
CITY OF MERCEDES, TEXAS
AUDITED ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2024

ADRIAN WEBB, CPA

CERTIFIED PUBLIC ACCOUNTANT

CITY OF MERCEDES, TEXAS

Audited Annual Financial Report
For Year Ended September 30, 2024

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INTRODUCTORY SECTION

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CITY OF MERCEDES, TEXAS

For the Year Ended September 30, 2024

CITY OFFICIALS

Oscar D. Montoya Sr.

Mayor

Ruben J. Saldana

Mayor Pro-Tem

Jacob C. Howell

Commissioner

Armando Garcia

Commissioner

Joe Martinez

Commissioner

CITY MANAGER

Alberto Perez

INTERIM FINANCE DIRECTOR

Meredith Hernandez

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FINANCIAL SECTION

ADRIAN WEBB, CPA

Certified Public Accountant

Edinburg, Texas

Independent Auditor's Report

To the City Commission of
City of Mercedes, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mercedes, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Mercedes, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mercedes, Texas, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mercedes, Texas, 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.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors 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.

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Supplementary Information

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

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

Other Information Included in the Annual Report and Financial Statements

Management is responsible for the other information included in the Annual Audit Report and Financial Statements. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2025, on our consideration of the City of Mercedes, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mercedes, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mercedes, Texas' internal control over financial reporting and compliance.

Adrian Webb, CPA

Adrian Webb
Certified Public Accountant
Edinburg, Texas
May 5, 2025

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MANAGEMENT'S DISCUSSION & ANALYSIS

**CITY OF MERCEDES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2024**

As management of the City of Mercedes, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Mercedes for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 1 and the City's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$2,705,869. Net position from governmental activities increased \$1,838,217, while net position from business-type activities increased \$867,653.
- Revenues for the City's business-type charges for services increased to \$7,194,478 from \$6,714,279 and expenses increased to \$6,487,686 from \$6,512,456.
- The General Fund ended the year with a fund balance of \$12,000,175, a \$2,075,836, increase from prior year's balance of \$9,924,339.
- In comparing the General Fund's final budget to actual, revenues were \$2,223,513 more than the final budget, and expenditures were \$472,417, more than the final budget. This resulted in a total positive budget to actual variance of \$1,751,096 not including other financing sources (uses).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the City, and the statements are presented on the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

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

Activities of the City as a whole include governmental activities, and business-type activities. Governmental activities are those activities, which are financed primarily through taxes and grants.

Most of the City's basic services are reported as governmental activities. Business-type activities are those activities that are intended to recover all or a significant portion of their costs through user fees and charges. Utility system operations are a common example of business-type activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Development Corporation of Mercedes (DCM) and the Mercedes Industrial Foundation, Inc., which are legally separate entities, and are reported as discretely presented component units. These are other governmental units of which the City (the City Commission, acting as a group) can exercise influence. Financial information for Development Corporation of Mercedes is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 9-10 of this report.

**CITY OF MERCEDES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2024**

FUND FINANCIAL STATEMENTS

The fund financial statements provide detail information about the most significant funds – not the City as a whole. Some funds are required to be established by law, bond covenants or by contracts. Still other funds are established by the City Commission to assist in managing money that is to be spent for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds

Most of the City's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds in reconciliation schedules following each of the fund financial statements.

- Proprietary funds

The City reports the activities for which it charges users (whether outside customers or other units of the City). The proprietary funds use the accrual basis, the same accounting method employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

NOTES TO THE FINANCIAL STATEMENTS

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

THE CITY'S FUNDS

Being that the City is a government entity, it tracks all transactions using fund accounting. What this means is that it isolates different types of activity into funds, which it then tracks separately. Each fund essentially becomes its own entity, which then interacts with other funds. This allows for separate management of governmental funds, grants, enterprise funds (utility fund) and any other restricted funds.

As a result of this year's operations, all combined governmental funds, including capital projects and debt service funds reported a combined fund balance of \$14,651,874 an increase of \$1,904,538 from the previous year.

**CITY OF MERCEDES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased to \$24,344,645 from \$22,506,428. Unrestricted net position – the part of net position that can be used to finance day to day operations without constraints from debt covenants, legislation or other legal requirements was \$10,081,389 as of September 30, 2024.

In 2024, net position of business-type activities increased to \$28,508,707 from \$27,641,054. Table I, below illustrates a comparative summary of the City's statement of net position as of September 30, 2024, and 2023.

Table I

	Governmental Activities		Business-Type Activities		Totals		Increase
	2024	2023	2024	2023	2024	2023	(Decrease)
Current Assets	\$ 19,306,828	\$ 18,680,269	\$ 2,948,054	\$ 2,715,413	\$ 22,254,882	\$ 21,395,682	\$ 859,200
Capital Assets, Net	34,228,561	34,480,492	37,596,048	34,744,779	71,824,609	69,225,271	2,599,338
Total Assets	53,535,389	53,160,761	40,544,102	37,460,193	94,079,491	90,620,954	3,458,537
Deferred Outflows of Resources	778,968	3,181,713	132,034	389,465	911,002	3,571,178	(2,660,176)
Total assets and deferred outflows of resources	54,314,357	56,342,474	40,676,136	37,849,658	94,990,493	94,192,132	798,361
Other Liabilities	4,275,889	5,875,235	5,055,986	2,150,070	9,331,875	8,025,305	1,306,570
Long-Term Liabilities	24,310,784	27,609,195	6,997,152	7,909,805	31,307,936	35,519,000	(4,211,064)
Total Liabilities	28,586,673	33,484,430	12,053,137	10,059,875	40,639,811	43,544,305	(2,904,494)
Deferred Inflows of Resources	1,383,039	351,616	114,292	148,729	1,497,331	500,345	996,986
Net Invested in Capital Assets	11,375,093	9,931,345	30,332,119	26,779,480	41,707,212	36,710,825	4,996,387
Restricted	2,888,163	2,822,998	-	-	2,888,163	2,822,998	65,165
Unrestricted	10,081,389	9,752,085	(1,823,412)	861,574	8,257,977	10,613,659	(2,355,682)
Total Net Position	24,344,645	22,506,428	28,508,707	27,641,054	52,853,352	50,147,482	2,705,870
Total Liabilities, deferred inflows of resources and net position	\$ 54,314,357	\$ 56,342,474	\$ 40,676,136	\$ 37,849,658	\$ 94,990,493	\$ 94,192,132	\$ 798,361

CITY OF MERCEDES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2024

Table II

	Governmental		Business-Type		Totals		Increase
	2024	2023	2024	2023	2024	2023	(Decrease)
Revenues							
Program Revenues							
Charges for Services	\$ 3,096,413	\$ 3,365,247	\$ 7,194,478	\$ 6,714,279	\$ 10,290,891	\$ 10,079,526	\$ 211,365
Operating Grants and Contributions	1,755,723	2,498,663	-	-	1,755,723	2,498,663	(742,940)
General Revenues							
Property Taxes	6,868,320	5,957,425	-	-	6,868,320	5,957,425	910,895
Sales Tax	7,558,769	6,575,621	-	-	7,558,769	6,575,621	983,148
Franchise Taxes	701,082	730,045	-	-	701,082	730,045	(28,963)
Other Revenue	1,232,648	907,528	-	-	1,232,648	907,528	325,120
Investment Earnings	571,519	704,652	131,594	20,312	703,113	724,964	(21,851)
Miscellaneous	561,845	932,025	-	-	561,845	932,025	(370,180)
Total Revenues	<u>22,346,319</u>	<u>21,671,206</u>	<u>7,326,072</u>	<u>6,734,591</u>	<u>29,672,391</u>	<u>28,405,797</u>	<u>1,266,594</u>
Expenses							
General Government	6,922,708	4,088,167	-	-	6,922,708	4,088,167	2,834,541
Public safety	7,185,838	5,719,104	-	-	7,185,838	5,719,104	1,466,734
Public works	686,887	502,451	-	-	686,887	502,451	184,436
Highway and Streets	765,780	553,157	-	-	765,780	553,157	212,623
Health and Welfare	2,768,986	2,142,077	-	-	2,768,986	2,142,077	626,909
Culture and Recreation	1,501,821	1,370,963	-	-	1,501,821	1,370,963	130,858
Conservation and Development	74,070	700,000	-	-	74,070	700,000	(625,930)
Interest on long-term debt	572,745	661,885	-	-	572,745	661,885	(89,140)
Utility Services	-	-	6,487,686	6,512,456	6,487,686	6,512,456	(24,770)
Total Expenses	<u>20,478,837</u>	<u>15,737,804</u>	<u>6,487,686</u>	<u>6,512,456</u>	<u>26,966,523</u>	<u>22,250,260</u>	<u>4,716,263</u>
Increase in net position before transfers	1,867,483	5,933,402	838,386	222,135	2,705,868	6,155,537	(3,449,669)
Transfers In (Out)	<u>(29,266)</u>	<u>(478,761)</u>	<u>29,266</u>	<u>478,761</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,838,217	5,454,641	867,653	700,896	2,705,868	6,155,537	(3,449,669)
Net Position Beginning, Restated	<u>22,506,428</u>	<u>17,173,073</u>	<u>27,641,054</u>	<u>26,940,158</u>	<u>50,147,482</u>	<u>44,113,231</u>	<u>6,034,251</u>
Net Position Ending	<u>\$ 24,344,645</u>	<u>\$ 22,506,428</u>	<u>\$ 28,508,707</u>	<u>\$ 27,641,054</u>	<u>\$ 52,853,352</u>	<u>\$ 50,147,482</u>	<u>\$ 2,705,870</u>

The cost of all governmental activities in the current year was \$20,478,837. However, as shown in Table II, the amount financed by property and sales taxes were \$6,868,320 and \$7,558,769, respectively. The remaining costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$71,824,609 (net of depreciation) invested in capital assets, including facilities, land, infrastructure, vehicles, and equipment, as further discussed in Note 2 – Capital Assets. This is an increase of \$859,200, from the previous fiscal year.

