
DEVELOPMENT CORPORATION OF MERCEDES

AUDITED ANNUAL FINANCIAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 2023

ADRIAN WEBB

CERTIFIED PUBLIC ACCOUNTANT

DEVELOPMENT CORPORATION OF MERCEDES
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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ADRIAN WEBB

Certified Public Accountant

Edinburg, Texas

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2023, 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, 2023, 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 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 the 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 February 20, 2024, 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.

Regards,

Adrian Webb, CPA
ADRIAN WEBB, CPA

Edinburg, Texas
February 20, 2024

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, 2023. 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 \$1,111,806 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 \$3,535,065.
- Total revenues in aggregate in the governmental funds increased from \$2,113,906 to \$2,282,156 in the current fiscal year, an increase of \$168,250 from the previous fiscal year.
- Total expenditures in aggregate in the governmental funds decreased from \$2,278,465 in the previous year to \$2,192,823 in the current year, a decrease of \$85,642 from the previous year.
- At the end of the current year, DCM's governmental funds reported an ending fund balance of \$6,679,011, out of which \$1,709,907 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 the 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 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 45-46 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 47-49. 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 \$3,535,065 at the close of the fiscal year; an increase of \$1,118,105, when compared to the prior year. Total net position is made up of restricted and unrestricted fund balances, which, at the end of the year, totaled \$1,568,844, and \$1,966,221, respectively.

Development Corporation of Mercedes
Statement of Net Position
As of September 30,

	Governmental Activities	
	2023	2022
Current and other assets	\$ 7,137,466	\$ 7,128,989
Total assets	7,137,466	7,128,989
Total deferred outflows of resources	107,019	22,178
Total assets and deferred outflows of resources	7,244,485	7,151,167
Long-term liabilities	2,370,703	4,593,018
Other liabilities	1,273,151	90,558
Total liabilities	3,643,854	4,683,576
Total deferred inflows of resources	65,566	50,631
Net position		
Restricted	1,568,844	1,722,317
Unrestricted	1,966,221	694,643
Total net position	3,535,065	2,416,960
Total liabilities, deferred inflows of resources, and net position	\$ 7,244,485	\$ 7,151,167

**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 \$1,118,105.

The following table summarizes the changes in the DCM's net position from governmental activities for the fiscal year ended September 30, 2023, and 2022:

Development Corporation of Mercedes Change in Net Position For the Year Ended September 30,			Governmental Activities	
			2023	2022
Revenues:				
General sales and use tax	\$	2,101,933	\$	1,957,184
Investment earnings		49,997		31,722
Other Sources		-		357,192
Total revenues		<u>2,151,930</u>		<u>2,346,098</u>
Expenses:				
Administrative expenses		471,632		391,999
Economic Development		485,818		739,359
Interest on debt		76,374		83,323
Total expenses		<u>1,033,824</u>		<u>1,214,681</u>
Changes in net position		<u>1,118,106</u>		<u>1,131,417</u>
Net position, beginning of year		<u>2,416,960</u>		<u>1,285,543</u>
Net position, end of year	\$	<u>3,535,065</u>	\$	<u>2,416,960</u>

Total revenues generated from governmental activities for this year were \$2,151,930 reflecting a \$194,168 decrease compared to the previous year. This decrease is primarily due to a decrease in other sources of income totaling \$357,192. Overall expenses decreased by \$180,856.

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 \$6,679,011, an increase of \$109,333 in comparison with the prior year. Overall, the non-spendable, restricted, and unassigned fund balances of the general fund totaled \$5,365,022.

Revenues

The following table presents a summary of revenues for the governmental funds for the fiscal years ended September 30, 2023, and 2022:

Revenue	2023	% of	2022	% of	Amount	% Increase / (Decrease)
	Balance	Total	Balance	Total	Increase / (Decrease)	
Sales tax	\$ 2,101,933	92%	\$ 1,957,184	93%	\$ 144,749	7%
Intergovernmental Revenue and Grants	130,226	6%	125,000	6%	5,226	4%
Investment Earnings	49,997	2%	31,722	1%	18,275	58%
Total Revenue	<u>\$ 2,282,156</u>	<u>100%</u>	<u>\$ 2,113,906</u>	<u>100%</u>	<u>\$ 43,250</u>	<u>69%</u>

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, 2023, and 2022:

