\$ 1,957,184	\$ 77,389
5610 Investment Earnings	7,442	7,442	6,147	(1,295)
5700 Other Revenue	125,000	125,000	125,000	-
5020 Total Revenues	1,499,963	2,012,237	2,088,331	76,094
<b>EXPENDITURES:</b>				
Current:				
0100 General Government	389,620	431,192	401,727	29,465
Conservation and Development:				
0650 Economic Development and Assistance	1,536,799	818,304	739,359	78,945
Debt Service:				
0710 Principal on Debt	896,590	1,026,590	1,026,590	-
0720 Interest on Debt	84,043	84,043	77,782	6,261
Capital Outlay:				
0800 Capital Outlay	1,000	1,000	-	1,000
6030 Total Expenditures	2,908,052	2,361,129	2,245,458	115,671
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,408,089)	(348,892)	(157,127)	191,765
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	357,192	357,192	-
7080 Total Other Financing Sources (Uses)	-	357,192	357,192	-
1200 Net Change	(1,408,089)	8,300	200,065	191,765
0100 Fund Balance - October 1 (Beginning)	5,050,854	5,050,854	5,050,854	-
3000 Fund Balance - September 30 (Ending)	\$ 3,642,765	\$ 5,059,154	\$ 5,250,919	\$ 191,765

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

MERCEDES ECONOMIC DEVELOPMENT CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - IRP  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5610 Investment Earnings	\$ 3,770	\$ 3,770	\$ 9,138	\$ 5,368
5020 Total Revenues	3,770	3,770	9,138	5,368
EXPENDITURES:				
Current:				
0100 General Government	750	750	684	66
Debt Service:				
0710 Principal on Debt	25,307	25,307	25,307	-
0720 Interest on Debt	5,541	5,541	5,541	-
6030 Total Expenditures	31,598	31,598	31,532	66
1200 Change in Fund Balance	(27,828)	(27,828)	(22,394)	5,434
0100 Fund Balance - October 1 (Beginning)	516,283	516,283	516,283	-
3000 Fund Balance - September 30 (Ending)	\$ 488,455	\$ 488,455	\$ 493,889	\$ 5,434

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

DEVELOPMENT CORPORATION OF MERCEDES  
(A COMPONENT UNIT OF THE CITY OF MERCEDES)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>							
Service cost	\$ 924,643	\$ 931,185	\$ 814,509	\$ 723,965	\$ 712,113	\$ 740,529	\$ 753,182
Interest (on the total pension liability)	1,587,158	1,522,121	1,487,612	1,447,569	1,398,746	1,332,821	1,296,517
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	418,406	(209,134)	(490,403)	(398,692)	(478,060)	(236,560)	(421,205)
Change of assumptions	-	-	96,939	-	-	-	193,616
Benefit payments, including refunds of employee contributions	(1,298,057)	(1,256,720)	(1,654,784)	(794,999)	(1,035,847)	(655,971)	(527,954)
<b>Net Change in Total Pension Liability</b>	<u>1,632,150</u>	<u>987,452</u>	<u>253,873</u>	<u>977,843</u>	<u>596,952</u>	<u>1,180,819</u>	<u>1,294,156</u>
<b>Total Pension Liability - Beginning</b>	<u>23,700,155</u>	<u>22,712,703</u>	<u>22,458,830</u>	<u>21,480,987</u>	<u>20,884,035</u>	<u>19,703,216</u>	<u>18,409,060</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$25,332,305</u></u>	<u><u>\$23,700,155</u></u>	<u><u>\$22,712,703</u></u>	<u><u>\$22,458,830</u></u>	<u><u>\$21,480,987</u></u>	<u><u>\$20,884,035</u></u>	<u><u>\$17,703,216</u></u>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 879,935	\$ 959,839	\$ 827,756	\$ 766,842	\$ 783,036	\$ 789,320	\$ 847,433
Contributions - employee	368,174	371,413	319,774	288,596	286,977	289,431	301,273
Net investment income	2,737,517	1,476,699	2,675,917	(526,655)	2,135,982	950,023	19,805
Benefit payments, including refunds of employee contributions	(1,298,057)	(1,256,720)	(1,654,784)	(794,999)	(1,035,847)	(655,971)	(52,794)
Administrative expense	(12,658)	(9,550)	(15,104)	(10,170)	(11,068)	(10,722)	(12,061)
Other	87	(373)	(454)	(531)	(561)	(578)	(596)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>2,674,998</u>	<u>1,541,308</u>	<u>2,153,105</u>	<u>(276,917)</u>	<u>2,158,519</u>	<u>1,361,503</u>	<u>627,900</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>20,985,186</u>	<u>19,443,877</u>	<u>17,290,773</u>	<u>17,567,690</u>	<u>15,409,172</u>	<u>14,047,669</u>	<u>13,419,769</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$23,660,184</u></u>	<u><u>\$20,985,185</u></u>	<u><u>\$19,443,878</u></u>	<u><u>\$17,290,773</u></u>	<u><u>\$17,567,691</u></u>	<u><u>\$15,409,172</u></u>	<u><u>\$14,047,669</u></u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u><u>\$ 1,672,121</u></u>	<u><u>\$ 2,714,970</u></u>	<u><u>\$ 3,268,825</u></u>	<u><u>\$ 5,168,057</u></u>	<u><u>\$ 3,913,296</u></u>	<u><u>\$ 5,474,863</u></u>	<u><u>\$ 5,655,547</u></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	93.40%	88.54%	85.61%	76.99%	81.78%	73.78%	71.30%
<b>Covered Payroll</b>	\$ 5,259,629	\$ 5,305,900	\$ 4,568,193	\$ 4,122,806	\$ 4,099,672	\$ 4,134,721	\$ 4,403,896
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	31.79%	51.17%	71.56%	125.35%	95.45%	132.41%	131.41%