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**CITY OF MERCEDES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2024**

Long-Term Debt

By the end of the fiscal year, the City had long-term obligations totaling \$30,643,442 versus \$33,689,367 at the end of last year, a decrease of \$3,045,925. The following is a summary of long-term obligations:

	Governmental		Increase
	2024	2023	(Decrease)
General obligation debt	\$ 17,642,000	\$ 19,284,700	\$ (1,642,700)
Premium on bonds	572,021	619,801	(47,780)
Notes Payable	218,750	343,750	(125,000)
Settlement Payable	4,420,697	4,920,697	(500,000)
Compensated absences	348,495	324,957	23,538
	<u>\$ 23,201,963</u>	<u>\$ 25,493,905</u>	<u>\$ (2,291,942)</u>
	Business-Type		Increase
	2024	2023	(Decrease)
General obligation debt	\$ 7,228,000	\$ 7,965,300	\$ (737,300)
Premium on bonds	177,549	209,831	(32,282)
Compensated absences	35,930	20,331	15,599
	<u>\$ 7,441,479</u>	<u>\$ 8,195,462</u>	<u>\$ (753,983)</u>
Total Long-Term Debt	\$ 30,643,442	\$ 33,689,367	\$ (3,045,925)

The City also recognized net pension and OPEB liabilities of \$2,652,111 and \$289,310, respectively.

Fitch ratings has reviewed and assigned an A+ rating to the limited tax bonds and certificates of obligation debt. Additional information on the City of Mercedes' long-term debt can be found in Note 2 Detailed Notes on all Funds F. Long Term Debt of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2024-2025, the City Manager, the City Commission and the Staff, analyzed the anticipated needs of the City based on many factors. These factors are drivers and/or indicators of economic growth and include new housing and business developments, job growth, increases in commercial construction, decreases in federal funding, staffing needs, as well as historical revenue and expenditure trends. Total revenues and other financing sources for the City's General Fund for fiscal year 2024-2025 are budgeted at \$16,384,284, which is an increase of \$1,298,223, over the fiscal year 2023-2024 budget. Expenditures and other financing uses are budgeted at \$16,384,284, which is an increase of \$1,298,223, over the fiscal year 2023-2024 budget. This is attributed to an increase in public works maintenance and non-departmental costs.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Mercedes' finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Director, at City of Mercedes, P.O. Box 837, Mercedes, Texas 78570.

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BASIC FINANCIAL STATEMENTS

CITY OF MERCEDES
Statement of Net Position
September 30, 2024

	Governmental Activities	Business-Type Activities	Total	Development Corporation of Mercedes
1010 Cash and Cash Equivalents	\$ 9,777,849	\$ 1,714,889	\$ 11,492,738	\$ 1,056,123
1011 Restricted Cash	869,237	297,708	1,166,945	793,198
Receivables (Net of Allowance for Uncollectible):				
1050 Taxes Receivable, Net	2,056,465	-	2,056,465	347,506
1150 Accounts Receivable, Net	2,232,328	935,458	3,167,786	-
1160 Notes Receivable, Net	193,503	-	193,503	876,513
1260 Due from Other Governments	267,341	-	267,341	560,074
1300 Due from Other Funds	3,552,785	-	3,552,785	-
1410 Inventories	73,904	-	73,904	-
1437 Land Held For Development	283,415	-	283,415	3,703,917
Total Current Assets	19,306,828	2,948,054	22,254,882	7,337,331
Capital Assets				
1791 Capital Assets Not Being Depreciated	4,920,770	4,817,601	9,738,371	-
1792 Capital Assets Being Depreciated	54,811,487	65,376,154	120,187,641	55,175
1780 Accumulated Depreciation	(25,503,696)	(32,597,707)	(58,101,403)	(32,581)
Total Capital Assets	34,228,561	37,596,048	71,824,609	22,594
TOTAL ASSETS	53,535,389	40,544,102	94,079,491	7,359,924
DEFERRED OUTFLOWS OF RESOURCES:				
1991 Deferred Charge for Refunding	168,479	81,585	250,064	-
1994 Deferred Resource Outflow - Pension	605,079	50,002	655,081	19,843
1999 Deferred Resource Outflow - OPEB	5,410	447	5,857	177
TOTAL DEFERRED OUTFLOWS OF RESOURCES	778,968	132,034	911,002	20,020
TOTAL ASSETS AND DEFERRED OUTFLOWS	54,314,357	40,676,136	94,990,493	7,379,944
LIABILITIES:				
Current Liabilities:				
2010 Accounts Payable	1,146,079	334,977	1,481,056	147
2015 Customer Deposits	-	628,055	628,055	-
2020 Wages and Salaries Payable	117,341	8,375	125,715	9,889
2080 Due to Other Funds	180,023	3,372,761	3,552,785	-
2100 Due to Component Unit	610,025	-	610,025	78,805
2140 Accrued Interest Payable	48,051	24,417	72,468	3,392
2200 Due Within One Year	1,832,600	687,400	2,520,000	1,014,154
2230 Unearned Revenues	341,770	-	341,770	-
Total Current Liabilities	4,275,889	5,055,986	9,331,874	1,106,387
Noncurrent Liabilities:				
2504 Due in More Than One Year	20,448,847	6,540,600	26,989,447	1,317,220
2560 Compensated Absences	348,495	35,930	384,425	-
2580 Net Pension Liability	2,652,111	219,165	2,871,276	86,972
2585 Net OPEB Liability	289,310	23,908	313,218	9,488
2599 Unamortized Premium (Discount) on Bonds	572,021	177,549	749,570	-
Total Noncurrent Liabilities	24,310,784	6,997,152	31,307,936	1,413,680
TOTAL LIABILITIES	28,586,673	12,053,137	40,639,810	2,520,067
DEFERRED INFLOWS OF RESOURCES:				
2602 Deferred Resource Inflow - Pension	1,305,366	107,873	1,413,239	42,808
2603 Deferred Resource Inflow - OPEB	77,673	6,419	84,092	2,547
TOTAL DEFERRED INFLOWS OF RESOURCES	1,383,039	114,292	1,497,331	45,355
NET POSITION				
4001 Net Investment in Capital Assets	11,375,093	30,332,119	41,707,212	1,353,271
3002 Land Available for Sale	283,415	-	283,415	-
3005 General Government	4,474	-	4,474	-
3006 Debt Service	1,183,311	-	1,183,311	-
3008 Municipal Court	142,445	-	142,445	-
3009 Tourism	730,610	-	730,610	-
3010 Public Safety	35,485	-	35,485	-
3410 Parkland	327,087	-	327,087	-
3415 Community Development	91,132	-	91,132	-
3510 Construction	90,203	-	90,203	-
3890 Unrestricted	10,081,389	(1,823,412)	8,257,977	3,461,251
TOTAL NET POSITION	24,344,645	28,508,707	52,853,352	4,814,522
TOTAL LIABILITIES, DEFERRED INFLOWS, & NET POSITION	\$ 54,314,357	\$ 40,676,136	\$ 94,990,493	\$ 7,379,944

CITY OF MERCEDES
Statement of Activities
For the Year Ended September 30, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Development Corporation of Mercedes
				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 6,922,708	\$ 1,629,481	\$ 1,438,397	\$ (3,854,830)	\$ -	\$ (3,854,830)	\$ -
Public Safety	7,185,838	568,669	252,334	(6,364,835)	-	(6,364,835)	-
Public Works	686,887	276,081	-	(410,806)	-	(410,806)	-
Highways and Streets	765,780	-	64,992	(700,788)	-	(700,788)	-
Health and Welfare	2,768,986	622,182	-	(2,146,804)	-	(2,146,804)	-
Culture and Recreation	1,501,821	-	-	(1,501,821)	-	(1,501,821)	-
Conservation and Development	74,070	-	-	(74,070)	-	(74,070)	-
Interest on Debt	572,745	-	-	(572,745)	-	(572,745)	-
Total Governmental Activities	20,478,837	3,096,413	1,755,723	(15,626,701)		(15,626,701)	-
BUSINESS-TYPE ACTIVITIES:							
Water and Sewer	6,487,686	7,194,478	-	-	706,793	706,793	-
Total Business-Type Activities	6,487,686	7,194,478	-	-	706,793	706,793	-
TOTAL PRIMARY GOVERNMENT	26,966,522	10,290,891	1,755,723	(15,626,701)	706,793	(14,919,908)	
COMPONENT UNIT:							
General Government							547,036
Economic Development and Assistance							661,565
Interest on Debt							50,250
Total Component Unit Activities							1,258,851
General Revenues:							
Property Taxes, Levied for General Purposes				4,402,495	-	4,402,495	-
Property Taxes, Levied for Debt Service				2,465,825	-	2,465,825	-
General Sales and Use Taxes				7,558,769	-	7,558,769	2,336,935
Franchise Tax				701,082	-	701,082	-
Other Taxes				150,028	-	-	-
Penalty and Interest on Taxes				154,406	-	154,406	-
Licenses and Permits				874,293	-	874,293	-
Fines				53,921	-	53,921	-
Investment Earnings				571,519	131,594	703,113	60,316
Rents and Royalties				-	-	-	-
Other Revenue				561,845	-	561,845	150,834
Non-Operating Transfers In/(Out)				(29,266)	29,266	0.00	-
Total General Revenues and Transfers				17,464,917	160,860	17,475,749	2,548,085
Change in Net Position				1,838,217	867,653	2,705,869	1,289,234
Net Position - Beginning				\$ 22,506,428	\$ 27,641,054	\$ 50,147,482	\$ 3,525,288
Net Position - Ending				\$ 24,344,645	\$ 28,508,707	\$ 52,853,352	\$ 4,814,522