Expenditures	2023		2022		Amount	% Increase/
	Balance	% of Total	Balance	% of Total	Increase/ (Decrease)	(Decrease)
Administrative Services	\$ 486,213	22%	\$ 403,886	18%	\$ 82,327	20.38%
Economic Development	486,178	22%	739,359	32%	(253,181)	-34.24%
Principal on Debt	1,139,905	52%	1,051,897	46%	88,008	8.37%
Interest on Debt	80,527	4%	83,323	4%	(2,796)	-3.36%
Total Expenditures	<u>\$ 2,192,823</u>	<u>100%</u>	<u>\$ 2,278,465</u>	<u>100%</u>	<u>\$ (85,642)</u>	<u>-8.85%</u>

The decrease of expenditures for DCM in the year ending September 30, 2023, is mainly due to a decrease 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 on pages 45-46.

General Fund

When comparing the original and amended budget, revenues were amended to increase the original budget from \$2,012,237 to \$2,156,112 primarily to increase the original budget for sales tax by \$150,808. Total expenditures were amended to increase the original budget from \$2,956,981 to \$3,100,856 primarily to increase the budget for economic development services to \$189,829. As of year-end, total actual revenues exceeded the amended budget by \$97,547 mainly due to an increase in General Sales and Use Taxes totaling \$71,330. Total actual expenditures were below the amended budget by \$941,300 due to decreases in the General Government and Economic Development and Assistance expenditures.

IRP Loan Fund

The original budget was not amended during the year. When comparing budget to actual total revenues, actual total revenues exceeded budget by \$6,837. The current year's actual expenditures exceeded the budget in the amount of \$569.

RBEG Grant Fund

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

Development Corporation of Mercedes Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2023, DCM's investment in capital assets, net of accumulated depreciation, for governmental activities was \$33,042, which consisted of Right-to-Use Capital Assets. Additional information on DCM's capital assets can be found in Note 7 - *Capital Assets*.

Long-term Debt

As of September 30, 2023, DCM's long-term debt consisted of a bond, 3 notes payable, 2 leases payable, and a settlement payable amounting to \$3,414,484. The leases payable originated during the current year. Proceeds from long-term debt issued in prior years have 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 2023 was 5.8 percent, which represents a decrease of 0.6 percent from the prior year.

The 2023 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 the 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.

MERCEDESECONOMICDEVELOPMENTCORPORATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1010 Cash and Cash Equivalents	\$ 1,025,511
1011 Restricted Cash and Cash Equivalents	888,993
1050 Taxes Receivable, Net	364,126
1150 Notes Receivable, Net	832,152
1151 Note Receivable - City of Mercedes	338,527
1260 Due from City of Mercedes	341,324
Capital Assets:	
1760 Capital Assets Being Depreciated, Net	33,042
1990 Redevelopment Assets	3,313,791
1000 Total Assets	<u>7,137,466</u>
DEFERRED OUTFLOWS OF RESOURCES	
1997 Deferred Outflow Related to Pension Plan	101,808
1998 Deferred Outflow Related to OPEB	5,211
1500 Total Deferred Outflows of Resources	<u>107,019</u>
LIABILITIES	
2010 Accounts Payable	1,529
2020 Wages and Salaries Payable	6,553
2090 Due to Others	78,805
2140 Accrued Interest Payable	5,969
2240 Debt Service Due Within One Year	1,161,057
2260 Right-to-Use Leases Payable - Current	19,239
Noncurrent Liabilities:	
Due in More Than One Year:	
2502 Debt Service	2,234,188
2580 Net Pension Liability	127,777
2585 Net OPEB Liability	8,738
2000 Total Liabilities	<u>3,643,855</u>
DEFERRED INFLOWS OF RESOURCES	
2602 Deferred Inflow Related to Pension Plan	57,873
2603 Deferred Inflow Related to OPEB	7,693
2500 Total Deferred Inflows of Resources	<u>65,566</u>
NET POSITION	
3810 Restricted for	1,568,844
3900 Unrestricted	1,966,221
3000 Total Net Position	<u>\$ 3,535,065</u>