DEVELOPMENT CORPORATION OF MERCEDES  
(A COMPONENT UNIT OF THE CITY OF MERCEDES)  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Fiscal Year Ended September 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 876,640	\$ 959,839	\$ 933,895	\$ 809,721	\$ 783,036	\$ 795,685	\$ 810,771	\$ 810,771
Contributions in relation to actuarially determined contribution	<u>(876,640)</u>	<u>(959,839)</u>	<u>(933,895)</u>	<u>(809,721)</u>	<u>(783,036)</u>	<u>(795,685)</u>	<u>(810,771)</u>	<u>(810,771)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,447,028	\$ 5,305,900	\$ 4,568,193	\$ 4,122,806	\$ 4,099,672	\$ 4,134,721	\$ 4,303,896	\$ 4,303,896
Contributions as a percentage of covered payroll	16.09%	18.09%	20.44%	19.64%	19.10%	19.24%	18.84%	18.84%

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  
Amortization Method  
Remaining Amortization Period  
Asset Valuation Method  
Inflation  
Salary Increases  
Investment Rate of Return  
Retirement Age

Entry Age Normal  
Level Percentage of Payroll, Closed  
14 years  
10 Year smoothed market; 12% soft corridor  
2.5%  
3.5% to 11.5% including inflation  
6.75%  
Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality

Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(1) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

There were no benefit changes during the year.

DEVELOPMENT CORPORATION OF MERCEDES  
(A COMPONENT UNIT OF THE CIT OF MERCEDES)  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Plan Year Ended December 31,				
	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service cost	\$ 22,616	\$ 20,162	\$ 14,161	\$ 14,018	\$ 11,889
Interest (on the total OPEB liability)	8,357	8,866	14,145	8,541	8,257
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(6,176)	14,641	(139,319)	120,401	-
Change of assumptions	13,696	55,292	51,382	(18,067)	20,239
Benefit payments, including refunds of employee contribu	(6,838)	(2,653)	(1,827)	(1,649)	(2,050)
<b>Net Change in Total OPEB Liability</b>	<u>31,655</u>	<u>96,308</u>	<u>(61,458)</u>	<u>123,244</u>	<u>38,335</u>
<b>Total OPEB Liability - Beginning</b>	<u>409,958</u>	<u>313,644</u>	<u>375,102</u>	<u>251,858</u>	<u>213,523</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 441,613</u></u>	<u><u>\$ 409,952</u></u>	<u><u>\$ 313,644</u></u>	<u><u>\$ 375,102</u></u>	<u><u>\$ 251,858</u></u>
<b>Covered Payroll</b>	\$ 5,259,629	\$5,305,900	\$4,568,193	\$4,122,806	\$4,099,672
<b>Total OPEB Liability as a Percentage of Covered Payro</b>	8.40%	7.73%	6.87%	9.10%	6.14%

Notes to Schedule of Contributions

---

**Valuation Date:** December 31, 2021

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:**

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	2.00%
Retirement Age	N/A
Mortality	Service retirees: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. 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 31,2021

# **ADRIAN WEBB, CPA**

**Certified Public Accountant**

**McAllen, Texas**

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

Independent Auditor's Report

To the Board of Directors  
Development Corporation of Mercedes

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund, of the Development Corporation of Mercedes (Corporation), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated January 24, 2023.

## **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Adrian Webb, CPA*  
ADRIAN WEBB, CPA  
Certified Public Accountant

McAllen, Texas

January 24, 2023