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

CITY OF MERCEDES
Balance Sheet - Governmental Funds
September 30, 2024

Major Governmental Funds

	General Fund	ARPA	Interest and Sinking	Series 2021	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
1010 Cash and Cash Equivalents	\$ 7,581,794	\$ -	\$ 710,127	\$ 62,842	\$ 1,423,086	\$ 9,777,849
1011 Restricted Cash	-	396,053	473,185	-	-	869,237
1050 Taxes Receivable, Net	1,780,706	-	275,759	-	-	2,056,465
1150 Accounts Receivable, Net	2,231,953	-	-	-	375	2,232,328
1260 Due from Other Governments	-	-	-	-	267,341	267,341
1300 Due from Other Funds	3,485,103	-	-	-	67,682	3,552,785
1410 Inventories	73,904	-	-	-	-	73,904
1990 Land Held For Development	283,415	-	-	-	-	283,415
TOTAL ASSETS	\$ 15,436,875	\$ 396,053	\$ 1,459,071	\$ 62,842	\$ 1,758,485	\$ 19,113,325
LIABILITIES:						
2010 Accounts Payable	1,128,114	16,166	-	-	1,799	1,146,079
2020 Wages and Salaries Payable	107,768	-	-	-	9,573	117,341
2080 Due to Other Funds	67,682	-	-	-	112,342	180,023
2100 Due to Component Unit	610,025	-	-	-	-	610,025
2230 Unearned Revenues	-	332,935	-	-	8,835	341,770
TOTAL LIABILITIES	1,913,588	349,101	-	-	132,549	2,395,238
DEFERRED INFLOWS OF RESOURCES:						
2601 Deferred Resource Inflow - Property Taxes	390,683	-	275,759	-	-	666,442
2604 Deferred Resource Inflow - EMS	1,132,429	-	-	-	-	1,132,429
2605 Deferred Resource Inflow - TIRZ	-	-	-	-	267,341	267,341
TOTAL DEFERRED INFLOWS OF RESOURCES	1,523,112	-	275,759	-	267,341	2,066,213
FUND BALANCES:						
Non-spendable for:						
3000 Inventory	73,904	-	-	-	-	73,904
3002 Land Available for Sale	283,415	-	-	-	-	283,415
Restricted for:						
3005 General Government	-	-	-	-	4,474	4,474
3006 Debt Service	-	-	1,183,311	-	-	1,183,311
3008 Municipal Court	-	-	-	-	142,445	142,445
3009 Tourism	-	-	-	-	730,610	730,610
3010 Public Safety	-	-	-	-	35,485	35,485
3410 Parkland	-	-	-	-	327,087	327,087
3415 Community Development	-	-	-	-	91,132	91,132
Committed for:						
3510 Construction	-	-	-	62,842	27,361	90,203
Assigned for:						
3600 Unassigned	11,642,856	46,951	-	-	-	11,689,808
TOTAL FUND BALANCES	12,000,175	46,951	1,183,311	62,842	1,358,594	14,651,874
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 15,436,875	\$ 396,053	\$ 1,459,071	62,842	\$ 1,758,485	\$ 19,113,325

The accompanying notes are an integral part of this statement.

CITY OF MERCEDES
Reconciliation of the Balance Sheet - Governmental to the Governmental Activities -
Statement of Net Position
September 30, 2024

Total Fund Balances - Governmental Funds	\$	14,651,874
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Amounts Reported for governmental activities in the statement of net position are different because:

available in the current period and therefore not reported in the funds.

Notes Receivable, Net	193,503	
		193,503

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

Capital Assets Not Being Depreciated	4,920,770	
Capital Assets Being Depreciated	54,811,487	
Accumulated Depreciation	(25,503,696)	
Total Capital Assets, Net		34,228,561

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities at the fund level.

Deferred Charge for Refunding	168,479	
Unamortized Premiums (Discounts) on Bonds	(572,021)	
Compensated Absences Payable	(348,495)	
Debt Service - Due Within One Year	(1,832,600)	
Debt Service - Due in More Than One Year	(20,448,847)	
Total Long-Term Liabilities		(23,033,484)

Some receivables are reported as deferred inflows of resources at the governmental level, and therefore are not reported in governmental funds.

Property Taxes	666,442	
EMS	1,132,429	
TIRZ	267,341	
Total Deferred Inflows of Resources		2,066,213

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

Accrued Interest Payable	(48,051)	
Total Accrued Interest Payable		(48,051)

Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB Statement No. 68, a deferred resource outflow and a deferred resource inflow. This resulted in a decrease in net position.

Net Pension Liability	(2,652,111)	
Deferred Outflow related to Pension Plan	605,079	
Deferred Inflow related to Pension Plan	(1,305,366)	
		(3,352,398)

Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB Statement No. 75, a deferred resource outflow and a deferred resource inflow. This resulted in a decrease in net position.

Net OPEB Liability	(289,310)	
Deferred Outflow related to OPEB	5,410	
Deferred Inflow related to OPEB	(77,673)	
		(361,573)

Net position of governmental activities	\$	24,344,645
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The accompanying notes are an integral part of this statement.

CITY OF MERCEDES
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For The Year Ended September 30, 2024

		Major Governmental Funds					
		General Fund	ARPA	Interest and Sinking	Series 2021	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes:							
5110	Property Taxes	\$ 4,377,370	\$ -	\$ 2,451,753	\$ -	\$ -	\$ 6,829,123
5120	General Sales and Use Taxes	7,558,769	-	-	-	-	7,558,769
5170	Franchise Tax	701,082	-	-	-	-	701,082
5180	Other Taxes	-	-	-	-	150,028	150,028
5190	Penalty and Interest on Taxes	100,836	-	53,571	-	-	154,406
5200	Licenses and Permits	691,793	-	-	-	182,500	874,293
5300	Intergovernmental Revenue and Grants	20,676	1,438,339	-	-	296,707	1,755,723
Fees and Charges:							
5400	Charges for Services	3,096,413	-	-	-	-	3,096,413
5510	Fines	53,921	-	-	-	-	53,921
5610	Investment Earnings	299,041	46,951	59,568	119,734	46,224	571,519
5620	Rent and Lease Revenue	-	-	-	-	-	-
5700	Other Revenue	409,673	-	-	93,737	33,695	537,105
TOTAL REVENUES		17,309,574	1,485,290	2,564,891	213,471	709,155	22,282,382
EXPENDITURES:							
Current:							
100	General Government	5,044,944	192,623	-	310	263,937	5,501,813
200	Public Safety	5,298,090	-	-	172,403	240,443	5,710,935
300	Public Works	496,430	-	-	-	49,473	545,903
310	Highway and Streets	608,603	-	-	-	-	608,603
400	Health and Welfare	2,176,253	-	-	20,000	4,395	2,200,648
500	Culture and Recreation	1,191,243	-	-	-	2,328	1,193,571
600	Conservation and Development	-	-	-	-	58,867	58,867
Debt Service:							
710	Principal on Debt	625,000	-	1,642,700	-	-	2,267,700
720	Interest on Debt	-	-	634,916	-	-	634,916
800	Capital Outlay	117,915	26,542	-	1,505,906	-	1,650,363
TOTAL EXPENDITURES		15,558,478	219,165	2,277,616	1,698,619	619,441	20,373,318
Excess(Deficiency) of Revenues Over(Under) Expenditures		1,751,096	1,266,125	287,276	(1,485,148)	89,714	1,909,064
OTHER FINANCING SOURCES (USES):							
7912	Proceeds from Sale of Assets	24,740	-	-	-	-	24,740
7915	Transfers In	300,000	-	-	1,219,173	-	1,519,173
8911	Transfers Out	-	(1,219,173)	-	(329,266)	-	(1,548,439)
TOTAL OTHER FINANCING SOURCES (USES)		324,740	(1,219,173)	-	889,908	-	(4,526)
Net Change in Fund Balances		2,075,836	46,951	287,276	(595,240)	89,714	1,904,538
3600	Fund Balance - Beginning	\$ 9,924,339	\$ -	\$ 896,035	\$ 658,082	\$ 1,268,880	\$ 12,747,337
3900	Fund Balance - Ending	\$ 12,000,175	\$ 46,951	\$ 1,183,311	\$ 62,842	\$ 1,358,594	\$ 14,651,874

The accompanying notes are an integral part of this statement

CITY OF MERCEDES
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental
Funds to the Governmental Activities - Statement of Activities
For the Year Ended September 30, 2024

Total Net Change in Fund Balances - Governmental Funds		\$ 1,904,538
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2024 capital outlays is to increase the change in net position.		
Additions to Capital Assets	1,650,363	
Depreciation of Capital Assets	<u>(1,902,294)</u>	
		(251,931)
Repayment of notes receivable are recorded as revenue in the fund statements but reduces the notes receivable in the statement of net position.		
Principal Received	<u>(26,944)</u>	
		(26,944)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Repayment	2,267,700	
Compensated Absences	<u>(23,538)</u>	
		2,244,162
Interest on long-term debt is not accrued in the governmental funds, but it is recognized as an expenditure at the fund level.		
Amortization of Premium	47,780	
Deferred Charge for Refunding	(11,042)	
Accrued Interest Payable	<u>52,376</u>	
		89,114
Because some property taxes and accounts receivable will not be collected for several months after the City's year end, they are not considered "available" revenues in the governmental funds. This represents the change in unavailable revenue from the prior year.		
Property Taxes	39,197	
EMS	<u>(2,419)</u>	
		36,779
GASB 68 requires certain plan expenditures to be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. Finally, the proportionate share of pension expense on the plan as a whole has to be recorded.		
Change in Net Pension Liability	1,289,191	
Deferred Outflow related to Pension Plan	(2,368,003)	
Deferred Inflow related to Pension Plan	<u>(1,050,121)</u>	
		(2,128,933)
GASB 75 requires certain plan expenditures to be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. Finally, the proportionate share of OPEB expense on the plan as a whole has to be recorded.		
Change in Net OPEB Liability	(23,566)	
Deferred Outflow related to OPEB	(23,700)	
Deferred Inflow related to OPEB	<u>18,698</u>	
		(28,568)
Change in Net Position of Governmental Activities		\$ 1,838,216

The accompanying notes are an integral part of this statement.