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

MERCEDSECONOMICDEVELOPMENTCORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
¹⁰⁰ General Government	\$ 471,632	\$ -	\$ -	\$ (471,632)
⁶⁵⁰ Economic Development and Assistance	485,818	-	-	(485,818)
⁷²⁰ Interest on Debt	76,374	-	-	(76,374)
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,033,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,033,824)</u>
General Revenues:				
Sales Taxes				2,101,933
Investment Earnings				<u>49,997</u>
Total General Revenues				<u>2,151,930</u>
Change in Net Position				1,118,106
Net Position - Beginning				<u>2,416,959</u>
Net Position - Ending				<u>\$ 3,535,065</u>

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

MERCEDSECONOMICDEVELOPMENTCORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

Data Control Codes		General Fund	RBEG Grant Fund	IRP Loan Fund	Total Governmental Funds
ASSETS					
1010	Cash and Cash Equivalents	\$ 1,025,511	\$ -	\$ -	\$ 1,025,511
1011	Restricted Cash and Cash Equivalents	287,340	281,813	319,840	888,993
1050	Taxes Receivable	364,126	-	-	364,126
1150	Notes Receivable, Net	103,389	553,078	175,685	832,152
1260	Due from City of Mercedes	341,324	-	-	341,324
1300	Due from Other Funds	16,427	5,789	-	22,216
1990	Redevelopment Assets	3,313,791	-	-	3,313,791
1000	Total Assets	<u>\$ 5,451,908</u>	<u>\$ 840,680</u>	<u>\$ 495,525</u>	<u>\$ 6,788,113</u>
LIABILITIES					
2010	Accounts Payable	\$ 1,529	\$ -	\$ -	\$ 1,529
2020	Wages and Salaries Payable	6,553	-	-	6,553
2080	Due to Other Funds	-	-	22,216	22,216
2090	Due to Others	78,805	-	-	78,805
2000	Total Liabilities	<u>86,887</u>	<u>-</u>	<u>22,216</u>	<u>109,103</u>
FUND BALANCES					
3445	Non-spendable Fund Balance	3,313,791	-	-	3,313,791
3590	Restricted Fund Balance	341,324	840,680	473,309	1,655,313
3600	Unassigned Fund Balance	1,709,907	-	-	1,709,907
3000	Total Fund Balances	<u>5,365,022</u>	<u>840,680</u>	<u>473,309</u>	<u>6,679,011</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,451,909</u>	<u>\$ 840,680</u>	<u>\$ 495,525</u>	<u>\$ 6,788,114</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, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds		\$ 6,679,011
Amounts Reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		33,042
Long-term receivable due from the City of Mercedes is not available to pay current expenditures in the funds.		338,537
Right-to-Use lease liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported in the funds.		(33,251)
Interest on long-term debt is not accrued in the governmental funds, but is recognized as an expenditure in the funds.		(5,969)
Deferred outflows and (inflows) of resources related to net pension and OPEB Liabilities are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual.		
Pension Outflows	101,798	
Pension Inflows	(57,873)	
OPEB Outflows	5,211	
OPEB Inflows	(7,693)	41,443
Long-term liabilities, including net pension and total OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(127,777)	
Net OPEB Liability	(8,738)	
Bonds and Notes Payable	(3,381,233)	(3,517,748)
Net position of governmental activities		\$ 3,535,065

MERCEDSECONOMICDEVELOPMENTCORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Data Control Codes	General Fund	RBEG Grant Fund	IRP Loan Fund	Total Governmental Funds
REVENUES:				
5120 General Sales and Use Taxes	\$ 2,101,933	\$ -	\$ -	\$ 2,101,933
5300 Intergovernmental Revenue and Grants	130,226	-	-	130,226
5610 Investment Earnings	21,500	17,660	10,837	49,997
5020 Total Revenues	2,253,659	17,660	10,837	2,282,156
EXPENDITURES:				
Current:				
0100 General Government	483,794	1,850	569	486,213
Conservation and Development:				
0650 Economic Development and Assistance	486,178	-	-	486,178
Debt Service:				
0710 Principal on Debt	1,114,089	-	25,816	1,139,905
0720 Interest on Debt	75,495	-	5,032	80,527
6030 Total Expenditures	2,159,556	1,850	31,417	2,192,823
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	94,103	15,810	(20,580)	89,333
OTHER FINANCING SOURCES (USES):				
7949 Contributed Property	20,000	-	-	20,000
7080 Total Other Financing Sources (Uses)	20,000	-	-	20,000
1200 Net Change in Fund Balances	114,103	15,810	(20,580)	109,333
0100 Fund Balance - October 1 (Beginning)	5,250,919	824,870	493,889	6,569,678
3000 Fund Balance - September 30 (Ending)	\$ 5,365,022	\$ 840,680	\$ 473,309	\$ 6,679,011

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

MERCEDES ECONOMIC DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2023

EXHIBIT C-4

Net Change in fund balance - governmental funds	\$	109,333
Amounts reported in the statement of activities are different because:		
Repayment of long-term debt principal is an expenditure in the governmental funds but reduces the receivable in the statement of net position.		1,139,905
Current year right-to-use capital assets and right-to-use lease liabilities are expenditures in the fund financial statements, but should be shown as increases in capital assets, and decreases in lease liabilities. The net effect of removing the 2023 capital outlays is to decrease net position, while the net effect of removing the 2023 lease liabilities is to increase net position.		(209)
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.		(130,226)
Governmental funds do not accrue for interest expense on long-term debt. This is the net change in accrued interest payable for the year.		5,082
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.		
Net Pension Liability	(5,537)	
Net OPEB Liability	(242)	(5,779)
Change in net position of governmental activities	\$	1,118,106

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

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's 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 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, 2023

Note 2. Summary of Significant Accounting Policies – Continued

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, 2023

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 as 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, 2023

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, 2023

Note 2. Summary of Significant Accounting Policies – Continued

Excess of expenditures over appropriations

As of September 30, 2023, expenditures did not exceed 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 Tex Pool public fund investment pool (Pool). The pool meets all 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 collectability, 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, 2023

Note 2. Summary of Significant Accounting Policies – Continued

Redevelopment Assets

Redevelopment assets are assets that, after purchase, are not used in operations, are not depreciated, and are expected to be disposed of by sale transaction. Redevelopment assets are reported as of net realizable value. As of September 30, 2023, DCM's redevelopment assets include land and buildings totaling \$3,313,791.

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
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Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

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 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, 2023

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:

Non-spendable fund balance – Non-spendable 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.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 2. Summary of Significant Accounting Policies – Continued

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.

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. As of September 30, 2023, DCM did not have an 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.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Fair Value Measurements

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

New Accounting Pronouncements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangement* – This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosure regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. The effects of GASB Statement No. 96 have been reflected in DCM’s financial statements.

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 restricted cash) was \$1,376,370, and the bank balance was \$1,506,982.

A breakdown of deposits and investments are as follows:

<u>Description</u>	<u>Amount</u>
Cash	\$ 890,905
Cash - Restricted	485,465
Texas CLASS	134,606
Texas CLASS - Restricted	403,528
Total Deposits and Investments	<u>\$ 1,914,504</u>

Of the Total Deposits and Investments, \$888,993 is considered to be restricted.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 3. Deposits and Investments – Continued

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.

As of September 30, 2023, 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 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.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

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, 2023, DCM had a balance of \$364,126.

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, 2023, was \$338,527. 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 regard 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 \$341,324 as of September 30, 2023.

Related Party Receivables as September 30, 2023, consist of the following:

Description	Amount
Valley Telephone Cooperative	\$ 338,527
VTX Note	341,324
Total Related Party Receivables	<u>\$ 679,851</u>

Note 6. Notes Receivable

As an inducement to expand economic business operations in the City of Mercedes, Texas, DCM accepted notes from various businesses. These notes are for cash loans that carry various interest rates and terms. The interest rates vary by individual entity and are based on individual creditworthiness.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 6. Notes Receivable – Continued

Notes Receivable as of September 30, 2023, consist of the following:

Description	Amount
De La Garza Bakery	\$ 78,007
MD International (Orb-Galvan)	103,389
MD International	43,380
MD International (Galvan)	102,094
First National Bank (Gomez)	16,133
First National Bank (Gomez)	25,822
Mario and Martha Castaneda	56,066
Reybotics, LLC	145,828
Raquel Moreno	1,393
The Grind	33,670
Top Gym	24,740
Valor Fitness LLC	42,524
NTM Ventures LLC	77,448
Martha Carrillo	68,672
Ashley R. Gonzalez	41,315
Total Notes Receivable	860,479
Less: Allowance for Uncollectible	(28,327)
Total Notes Receivable, net	<u>\$ 832,152</u>