CITY OF MERCEDES
Statement of Net Position - Proprietary Funds
September 30, 2024

	Water and Sewer Fund
ASSETS:	
Current Assets:	
1010 Cash and Cash Equivalents	\$ 1,714,889
1011 Restricted Cash	297,708
1150 Accounts Receivable, Net	935,458
Total Current Assets	2,948,054
Noncurrent Assets:	
Capital Assets	
1791 Capital Assets Not Being Depreciated	4,817,601
1792 Capital Assets Being Depreciated	65,376,154
1780 Accumulated Depreciation	(32,597,707)
Total Capital Assets	37,596,048
Total Noncurrent Assets	37,596,048
TOTAL ASSETS	\$ 40,544,102
DEFERRED OUTFLOWS OF RESOURCES:	
1991 Deferred Charge for Refunding	81,585
1994 Deferred Resource Outflow - Pension	50,002
1999 Deferred Resource Outflow - OPEB	447
TOTAL DEFERRED OUTFLOWS OF RESOURCES	132,034
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 40,676,136
LIABILITIES:	
Current Liabilities:	
2010 Accounts Payable	334,977
2015 Customer Deposits	628,055
2020 Wages and Salaries Payable	8,375
2080 Due to Other Funds	3,372,761
2140 Accrued Interest Payable	24,417
2200 Due Within One Year	687,400
Total Current Liabilities	5,055,986
Noncurrent Liabilities:	
2504 Due in More Than One Year	6,540,600
2560 Compensated Absences	35,930
2580 Net Pension Liability	219,165
2585 Net OPEB Liability	23,908
2599 Unamortized Premium (Discount) on Bonds	177,549
Total Noncurrent Liabilities	6,997,152
TOTAL LIABILITIES	12,053,137
DEFERRED INFLOWS OF RESOURCES:	
2602 Deferred Resource Inflow - Pension	107,873
2603 Deferred Resource Inflow - OPEB	6,419
TOTAL DEFERRED INFLOWS OF RESOURCES	114,292
NET POSITION	
4001 Net Investment in Capital Assets	30,332,119
3890 Unrestricted	(1,823,412)
TOTAL NET POSITION	28,508,707
TOTAL LIABILITIES, DEFERRED INFLOWS, & NET POSITION	\$ 40,676,136

The accompanying notes are an integral part of this statement.

CITY OF MERCED
Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2024

	Water and Sewer Fund
REVENUES:	
5401 Water Revenues	4,054,061
5402 Sewer Revenues	3,140,418
TOTAL REVENUES	<u>\$ 7,194,478</u>
EXPENDITURES:	
6501 Water and Sewer Expenses	4,778,165
6800 Depreciation Expense	1,504,975
TOTAL EXPENDITURES	<u>6,283,140</u>
OPERATING INCOME(LOSS)	\$ 911,338
NON-OPERATING REVENUES(EXPENSES):	
7915 Transfers In	329,266
7955 Investment Earnings	131,594
8911 Transfers Out	(300,000)
8952 Interest Expense - Nonoperating	(204,546)
TOTAL NON-OPERATING REVENUE(EXPENSES)	<u>(43,686)</u>
NET INCOME (LOSS)	\$ 867,653
3890 Net Position - Beginning	\$ 27,641,054
3900 Net Position - Ending	\$ 28,508,707

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CITY OF MERCEDES
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2024

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From User Charges	\$ 7,194,478
Cash Payments to Employees for Services	(637,703)
Cash Payments for Suppliers	(4,461,200)
Net Cash Provided (Used) by Operating Activities	<u>2,095,575</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Increase (Decrease) in Interfund Balances	3,078,520
Operating Transfers In (Out)	29,266
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>3,107,786</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(4,356,244)
Reduction of Debt	(737,300)
Interest Paid on Long-Term Debt	(204,546)
Net cash provided/(used) by capital and related financing activities	<u>(5,298,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends on Investments	131,594
Net Cash Provided/(Used) by Investing Activities	<u>131,594</u>
Net Increase/Decrease in Cash	<u>36,866</u>
Cash, Restricted Cash, and Cash Equivalents at Beginning of Year	1,973,467
Cash, Restricted Cash, and Cash Equivalents at End of Year	2,010,333
Reconciliation of Operating Income of Net Cash Provided By Operating Activities:	
Operating Income	911,338
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,504,975
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	100,729
Increase(Decrease) in Accounts Payable	(448,639)
Increase(Decrease) in Accrued Interest Payable	(2,246)
Increase(Decrease) in Customer Deposits	69,870
Amortization of Bond Premium	(32,282)
Amortization of Deferred Charge on Refunding	7,193
Change in Deferred Pension Inflow	(34,437)
Change in Deferred Pension Outflow	(70,500)
Change in Net Pension Liability	89,573
Net Cash Provided by Operating Activities	<u>\$ 2,095,575</u>

The accompanying notes are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies

The City of Mercedes, Texas (the “City”) was incorporated in 1909, under Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a City Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public works, sanitation, health and welfare, culture and recreation, education, public improvements, planning and zoning, and general administrative services. Other services include utilities such as water, sewer services, and solid waste collection.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard body for establishing governmental accounting and financial reporting principles. The more significant accounting policies used by the City are described below.

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Mercedes, Texas and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

Discretely presented component unit – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Discretely presented component units include the following:

Development Corporation of Mercedes – This component unit was organized pursuant to the Development Corporation Act of 1979, as amended by Section 4A and 4B of the act. It was established for the purpose of promoting, assisting, and enhancing economic and industrial development within the City of Mercedes and the State of Texas. The City of Mercedes appoints seven (7) directors to the Corporation’s Board who in turn designate management. The Corporation is authorized to negotiate the issuance of bonds which are payable solely from the revenues of said Corporation. The City is not in any event liable for the payment of any obligations or agreements created or incurred by the Corporation. Financial information is presented separately from the financial information presented for the primary government itself. Separate financial statements can be obtained from the Development Corporation of Mercedes, Executive Director.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies - Continued

Mercedes Industrial Foundation, Inc. – The non-profit corporation acts as an agent or agency empowered to enter into contracts with political subdivisions in Mercedes. Its purpose is to encourage, promote, solicit, and assist new or expanding industries to fully utilize the existing Mercedes Industrial Park or other appropriate business or industrial sites with the approval of the governing body. Seven (7) directors are appointed by the City Commission of Mercedes who form the office by the governing board, for cause or at will.

B. 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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Separate financial statements are provided for Governmental Funds and Proprietary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

The city considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the city.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Basis of Presentation

The accounts of the City are organized based on funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate self-balancing set of accounts for its assets, other debits, liabilities, other credits, equity, revenue and expenditures or expenses, as appropriate.

Governmental Funds – Government resources are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

Enterprise Funds – account for operations (1) that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies - Continued

Major Governmental Funds

The City reports the following major Governmental Funds:

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The debt service fund is reported as a major fund.

The Capital Projects Funds are used to account for the acquisition or construction of capital assets. The City does not have any major capital projects funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than for major capital projects, that are legally restricted to expenditure for specified purposes. The American Rescue Plan fund is reported as a major fund.

Major Proprietary Funds

The Utility Fund accounts for the provision of water and sewer services to the residents of the City and some residents outside of the city.

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Water and Sewer (Utility) Fund. The Capital Projects Funds adopt project – length budgets. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service, as well as for the Water and Sewer (Utility) Fund. The American Rescue Plan fund, a major special revenue fund, did not have the City Commission accepted the funds by resolution, but no budgetary action was taken to the timing of the receipt of the funds.

Unused appropriations of the above annual budgets 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. Budgetary data for Capital Project Funds is budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements. Revisions that alter total expenditures within a department must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is at the departmental level.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies - Continued

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adopted by the City Commission. Expenditures may not legally exceed budgeted appropriations at the department level. During the year, several supplementary appropriations were necessary.

F. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

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

The City did not complete its audit of the financial statements within 120 days after year-end as required by its bond covenants.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

i. Cash and Cash Equivalents

The City'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.

Cash in all funds, including restricted cash, is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled cash is available upon demand and is considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

ii. Restricted Assets

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

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

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

iii. Investments

Investments for the City 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 of the specified criteria in Section I50: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the pool is equal to the value of the pooled shares.

iv. Receivables and Payables

Unbilled receivables – An amount for unbilled revenue is recorded in the Water and Sewer (Utility Fund) for services rendered but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated after fiscal year end and prorated for usage in September.

Allowance for doubtful accounts - Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable more than 365 days are subject to being considered as uncollectible.

v. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

vi. Interfund Activities and Transactions

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

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

vii. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated assets are reflected at their acquisition value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains or losses on dispositions of capital assets are included in income within the proprietary fund financial statements and in the governmental activities and business-type activities columns of the government-wide financial statements. In the governmental fund financial statements, only the proceeds from the disposition are reported.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

Within the proprietary fund, interest cost, less interest earned on investments acquired with proceeds of related borrowing, is capitalized during the construction of capital projects when material. Interest expense is not capitalized on capital assets. Depreciation of capital assets used by proprietary funds, including those acquired by contributed capital, is charged as an expense against their operations in the fund financial statements as well as the government-wide financial statements. Depreciation of capital assets used by funds categorized as governmental activities is not provided in the fund financial statements, however, is included in the gross expense by function in the government-wide statement of activities. Capital assets, net of accumulated depreciation, are reported on proprietary fund balance sheets and in both the governmental activities and business-type activities column of the government-wide statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Improvements	10 - 25 years
Buildings	25 years
Furniture and Equipment	3 - 10 years
Infrastructure	15 - 40 years
Water and Sewer System	15 - 40 years

The right-to-use lease asset capitalization level is determined by the Board. The term of the lease must be the noncancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. As of September 30, 2024, the City did not have any leases meeting the requirements to be recognized as a right-to-use lease asset.

viii. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

The City has three (3) items that qualify for reporting as deferred outflows of resources, the *deferred amount on refunding*, the *deferred outflows related to pensions*, and the *deferred outflows related to OPEB*, each reported in the government-wide and proprietary funds statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the debt instruments exceeds their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions and OPEB are an aggregate of items related to pensions and other post-employment benefits as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension liability or OPEB liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions and OPEB* are an aggregate of items related to pensions and other postemployment benefits as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions and OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

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

ix. Compensated Absences

Accumulated unpaid compensated absences are accrued when incurred in proprietary funds. The liability for governmental funds is recorded only in the governmental activities' column of the government-wide financial statements. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in long-term debt. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies - Continued

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, no accrual is recorded for compensated absences that are dependent on the performance of future services by employees or when payments are dependent on future events outside the control of the employer and employees. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

x. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense.

Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs—Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service expenditures.

xi. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City’s Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

xii. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System (TMRS) Supplemental Death Benefit has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This measure is used for purposes of measuring the total OPEB liability, deferred outflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the applicable OPEB's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's total OPEB liability related to the TMRS Supplemental Death Benefit is obtained from TMRS through a report prepared by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

xiii. Categories and Classification of Fund Equity

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

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

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

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

The provisions 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.

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

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

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing commission has by resolution authorized the City Manager and the Finance Director to assign fund balance. 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.

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

xiv. Revenues and Expenditures/Expenses

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

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

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

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer (Utility) Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

xv. 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.

xvi. Recently Issued and Implemented Accounting Pronouncements

The GASB has issued the following statement which became effective for fiscal year 2024, and has been implemented:

GASB Statement No. 100, "*Accounting for Changes and Error Corrections*" – an Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

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

- GASB Statement No. 101, *Compensated Absences* – This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement is effective for fiscal years beginning after December 15, 2024, and all reporting periods thereafter.
- GASB Statement No 102, "*Certain Risk Disclosures*"- The objective of this statement is to provide users of government financial statement with essential information about risk related to a government's vulnerabilities due to certain concentrations or constraints, whether by an external party or formal authoritative action by the government. A government is to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.
- GASB Statement No. 103, "*Financial Reporting Model Improvements*"- The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues related to Management's Discussion and Analysis, unusual or infrequent items, Net Position of proprietary funds, Major Component Unit Information, and Budgetary Comparison Information.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies – Continued

- GASB Statement 104, "*Disclosure of Certain Capital Assets*"- The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets separately in the capital assets note disclosures required by Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Note 2 – Detail Notes on all Funds

A. Deposits and Investments

It is the City'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 Deposit Insurance Corporation insurance.

As of September 30, 2024, the City's deposits were covered by the federal deposit insurance or were secured by collateral held by the City's agent in the City's name pursuant to the City's investment policy and its depository agreement.

A reconciliation of the City's cash and investments is as follows:

Description	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Cash and Cash Equivalents	\$ 9,777,849	\$ 1,714,889	\$ 11,492,738	\$ 1,056,123
Restricted cash	869,237	297,708	1,166,945	793,198
	<u>\$ 10,647,086</u>	<u>\$ 2,012,597</u>	<u>\$ 12,659,683</u>	<u>\$ 1,849,321</u>

Interest Rate Risk

The investment policy states that no investment shall exceed two years in maturity. By limiting the exposure of its investments by less than two years as reflected in the above schedule, the City reduces its risks to the rising interest rates.

Credit Risk

As of September 30, 2024, the investments in Texas CLASS external investment pool were rated AAAM by Moody's Investor Service and Standards and Poor's. The City's investment policy limits authorized investments to certificates of deposits, U.S. Treasuries and federal government agencies, direct obligations of the State of Texas or its agencies, certain fully collateralized direct repurchase agreements, commercial paper – 270-day limit, or any investment allowed under the Public Funds Investment Act with prior approval of the City Commission.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

Public Funds Investment Pools

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

For financial reporting purposes, the City and component units reported amounts for investment pools of \$12,659,683, and \$1,849,321 respectively, in cash and cash equivalents on the Statement of Net Position as of September 30, 2024. There were no unfunded commitments as of September 30, 2024, and amounts reported in the investment pool had a daily redemption frequency and do not require prior notice for redemption.

B. Receivables

Receivables as of September 30, 2024, consist of the following:

	Primary Government					
	Governmental Funds				Business-type Activities	
	General Fund	Debt Service Fund	Non-Major Funds	Total	Water and Sewer Fund	Component Unit
Property taxes	\$ 724,055	\$ 395,620	\$ -	\$ 1,119,674	\$ -	\$ -
Sales taxes	1,390,023	-	-	1,390,023	-	347,506
Intergovernmental	-	-	-	-	-	-
Ambulance Fees	2,199,915	-	-	2,199,915	-	-
Trade	-	-	-	-	1,185,338	904,840
Notes Receivable	193,503	-	-	193,503	-	876,513
Other receivables	1,080,638	-	375	1,081,013	-	-
Gross receivables	5,588,133	395,620	375	5,984,128	1,185,338	2,128,859
Less: Allowance for uncollectible	(1,400,858)	(119,860)	-	(1,520,718)	(249,880)	(28,327)
Receivables, Net	\$ 4,187,275	\$ 275,759	\$ 375	\$ 4,463,410	\$ 935,458	\$ 2,100,532

Property tax revenues are recognized when they become available in the fund statements. Available includes those property tax receivables expected to be collected within sixty days after year end.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

Included in the amount of intergovernmental receivables in the TIF Fund (included in the non-major funds column above) is a receivable from County of Hidalgo for tax collections generated from the Tax Increment Reinvestment Zone (TIRZ) totaling \$526,028. A discrepancy between the City and County of Hidalgo exists as to the amount due to the City. The City is working with a consultant to assist in resolving this matter. The City has taken a conservative approach and has an allowance for uncollectible balances totaling \$258,687 related to the TIRZ receivable.

As an inducement to expand their business operations, the City and component units accepted notes from various businesses. These notes are for cash loans that carry various interest rates and terms. The interest rates vary by the individual entity and are based on individual creditworthiness. Promissory notes exist for the City for various extensions of cash funds to the component units.

These extensions of cash funds are made so the component units could carry out certain capital acquisition activities primarily made for furthering economic objectives.

Notes receivable as of September 30, 2024, consist of the following:

Description	Governmental Activities	Component Unit
Promissory Note VIDA	\$ 193,503	\$ -
De La Garza Bakery	-	57,716
MD International (Orb-Galvan)	-	99,154
MD International	-	41,887
MD International (Galvan)	-	97,738
First National Bank (Gomez)	-	14,316
First National Bank (Gomez)	-	25,822
Mario and Martha Castaneda	-	45,207
Rene Moreno	-	25,000
The Grind	-	29,476
Top Gym	-	11,285
Valor Fitness LLC	-	36,307
NTM Ventures LLC	-	65,793
Martha Carrillo	-	78,416
Ashley R. Gonzalez	-	38,566
Ledesma	-	44,669
R. Garza	-	43,487
Colombus C1	-	150,000
Total Notes Receivable	193,503	904,840
Less: Allowance for Uncollectible	-	(28,327)
Total Notes Receivable, Net	\$ 193,503	\$ 876,513

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

The City and component unit maintains an allowance for uncollectible for estimated losses resulting from the failure of individuals to make required payments. The City and component unit review the loans receivable on a periodic basis and make allowances where there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the City and component unit consider many factors, including the age of the balance, the individual's payment history, their current creditworthiness, and current economic trends. As of September 30, 2024, the component unit estimated an allowance for uncollectible loans receivable of \$28,327.

C. Redevelopment Assets

The City and component unit report certain redevelopment assets. At the time of acquisition, these properties were purchased to further economic objectives. These investments must be reported as net realizable value. As of September 30, 2024, the City and component units reported redevelopment assets of \$283,415 and \$3,703,917 respectively.

D. Capital Assets

Capital asset activity for the year ended September 30, 2024, is as follows:

	Beginning Balance 10/1/2023	Additions	Retirements	Ending Balance 9/30/2024
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,277,932	\$ -	\$ -	\$ 1,277,932
Construction	3,462,165	1,077,981	-	4,540,146
Total capital assets, not being depreciated	4,740,097	1,077,981	-	5,818,078
Capital assets, being depreciated				-
Buildings	14,118,562	-	-	14,118,562
Vehicles	4,483,489			
Equipment	4,552,748	566,128	(109,547)	5,009,329
Improvements	4,980,835	6,254	-	4,987,089
Infrastructure	26,103,471	-	-	26,103,471
Total capital assets, being depreciated	54,239,105	572,382	(109,547)	54,701,940
Less Accumulated Depreciation for:				
Buildings	(4,069,661)	(286,853)		(4,356,514)
Vehicles	(3,480,525)	(417,764)		(3,898,289)
Equipment	(3,387,463)	(388,995)	109,547	(3,666,911)
Improvements	(1,551,773)	(188,445)		(1,740,218)
Infrastructure	(11,111,980)	(620,238)		(11,732,218)
Total Accumulated Depreciation	(23,601,402)	(1,902,294)	109,547	(25,394,149)
Total capital assets, being depreciated, net	30,637,703	(1,329,912)	-	29,307,791
Governmental activities, capital assets, net	\$ 35,377,800	\$ (251,932)	\$ -	\$ 35,125,870

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

E. Capital Assets

Business-type Activities

Capital assets, not being depreciated

Land	\$ 199,100	\$ -	\$ -	\$ 199,100
Construction in Progress	459,344	4,159,156	-	4,618,500
Total capital assets, not being depreciated	<u>658,444</u>	<u>4,159,156</u>	<u>-</u>	<u>4,817,600</u>
Capital assets, being depreciated				
Furniture and equipment	4,185,405	197,087	-	4,382,492
Water system	32,749,399	-	-	32,749,399
Sewer system	<u>28,244,263</u>	<u>-</u>	<u>-</u>	<u>28,244,263</u>
Total capital assets, being depreciated	65,179,067	197,087	-	65,376,154
Less Accumulated Depreciation for:			-	-
Furniture and equipment	(2,116,120)	(146,627)		(2,262,747)
Water system	(15,842,951)	(683,634)		(16,526,585)
Sewer system	<u>(13,133,661)</u>	<u>(674,714)</u>		<u>(13,808,375)</u>
Total Accumulated Depreciation	(31,092,732)	(1,504,975)	-	(32,597,707)
Total capital assets, being depreciated, net	34,086,335	(1,307,888)	-	32,778,447
Business-type activities, capital assets, net	<u>34,744,779</u>	<u>2,851,269</u>	<u>-</u>	<u>37,596,048</u>
Total capital assets, net	<u>\$ 70,122,579</u>	<u>\$ 2,599,337</u>	<u>\$ -</u>	<u>\$ 72,721,918</u>