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 7. Capital Assets

DCM's capital asset balances as of September 30, 2023, are summarized by the following table:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets Being Depreciated				
Right-to-Use Assets	\$ -	\$ 43,290	\$ -	\$ 43,290
Furniture and Equipment	11,885	-	-	11,885
Total Capital Assets Being Depreciated	11,885	43,290	-	55,175
Less: Accumulated Depreciation	11,885	10,248	-	22,133
Capital Assets Being Depreciated, Net	<u>\$ -</u>	<u>\$ 33,042</u>	<u>\$ -</u>	<u>\$ 33,042</u>

Depreciation expense of \$10,248 was incurred as of September 30, 2023.

Note 8. Other Liabilities

As of September 30, 2023, DCM had the following balances for Other Liabilities as summarized by the following table:

Description	Amount
Accounts Payable	\$ 1,528
Payroll Liabilities	6,553
Due to Others	78,805
Accrued Interest Payable	5,969
Total Current Liabilities	<u>\$ 86,886</u>

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 9. Long-Term Debt Obligations

Long-term Debt Obligations consisted of the following as of September 30, 2023:

Description	Amount
<i>Bonds Payable</i>	
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.	\$ 1,000,000
<i>Notes Payable</i>	
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.	503,250
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.	183,432
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.	687,500
<i>Settlement Payable</i>	
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. 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.	1,007,051

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 9. Long-Term Debt Obligations – Continued

Leases Payable

DCM entered into an agreement with the Mercedes Area Chamber of Commerce to lease an office building. The terms of the lease include monthly base payments of \$1,500, to be payable on the 1st day of each month during the term. The lease agreement will be for the term beginning April 1, 2023 and ending March 31, 2025.

26,441

On July 25, 2022, DCM entered into an agreement with De Lage Landen Financial Services, Inc. to lease various office equipment and accessories. The terms of the lease include monthly payments of \$160, and the lease term will be for 63 months from date the lease agreement was signed.

6,810

Total Long-Term Debt Obligations

\$ 3,414,484

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance	Due in One Year
Notes Payable	\$ 1,766,282	\$ -	\$ (392,100)	\$ 1,374,182	\$ 403,252
Bonds payable	1,225,000	-	(225,000)	1,000,000	235,000
Settlement payable	1,529,856	-	(522,805)	1,007,051	522,805
Leases Payable	-	43,499	(10,248)	33,251	19,239
Total Long-Term Debt	<u>\$ 4,521,138</u>	<u>\$ 43,499</u>	<u>\$ (1,150,153)</u>	<u>\$ 3,414,484</u>	<u>\$ 1,180,296</u>

	Governmental Activities		
	Bonds Payable		Total
Year ended September 30,	Principal	Interest	Requirements
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	1,000,000	116,026	1,116,026
Current portion	(235,000)	(45,500)	(280,500)
Total due in more than one year	<u>765,000</u>	<u>70,526</u>	<u>835,526</u>

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 9. Long-Term Debt Obligations – Continued

	Governmental Activities		
	Notes Payable		
			Total
Year ended September 30,	Principal	Interest	Requirements
2024	\$ 403,252	\$ 15,487	\$ 418,740
2025	332,588	5,715	338,303
2026	214,098	4,250	218,348
2027	26,864	3,984	30,848
2028	27,132	3,716	30,848
2028-2032	138,402	15,838	154,240
2033-2037	145,462	8,778	154,240
2038-2041	86,384	1,729	88,112
Total	1,374,182	59,497	1,433,679
Current portion	<u>\$ (403,252)</u>	<u>\$ (15,487)</u>	<u>\$ (418,740)</u>
Total due in more than one year	<u>970,930</u>	<u>44,009</u>	<u>1,014,939</u>

	Governmental Activities		
	Leases Payable		
			Total
Year ended September 30,	Principal	Interest	Requirements
2024	\$ 19,239	\$ 677	\$ 19,916
2025	10,740	176	10,916
2026	1,849	67	1,916
2027	1,423	14	1,437
Total	33,251	935	34,186
Current Portion	<u>(19,239)</u>	<u>(677)</u>	<u>(19,916)</u>
Total due in more than one year	<u>\$ 14,012</u>	<u>\$ 258</u>	<u>\$ 14,270</u>

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

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.

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 statutes governing TMRS.

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

Employees Covered by Benefit Terms

As of the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Description	Amount
Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	148
Active employees	139
Total participants	<u>370</u>

These figures are 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, 2023

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 the 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 15.57% and 15.79% in calendar year 2023 and 2022 respectively. The DCM contribution to TMRS for the year ended September 30, 2023, were \$24,455, and were equal to retirement contributions.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2022, 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, 2023

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, 2022. 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, 2023

Note 10. Defined Pension Plan – Continued

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/21	\$ 25,332,306	\$ 23,660,184	\$ 1,672,122
Changes for the year:			-
Service cost	936,213		936,213
Interest	1,696,778		1,696,778
Change in benefit terms	-		-
Difference between expected/actual experience	(399,108)		(399,108)
Changes of assumptions	-		-
Contributions - employer		841,132	(841,132)
Contributions - employee		378,159	(378,159)
Net investment income		(1,728,123)	1,728,123
Benefit payments, including refund of employee contributions	(1,325,915)	(1,325,915)	-
Administrative expenses		(14,945)	14,945
Other changes		17,834	(17,834)
Net change	907,968	(1,831,858)	2,739,826
Balance at 12/31/22	\$ 26,240,274	\$ 21,828,327	\$ 4,411,947

Net pension liability allocation:

City of Mercedes	97.10%	\$ 4,284,170
Development Corporation of Mercedes	2.90%	\$ 127,777

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
City's Net Pension Liability	\$8,156,968	\$4,411,947	\$1,371,056

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

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, 2023, the City recognized pension expense in the amount of \$886,060.

As of September 30, 2023, 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
Difference between expected and actual economic experience (Net of current year amortization)	\$ -	\$ 285,725
Change in actuarial assumptions	-	-
Differences between projected and actual investment earnings (Net of current year amortization)	2,660,148	-
Contributions subsequent to the measurement date	667,961	-
Total	\$ 3,328,109	\$ 285,725

\$667,961 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date which 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,	Amount
2023	\$ 5,308
2024	343,543
2025	341,875
2026	665,037
2027	-
Thereafter	-
Total	\$ 1,355,763

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

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

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

Employees Covered by Benefit Terms

Description	Amount
Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	14
Active employees	139
Total participants	<u>211</u>

These figures are 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, 2023

Note 11. Other Post Employment Benefits (OPEB) – Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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, 2022.

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 0.17% and 0.14% in calendar 2023 and 2022 respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$18,594 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, 2023

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

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
	(a)
Balance at 12/31/21	\$ 441,613
Changes for the year:	
Service cost	24,310
Interest	8,280
Change in benefit terms	-
Difference between expected/actual experience	(19,830)
Changes of assumptions	(149,333)
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refund of employee contributions	(7,563)
Administrative expenses	-
Other changes	-
Net change	<u>(144,136)</u>
Balance at 12/31/22	\$ 297,477

Net OPEB allocation:

City of Mercedes	97.06%	\$ 288,739
Development Corporation of Mercedes	2.94%	\$ 8,738

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 4.05%, 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 (3.05) or 1 Percentage higher (5.05) than the current rate.

	1% Decrease 3.05%	Current Discount Rate 4.05%	1% Increase 5.05%
Total OPEB Liability	\$355,062	\$297,477	\$252,171

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

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, 2023, the City recognized OPEB expense in the amount of \$22,621.

As of September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual economic experience (Net of current year amortization)	\$ (37,444)	\$ -
Change in actuarial assumptions	(70,435)	13,992
Contributions subsequent to the measurement date	-	-
Total	\$ (107,879)	\$ 13,992

\$0 deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date which 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,	Amount
2023	\$ (11,626)
2024	(21,482)
2025	(20,062)
2026	(22,617)
2027	(27,167)
Thereafter	(4,925)
Total	\$ (107,879)

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 12. Risk Management

DCM is exposed to various risks such as: loss due to torts, theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural catastrophes. During fiscal year 2023, DCM purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage from prior years. Furthermore, DCM is not aware of any pending claims for which liability would exceed the limits of commercial insurance coverage in any of the past three years.