For the year ended September 30, 2024, depreciation expense was charged to governmental and business-type activities functions of the primary government as follows:

Governmental Activities	Amount
General Government	\$ 653,465
Public Safety	694,796
Public Works	65,641
Highways and Streets	73,181
Health and Welfare	264,614
Culture and Recreation	143,519
Conservation and Development	<u>7,078</u>
Total Depreciation Expense	<u>\$ 1,902,294</u>

Business-type Activities	Amount
Water System	\$ 683,634
Sewer System	<u>674,714</u>
Total Depreciation Expense	<u>\$ 1,358,348</u>

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

Activity for the component units (Mercedes Economic Development Corporation and Mercedes Industrial Foundation) are as follows:

<u>Business-type Activities</u>	<u>Amount</u>
Furniture and Equipment	\$ 146,627
Water System	683,634
Sewer System	674,714
Total Depreciation Expense	<u>\$ 1,504,975</u>

Depreciation expense of \$1,504,975 was charged to the economic development services function as of September 30, 2024.

F. Interfund Receivables and Payables

Inter-fund balances as of September 30, 2024, consisted of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Utility Fund	\$ 3,372,761	
TIRZ Fund	42,559	-
Special Revenue Fund	65,000	376
Technology Fund		
Component Unit	78,805	729,851
Total General Fund	<u>3,559,125</u>	<u>730,227</u>
TIRZ Fund:		
General Fund	-	42,559
Total TIRZ Fund	<u>-</u>	<u>42,559</u>
Special Revenue Fund:		
General Fund	376	65,000
Total Special Revenue Fund	<u>376</u>	<u>65,000</u>
Series 2021 Fund:		
Enterprise Fund	-	722,484
General Fund		-
Total Debt Service Fund	<u>-</u>	<u>722,484</u>
Municipal Technology Fund:		
Utility Fund	-	-
Total Capital Projects Fund	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 3,559,502</u>	<u>\$ 1,560,271</u>

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

Enterprise Fund:		
General Fund	-	3,372,761
Series 2021 Fund	722,484	-
Total Enterprise Fund	722,484	3,372,761
Component Unit:		
General Fund	729,851	78,805
Total Component Unit	\$ 729,851	\$ 78,805

On September 30, 2020, the City and the Development Corporation of Mercedes reached an agreement of the amounts they would pay each other by March 2024. The City agreed to pay the Development Corporation of Mercedes \$341,324, and the Development Corporation of Mercedes agreed to pay the City \$78,805. This resulted in a net amount of \$262,519 that the City owes the Development Corporation of Mercedes. Additionally, as of September 30, 2024, the City owed Development Corporation of Mercedes \$347,506, for sales taxes for a total amount due to Development Corporation of Mercedes of \$610,025.

G. Long-Term Liabilities

Primary Government

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for general government activities as well as business-type (proprietary) activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are used as 25-year serial bonds, with varying amounts of principal maturing each year.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

As of September 30, 2024, the City's governmental long-term debt obligations currently outstanding are summarized by the following table:

	Interest Rate Payable	Amounts Original Issue	Maturity Date	Balance 10/1/2023	Increase	Decrease	Balance 9/30/2024	Due in One Year
Governmental Activities								
<i>Bonds Payable</i>								
Series 2013 Public Property Finance Contractual Obligations	2.59%	\$ 1,020,000	9/30/2028	\$ 860,000	\$ -	\$ (165,000)	\$ 695,000	\$ 170,000
Series 2015 Combination Tax and Limited Pledge Revenue C.O.	2.73%	1,685,000	9/30/2030	705,000	-	(230,000)	475,000	235,000
Series 2015 Obligation Refunding Bonds	2.05 -2.42%	930,000	9/30/2026	1,495,000	-	(195,000)	1,300,000	200,000
Series 2016 Limited Tax Refunding Bonds	4.00 -4.25%	3,042,000	9/30/2036	3,595,950	-	(545,950)	3,050,000	570,350
Series 2018 Combination and Limited Pledge	3.00 -4.00%	8,610,000	9/30/2038	8,215,000	-	(405,000)	7,810,000	425,000
Series 2021 Combination Tax and Limited Pledge	2.45%	4,510,000	9/30/2033	4,413,750	-	(101,750)	4,312,000	107,250
<i>Total Bonds Payable</i>		19,797,000		19,284,700	-	(1,642,700)	17,642,000	1,707,600
<i>Notes Payable</i>								
N/P Development Corporation of Mercedes	0.00%	1,000,000	3/30/2026	343,750	-	(125,000)	218,750	125,000
<i>Total Notes Payable</i>		1,000,000		343,750	-	(125,000)	218,750	125,000
<i>Other Debt Obligations</i>								
Settlement Payable				4,920,697	-	(500,000)	4,420,697	-
Amortization of Bond Premiums				619,801	-	(47,780)	572,021	47,780
Compensated Absences				324,957	-	-	324,957	-
<i>Total Other Debt Obligations</i>				5,865,455	-	(547,780)	5,317,675	47,780
Total Governmental Activities				\$ 25,493,905	\$ -	\$ (2,315,480)	\$ 23,178,425	\$ 1,707,600

H. Long-Term Liabilities – Continued

As of September 30, 2024, the City's business-type long-term debt obligations currently outstanding are summarized by the following table:

Business-Type Activities								
<i>Bonds Payable</i>								
Series 2006 Combination Tax and Subordinated Lien Revenue C.O.	4.55%	\$ 240,000	9/30/2026	\$ 175,000	\$ -	\$ (65,000)	\$ 110,000	\$ 65,000
Series 2013 Utility System Revenue Bonds	1.19-2.18%	1,970,000	9/30/2033	1,805,000	-	(165,000)	1,640,000	170,000
Series 2013 General Obligation Refunding Bonds	4.00%	150,000	9/30/2024	75,000	-	(75,000)	-	-
Series 2016 Limited Tax Refunding Bonds	4.00-4.25%	2,636,400	9/30/2036	2,299,050	-	(349,050)	1,950,000	364,650
Series 2021 Combination Tax and Limited Pledge	2.45%	3,690,000	9/30/2033	3,611,250	-	(83,250)	3,528,000	87,750
<i>Total Bonds Payable</i>		8,686,400		7,965,300	-	(737,300)	7,228,000	687,400
<i>Other Debt Obligations</i>								
Amortization of Bond Premiums				209,831	-	(32,282)	177,549	-
Compensated Absences				20,331	15,599	-	35,930	-
<i>Total Other Debt Obligations</i>				230,162	15,599	(32,282)	213,479	-
Total Business-Type Activities				\$ 8,195,462	\$ 15,599	\$ (769,582)	\$ 7,441,479	\$ 687,400

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

As of September 30, 2024, the City’s component unit long-term debt obligations currently outstanding are summarized by the following table:

Component Unit Activities

<i>Bonds Payable</i>								
Series 2007 sales tax revenue bond	4.55%	\$ 3,500,000	8/15/2027	\$ 1,000,000	\$ -	\$ (235,000)	\$ 765,000	\$ 245,000
<i>Total Bonds Payable</i>		<u>3,500,000</u>		<u>1,000,000</u>	<u>-</u>	<u>(235,000)</u>	<u>765,000</u>	<u>245,000</u>
<i>Notes Payable</i>								
N/P USDA	1.00%	750,000	2/16/2041	503,250	-	(25,816)	477,435	26,334
N/P Office of the Governor	3.25-5.0%	1,075,000	2/1/2025	183,432	-	(127,230)	56,202	56,254
Valley Telephone Cooperative	Varies	<u>2,000,000</u>	3/1/2026	<u>687,500</u>	<u>-</u>	<u>(250,000)</u>	<u>437,500</u>	<u>250,000</u>
<i>Total Notes Payable</i>		<u>3,825,000</u>		<u>1,374,182</u>	<u>-</u>	<u>(403,045)</u>	<u>971,137</u>	<u>332,588</u>
<i>Leases Payable</i>								
Building	3.00%	34,997	3/1/2025	26,441	-	(17,496)	8,945	8,945
Office Equipment	3.00%	<u>8,917</u>	6/30/2027	<u>6,810</u>	<u>-</u>	<u>(1,742)</u>	<u>5,068</u>	<u>1,795</u>
<i>Total Leases Payable</i>		<u>43,914</u>		<u>33,251</u>	<u>-</u>	<u>(19,239)</u>	<u>14,012</u>	<u>10,740</u>
<i>Other Debt Obligations</i>								
Settlement Payable	Varies	<u>2,195,882</u>	11/20/2028	<u>1,007,051</u>	<u>-</u>	<u>(425,826)</u>	<u>581,225</u>	<u>425,826</u>
<i>Total Other Debt Obligations</i>		<u>2,195,882</u>		<u>1,007,051</u>	<u>-</u>	<u>(425,826)</u>	<u>581,225</u>	<u>425,826</u>
<i>Total Component Unit Activities</i>		<u>9,564,796</u>		<u>3,414,484</u>	<u>-</u>	<u>(1,083,110)</u>	<u>2,331,374</u>	<u>1,014,154</u>
Total Debt Obligations				\$ 37,103,851	\$ 15,599	\$ (4,168,172)	\$ 32,951,278	\$ 3,409,154

I. Long-Term Liabilities - Continued

Note Payable – Governmental Activities

Governmental activities note payable as of September 30, 2024, is as follows:

A note dated March 1, 2016, was payable to the Development Corporation of Mercedes for \$1,000,000. The terms of the note include principal payments of \$10,417, beginning April 2018 continuing monthly thereafter until March 2026, when the entire balance will be due and payable. The note is interest free and not secured.