Note 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>Incentives</i>	Commitment	Paid in Previous Years	Paid in Current Year	Balance Due
Knapp Medical Center	\$ 750,000	\$ 750,000	\$ -	\$ -
OA Mercedes Health Realty	590,000	590,000	-	-
Rio Grande Livestock Show	300,000	200,000	75,000	25,000
Raybecc Ohio Street LLC	200,000	200,000	-	-
Texas Rio Grande Legal Aid	330,000	330,000	-	-
Bert Ogden	300,000	-	300,000	-
La Herencia	200,000	132,000	1,334	66,666
Orchard Grove Apartments	450,000	300,000	100,000	50,000
	<u>\$ 3,120,000</u>	<u>\$ 2,502,000</u>	<u>\$ 476,334</u>	<u>\$ 141,666</u>

Subsequent year balances of \$141,666 are contingent on the business entities maintaining agreed upon conditions relating to the incentives. The amount is not recognized as a liability in the financial statements.

Development Corporation of Mercedes
(A Component Unit of the City of Mercedes, Texas)
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 15. 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, 2023, as stated in Note 5, the City of Mercedes owes \$679,051 to DCM, which is recorded as Due from City of Mercedes. DCM owes the City of Mercedes and Mercedes Industrial Foundation as a Due To in the Statement of Net Position and Balance Sheet.

Note 16. Subsequent Events

Management has evaluated all events or transactions that occurred after September 30, 2023, through February 20, 2024, the date the current year's financial statements were available to be issued.

MERCEDSECONOMICDEVELOPMENTCORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
General Sales and Use Taxes	\$ 1,879,795	\$ 2,030,603	\$ 2,101,933	\$ 71,330
Intergovernmental Revenue and Grants	125,000	125,000	130,226	5,226
Investment Earnings	7,442	509	21,500	20,991
Total Revenues	2,012,237	2,156,112	2,253,659	97,547
EXPENDITURES:				
Current:				
General Government	975,839	952,918	483,794	469,124
Conservation and Development:				
Economic Development and Assistance	980,647	957,614	486,178	471,436
Debt Service:				
Principal on Debt	925,000	1,114,829	1,114,089	740
Interest on Debt	75,495	75,495	75,495	-
Total Expenditures	2,956,981	3,100,856	2,159,556	941,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	(944,744)	(944,744)	94,103	1,038,847
OTHER FINANCING SOURCES (USES):				
Contributed Property	-	-	20,000	20,000
Total Other Financing Sources (Uses)	-	-	20,000	20,000
Net Change	(944,744)	(944,744)	114,103	1,058,847
Fund Balance - October 1 (Beginning)	5,250,919	5,250,919	5,250,919	-
Fund Balance - September 30 (Ending)	\$ 4,306,175	\$ 4,306,175	\$ 5,365,022	\$ 1,058,847

MERCEDES ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - IRP LOAN FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5610 Investment Earnings	\$ 4,000	\$ 4,000	\$ 10,837	\$ 6,837
5020 Total Revenues	4,000	4,000	10,837	6,837
EXPENDITURES:				
Current:				
0100 General Government	-	-	569	(569)
Debt Service:				
0710 Principal on Debt	25,816	25,816	25,816	-
0720 Interest on Debt	5,032	5,032	5,032	-
6030 Total Expenditures	30,848	30,848	31,417	(569)
1200 Change in Fund Balance	(26,848)	(26,848)	(20,580)	6,268
0100 Fund Balance - October 1 (Beginning)	493,889	493,889	493,889	-
3000 Fund Balance - September 30 (Ending)	\$ 467,041	\$ 467,041	\$ 473,309	\$ 6,268

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, 2023

	Plan Year Ended December 31,						
	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability							
Service cost	\$ 936,213	\$ 924,643	\$ 931,185	\$ 814,509	\$ 723,965	\$ 712,113	\$ 740,529
Interest (on the total pension liability)	1,696,778	1,587,158	1,522,121	1,487,612	1,447,569	1,398,746	1,332,821
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(399,108)	418,406	(209,134)	(490,403)	(398,692)	(478,060)	(236,560)
Change of assumptions	-	-	-	96,939	-	-	-
Benefit payments, including refunds of employee contributions	(1,325,915)	(1,298,057)	(1,256,720)	(1,654,784)	(794,999)	(1,035,847)	(655,971)
Net Change in Total Pension Liability	907,968	1,632,150	987,452	253,873	977,843	596,952	1,180,819
Total Pension Liability - Beginning	25,332,305	23,700,155	22,712,703	22,458,830	21,480,987	20,884,035	19,703,216
Total Pension Liability - Ending (a)	<u>\$ 26,240,274</u>	<u>\$ 25,332,305</u>	<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>
Plan Fiduciary Net Position							
Contributions - employer	\$ 841,132	\$ 879,935	\$ 959,839	\$ 827,756	\$ 766,842	\$ 783,036	\$ 789,320
Contributions - employee	378,159	368,174	371,413	319,774	288,596	286,977	289,431
Net investment income	(1,728,123)	2,737,517	1,476,699	2,675,917	(526,655)	2,135,982	950,023
Benefit payments, including refunds of employee contributions	(1,325,915)	(1,298,057)	(1,256,720)	(1,654,784)	(794,999)	(1,035,847)	(655,971)
Administrative expense	(14,945)	(12,658)	(9,550)	(15,104)	(10,170)	(11,068)	(10,722)
Other	17,834	87	(373)	(454)	(531)	(561)	(578)
Net Change in Plan Fiduciary Net Position	(1,831,858)	2,674,998	1,541,308	2,153,105	(276,917)	2,158,519	1,361,503
Plan Fiduciary Net Position - Beginning	23,660,184	20,985,186	19,443,877	17,290,773	17,567,690	15,409,172	14,047,669
Plan Fiduciary Net Position - Ending (b)	<u>\$ 21,828,327</u>	<u>\$ 23,660,184</u>	<u>\$ 20,985,185</u>	<u>\$ 19,443,878</u>	<u>\$ 17,290,773</u>	<u>\$ 17,567,691</u>	<u>\$ 15,409,172</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,411,947</u>	<u>\$ 1,672,121</u>	<u>\$ 2,714,970</u>	<u>\$ 3,268,825</u>	<u>\$ 5,168,057</u>	<u>\$ 3,913,296</u>	<u>\$ 5,474,863</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.19%	93.40%	88.54%	85.61%	76.99%	81.78%	73.78%
Covered Payroll	\$ 5,402,265	\$ 5,259,629	\$ 5,305,900	\$ 4,568,193	\$ 4,122,806	\$ 4,099,672	\$ 4,134,721
Net Pension Liability as a Percentage of Covered Payroll	81.67%	31.79%	51.17%	71.56%	125.35%	95.45%	132.41%

DEVELOPMENT CORPORATION OF MERCEDES
(A COMPONENT UNIT OF THE CITY OF MERCEDES)
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year Ended September 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 841,132	\$ 959,839	\$ 933,895	\$ 809,721	\$ 783,036	\$ 795,685	\$ 810,771	\$ 810,771
Contributions in relation to actuarially determined contribution	(841,132)	(959,839)	(933,895)	(809,721)	(783,036)	(795,685)	(810,771)	(810,771)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,402,265	\$ 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	15.57%	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	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% 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	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 CITY OF MERCEDES)
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Plan Year Ended December 31,				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 24,310	\$ 22,616	\$ 20,162	\$ 14,161	\$ 14,018
Interest (on the total OPEB liability)	8,280	8,357	8,866	14,145	8,541
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(19,830)	(6,176)	14,641	(139,319)	120,401
Change of assumptions	(149,333)	13,696	55,292	51,382	(18,067)
Benefit payments, including refunds of employee contributions	(7,563)	(6,838)	(2,653)	(1,827)	(1,649)
Net Change in Total OPEB Liability	(144,136)	31,655	96,308	(61,458)	123,244
Total OPEB Liability - Beginning	441,613	409,958	313,644	375,102	251,858
Total OPEB Liability - Ending	\$ 297,477	\$ 441,613	\$ 409,952	\$ 313,644	\$ 375,102
 Covered Payroll	 \$ 5,402,265	 \$ 5,259,629	 \$ 5,305,900	 \$ 4,568,193	 \$ 4,122,806
 Total OPEB Liability as a Percentage of Covered Payroll	 5.51%	 8.40%	 7.73%	 6.87%	 9.10%

Notes to Schedule of Contributions

Valuation Date:

December 31, 2022

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
Discount Rate	4.05%
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 31,2022

ADRIAN WEBB, CPA

Certified Public Accountant

Edinburg, 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, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated February 20, 2024.

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

Edinburg, Texas

February 20, 2024