\$	218,750
<u>\$</u>	<u>218,750</u>

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Notes Payable – Component Unit

Governmental activities note payable as of September 30, 2024, is as follows:

A note dated February 16, 2011, and payable to the USDA for \$750,000. The terms of the note include principal and interest payments of \$30,848, beginning October 2015 and continuing regularly thereafter until February 2041 when the entire balance, including principal and interest will be due and payable. The interest rate is fixed at 1.00%. The note is secured by funds placed in the IRP revolving fund and various collateral obtained as a result of lending activity.

477,435

A note dated January 5, 2015, and payable to the Office of the Governor Economic Development and Tourism Division for \$1,075,000. The terms of the note include principal and interest payments of \$10,530 beginning March 1, 2015, and continuing regularly thereafter until February 1, 2025, when the entire balance, including principal and interest will be due and payable. The interest rate is variable between 3.25% and 5%. The note is secured by a lien and security interest in sales and use tax.

56,202

A note dated March 1, 2016, payable to Valley Telephone Cooperative for \$2,000,000. The terms of the note include principal payments of \$20,833 and continuing regularly thereafter until March 2026, when the entire balance will be due and payable. The note is secured by 119 acres owned by the DCM. The notes were used to further economic objectives.

437,500

\$ 971,137

Governmental Activities and Component Unit Settlement Payable

On November 20, 2018, The City of Mercedes approved Resolution No. 2018-13, which is a resolution established for DCM and the City to pay each a portion of a settlement resulting from a prior year agreement with a developer. The settlement portion for the City and DCM is \$6,587,646 and \$2,195,882 respectively and is expected to be paid within 10 years. As of September 30, 2024, the settlement payable balance for the City and DCM totaled \$4,420,697 and \$581,225 respectively.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

The annual debt service requirements to maturity for governmental activities long-term debt obligations are as follows:

Year Ending September 30,	Total Bonds Payable		Total Notes Payable		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,707,600	\$ 576,610	\$125,000	\$ -	\$ 1,832,600	\$ 576,610
2026	1,761,400	517,829	93,750	-	1,855,150	517,829
2027	1,622,850	459,260	-	-	1,622,850	459,260
2028	1,693,750	400,750	-	-	1,693,750	400,750
2029	1,540,200	345,132	-	-	1,540,200	345,132
2030-2034	6,534,700	1,042,396	-	-	6,534,700	1,042,396
2035-2039	2,781,500	224,089	-	-	2,781,500	224,089
	<u>\$17,642,000</u>	<u>\$3,566,066</u>	<u>\$218,750</u>	<u>\$ -</u>	<u>\$17,860,750</u>	<u>\$3,566,066</u>

The annual debt service requirements to maturity for business-type activities long-term debt obligations are as follows:

Year Ending September 30,	Total Bonds Payable	
	Principal	Interest
2025	\$ 687,400	\$ 187,058
2026	683,600	167,305
2027	697,150	146,187
2028	731,250	123,500
2029	784,800	100,932
2030-2034	3,585,300	198,297
2035-2039	58,500	2,486
	<u>\$ 7,228,000</u>	<u>\$ 925,766</u>

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 2 – Detail Notes on all Funds – Continued

G. Long-Term Liabilities - Continued

The annual debt service requirements to maturity for component units' long-term debt obligations are as follows:

Year Ended September 30,	Bonds, Notes, and Leases Payable		
	Principal	Interest	Total Requirements
2025	\$ 588,328	\$ 40,699	\$ 629,027
2026	470,947	27,977	498,924
2027	293,287	16,056	309,343
2028	27,132	3,716	30,848
2029	27,404	3,444	30,848
2030-2034	167,207	13,056	180,263
2035-2039	148,386	5,854	154,240
2040-2044	27,459	275	27,733
Total	1,750,149	111,077	1,861,227
Current portion	(588,328)	(40,699)	(629,027)
Total Long-Term	\$ 1,161,821	\$ 70,378	\$ 1,232,199

Changes in Long-Term Debt

During the year ended September 30, 2024, the following changes occurred in liabilities reported in long-term debt:

Description	Beginning Balance	Increase	Decrease	Ending Balance	Due in One Year
Bonds, Notes, and Leases Payable					
Bonds payable	\$ 1,000,000	\$ -	\$ (235,000)	\$ 765,000	\$ 245,000
Notes Payable	1,374,182	-	(403,045)	971,137	332,588
Leases Payable	33,251	-	(19,239)	14,012	10,740
Total Bonds, Notes, and Leases Payable	2,407,433	-	(657,284)	1,750,149	588,328
Other Long-Term Debt					
Settlement payable	1,007,051	-	(425,826)	581,225	425,826
Total Other Long-Term Debt	1,007,051	-	(425,826)	581,225	425,826
Total Long-Term Debt Obligations	\$ 3,414,484	\$ -	\$ (1,083,110)	\$ 2,331,374	\$ 1,014,154

Certain general obligation and revenue bonds contain covenants, which among other things, requires the city to complete its audit within 120 days of the City's fiscal year-end. As of September 30, 2024, the City was not in compliance with this covenant.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 3 – Defined Benefit – Pension Plan – TMRS

Plan Description

The City participates as one of 888 plans in the 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.tmrs.com.

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state 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, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Description	Amount
Inactive employees or beneficiaries currently receiving benefits	89
Inactive employees entitled to but not yet receiving benefits	178
Active employees	126
Total participants	393

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 3 – Defined Benefit – Pension Plan – TMRS – 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 City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.80% and 15.57% in calendar year 2024 and 2023 respectively. The City contribution to TMRS for the year ended September 30, 2024, were \$892,737, and were equal to retirement contributions.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2023, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
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Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.
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City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 3 – Defined Benefit – Pension Plan – TMRS – 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, 2023. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%.

	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
City's Net Pension Liability	\$ 6,732,543	\$ 2,958,248	\$ (117,254)

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.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 3 – Defined Benefit – Pension Plan – TMRS – Continued

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/22	\$ 26,240,274	\$ 21,828,327	\$ 4,411,947
Changes for the year:			
Service cost	977,979		977,979
Interest	1,753,755		1,753,755
Difference between expected/actual experience	(205,386)		(205,386)
Changes of assumptions	(196,096)		(196,096)
Benefit payments, including refund of employee contributions	(1,495,425)	(1,495,425)	-
Contributions - employer		879,170	(879,170)
Contributions - employee		392,988	(392,988)
Net investment income		2,527,977	(2,527,977)
Administrative expenses		(16,072)	16,072
Other changes		(112)	112
Net change	834,827	2,288,526	(1,453,699)
Balance at 12/31/23	\$ 27,075,101	\$ 24,116,853	\$ 2,958,248
Net Pension Liability Allocation:			
City of Mercedes	97.06%		
Development Corporation of Mercedes	2.94%		

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 3 – Defined Benefit – Pension Plan – TMRS – Continued

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

Related to Pensions

For the year ended September 30, 2024, the City recognized pension expense in the amount of \$562,177.

As of September 30, 2024, 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)	\$ -	\$ 205,386
Change in actuarial assumptions	-	196,096
Differences between projected and actual investment earnings (Net of current year amortization)	-	1,054,565
Contributions subsequent to the measurement date	674,924	-
Total	\$ 674,924	\$ 1,456,047

\$674,924 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions expense as follows:

Fiscal Year Ending September 30,	Amount
2024	\$ 18,894
2025	17,226
2026	393,850
2027	(210,913)
2028	-
Thereafter	-
Total	\$ 219,057

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 4 – Other Post Employment Benefits

Plan Description

The City 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.tmrs.com

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

Employees Covered by Benefit Terms

<u>Description</u>	<u>Amount</u>
Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	16
Active employees	126
Total participants	202

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 4 – Other Post Employment Benefits - Continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2023, 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	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019Municipal 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 the most recent Scale MP-2021 (with immediate convergence) 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, 2023.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 4 – Other Post Employment Benefits – Continued

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 0.14% and 0.14% in calendar 2024 and 2023 respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$7,958 and were equal to the required Contributions.

	Total OPEB Liability (a)
Balance at 12/31/22	\$ 297,477
Changes for the year:	
Service cost	11,228
Interest	12,082
Change in benefit terms	-
Difference between expected/actual experience	(5,011)
Changes of assumptions	16,474
Benefit payments, including refund of employee contributions	(9,544)
Net change	25,229
Balance at 12/31/23	\$ 322,706

Total OPEB allocation:

City of Mercedes	97.06%	\$ 322,706
Development Corporation of Mercedes	2.94%	\$ 9,488

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 3.77%, 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 (2.77) or 1 Percentage higher (4.77) than the current rate.

	1% Decrease 2.77%	Current Discount Rate 3.77%	1% Increase 4.77%
Total OPEB Liability	\$ 385,714	\$ 322,706	\$ 273,346

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 4 – Other Post Employment Benefits - Continued

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

For the year ended September 30, 2024, the City recognized OPEB expense in the amount of \$13,533.

As of September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (Net of current year amortization)	\$ -	\$ 36,456
Change in actuarial assumptions	-	50,183
Contributions subsequent to the measurement date	6,034	-
Total	\$ 6,034	\$ 86,639

\$6,034 of deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. 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
2024	\$ (19,633)
2025	(18,213)
2026	(20,768)
2027	(25,318)
2028	(3,076)
Thereafter	369
Total	\$ (86,639)

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 5 – Interfund Transfers

The City's Interfund transfers as of September 30, 2024, consisted of the following:

Governmental Activities:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 300,000	
ARPA	-	1,219,173
Special Revenue Fund	-	-
Local Forfeiture	-	-
Keep Mercedes Beautiful	-	-
TIF Fund	-	-
Series 2021	1,219,173	329,266
Total governmental activities transfers	1,519,173	1,548,439
Business-type Activities:		
Utility Fund	329,266	300,000
Total business-type transfers	329,266	300,000
Total Interfund Transfers	<u>\$ 1,848,439</u>	<u>\$ 1,848,439</u>

Note 6 – Commitments and Contingencies

Grants

The City participates in several grant programs funded by State and Federal Agencies. These programs are subject to compliance by the grantor agencies or their representatives. Audit of all these programs included in the year ended September 30, 2024, have been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the city expects such amounts, if any, to be immaterial.

Litigation

The City is involved in litigation claims against it from time to time that are generally incidental to its operations. However, it is the opinion of the City's management that the City's liability in those cases that are not covered by liability insurance will not be material to the financial statements for these contingent liabilities. As of September 30, 2024, the City was a defendant in various lawsuits as to which the ultimate resolution and possibility of any unfavorable outcome is not yet determinable. At the present time, the City does not anticipate any material losses as a result of these lawsuits.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 6 – Commitments and Contingencies – Continued

Economic Incentive Commitments

The Development Corporation of Mercedes extended economic incentives to the following entities as follows as of September 30, 2024:

<i>Incentives</i>	Amount Committed	Paid in Previous Years	Paid in Current Year	Balance Due
Knapp Medical Center	\$ 750,000	\$ 300,000	\$ -	\$ 450,000
OA Mercedes Health Realty	590,000	236,000	-	354,000
Rio Grande Livestock Show	300,000	100,000	25,000	175,000
Raybecc Ohio Street LLC	200,000	100,000	-	100,000
Rios of Mercedes	254,000	101,600		152,400
Texas Rio Grande Legal Aid	330,000	75,000	-	255,000
Orchard Grove Apartments	450,000	250,000	50,000	150,000
Project Travel Center	200,000	-	41,133	158,867
Project Rios of Mercedes	257,000	-	51,400	205,600
Southern Tire Mart	217,800	-	217,800	-
Total Commitments	\$3,548,800	\$ 1,162,600	\$ 385,333	\$2,000,867

Note 7 – Risk Management

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

The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$357,000,000 (as of September 30, 2024, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A- and above rated companies in amounts ranging from \$10,000,000 to 275,000,000 depending on the type of insurance coverage. City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 8 – Compliance and Accountability

A. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None Reported.	Not applicable.

B. Excess of expenditures over appropriations

The following is a list of the excess of expenditures over appropriations, at the legal control by an individual fund:

<u>Description</u>	<u>Department/Expenditure</u>	<u>Excess Amount</u>
General Fund	General Government	(377,367)
General Fund	Public Safety	(232,486)
General Fund	Public Works	(50,486)
General Fund	Health & Welfare	(585,198)
General Fund	Culture & Recreation	(147,871)

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City of Mercedes, Texas
Notes to the Basic Financial Statements
For the Year Ended September 30, 2024

Note 9 – Fund Balances

Fund balances as of September 2024, were summarized by the following table:

	General Fund	ARPA	Bond Series 2021	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance						
Nonspendable						
Inventory	\$ 73,904	\$ -	\$ -	\$ -	\$ -	\$ 73,904
Redevelopment Assets	283,415	-	-	-	-	283,415
Total nonspendable	357,319	-	-	-	-	357,319
Restricted						
Special Revenue Fund	-	-	-		14,299	14,299
Debt service fund	-	-	-	1,183,311	-	1,183,311
Municipal court technology fund	-	-	-	-	142,445	142,445
Local forfeiture fund	-	-	-	-	21,186	21,186
Keep Mercedes Beautiful fund	-	-	-	-	7,283	7,283
Hotel/Motel fund	-	-	-	-	730,610	730,610
TIF fund	-	-	-	-	83,849	83,849
Recreation program fund	-	-	-	-	3,182	3,182
Parks Fund	-	-	-	-	327,087	327,087
Capital Projects P.P.F.C.O. 2013 Series	-	-	-	-	3,880	3,880
Capital Projects Series 2015 C.O.	-	-	-	-	2,439	2,439
Capital Projects Series 2018 Bond	-	-	-	-	17,507	17,507
Capital Projects Series 2021 Bond	-	-	62,842	-	-	62,842
Streets - Right of way	-	-	-	-	3,535	3,535
Total Restricted	-	-	62,842	1,183,311	1,357,302	2,603,455
Assigned						
Library Fund	-	-	-	-	1,291	1,291
Total Assigned	-	-	-	-	1,291	1,291
Unassigned						
General fund	11,490,123	46,953	-	-	-	11,537,076
Total Unassigned	11,490,123	46,953	-	-	-	11,537,076
Total Fund Balance	\$ 11,847,442	\$ 46,953	\$ 62,842	\$ 1,183,311	\$ 1,358,593	\$ 14,499,141

Note 10 – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 5, 2025, and has determined there were no other events other than the one listed above that would require disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MERCEDES
Schedules of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Budgetary Basis)
September 30, 2024

		Budgeted Amounts		Actual Amounts	
Revenues:		Original	Final	Budgetary Basis	Variance
5110	Property Taxes	\$ 4,109,439	\$ 4,109,439	\$ 4,377,370	\$ 267,931
5120	General Sales and Use Tax	5,203,300	5,203,300	7,558,769	2,355,469
5170	Franchise Tax	680,000	680,000	701,082	21,082
5190	Penalty and Interest on Taxes	90,000	90,000	100,836	10,836
5200	Licenses and Permits	514,500	514,500	691,793	177,293
5300	Intergovernmental Revenue and Grants	17,400	17,400	20,676	3,276
5400	Charges for services	2,400,450	2,400,450	3,096,413	695,963
5510	Fines	70,000	70,000	53,921	(16,079)
5610	Investment Earnings	50,000	50,000	299,041	249,041
5700	Other Revenue	1,950,972	1,950,972	409,673	(1,541,299)
	Total Revenues	15,086,061	15,086,061	17,309,574	2,223,513
Expenditures:					
100	General Government	4,667,577	4,667,577	5,044,944	(377,367)
200	Public Safety	5,065,604	5,065,604	5,298,090	(232,486)
300	Public Works	445,577	445,577	496,430	(50,853)
310	Highways and Streets	735,671	735,671	608,603	127,068
400	Health & Welfare	1,591,055	1,591,055	2,176,253	(585,198)
500	Culture and Recreation	1,043,372	1,043,372	1,191,243	(147,871)
	Debt Service:				
710	Principal	625,000	625,000	625,000	-
800	Capital Outlay	912,205	912,205	117,915	794,290
	Total Expenditures	15,086,061	15,086,061	15,558,478	(472,417)
Excess (Deficiency) of Revenues Over (Under) Expenditures		-	-	1,751,096	1,751,096
Other Financing Sources (Uses):					
7912	Sale of Real and Personal Property	-	-	24,740	24,740
7915	Transfers In	-	-	300,000	300,000
8911	Transfers (Out)	-	-	-	-
	Total Other Funding Sources (Uses)	-	-	324,740	324,740
Change in Fund Balance		-	-	2,075,836	2,075,836
Fund Balance - Beginning		\$ 9,924,339	\$ 9,924,339	\$ 9,924,339	\$ 9,924,339
Fund Balance - End		\$ 9,924,339	\$ 9,924,339	\$ 12,000,175	\$ 2,075,836

CITY OF MERCEDES, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Plan Year Ended December 31,							
	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability								
Service cost	\$ 977,979	\$ 936,213	\$ 924,643	\$ 931,185	\$ 814,509	\$ 723,965	\$ 712,113	\$ 740,529
Interest (on the total pension liability)	1,753,755	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	(205,386)	(399,108)	418,406	(209,134)	(490,403)	(398,692)	(478,060)	(236,560)
Change of assumptions	(196,096)	-	-	-	96,939	-	-	-
Benefit payments, including refunds of employee contributions	(1,495,425)	(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	834,827	907,968	1,632,150	987,452	253,873	977,843	596,952	1,180,819
Total Pension Liability - Beginning	26,240,274	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>\$ 27,075,101</u>	<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	879,170	\$ 841,132	\$ 879,935	\$ 959,839	\$ 827,756	\$ 766,842	\$ 783,036	\$ 789,320
Contributions - employee	392,988	378,159	368,174	371,413	319,774	288,596	286,977	289,431
Net investment income	2,527,977	(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	(1,495,425)	(1,325,915)	(1,298,057)	(1,256,720)	(1,654,784)	(794,999)	(1,035,847)	(655,971)
Administrative expense	(16,072)	(14,945)	(12,658)	(9,550)	(15,104)	(10,170)	(11,068)	(10,722)
Other	(112)	17,834	87	(373)	(454)	(531)	(561)	(578)
Net Change in Plan Fiduciary Net Position	2,288,526	(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	21,828,327	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>\$ 24,116,853</u>	<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>\$ 2,958,248</u>	<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	89.07%	83.19%	93.40%	88.54%	85.61%	76.99%	81.78%	73.78%
Covered Payroll	\$ 5,614,119	\$ 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	52.69%	81.67%	31.79%	51.17%	71.56%	125.35%	95.45%	132.41%

CITY OF MERCEDES, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Fiscal Year Ended September 30,								
	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	879,170	\$ 841,132	\$ 876,640	\$ 959,839	\$ 933,895	\$ 809,721	\$ 783,036	\$ 795,685	\$ 810,771
Contributions in relation to actuarially determined contribution	<u>(879,170)</u>	<u>(841,132)</u>	<u>(876,640)</u>	<u>(959,839)</u>	<u>(933,895)</u>	<u>(809,721)</u>	<u>(783,036)</u>	<u>(795,685)</u>	<u>(810,771)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	5,614,119	\$ 5,402,265	\$ 5,447,028	\$ 5,305,900	\$ 4,568,193	\$ 4,122,806	\$ 4,099,672	\$ 4,134,721	\$ 4,303,896
Contributions as a percentage of covered payroll	15.66%	15.57%	16.09%	18.09%	20.44%	19.64%	19.10%	19.24%	18.84%

CITY OF MERCEDES, TEXAS
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	22 years (Longest Amortization Ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period 2023.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information:	There were no benefit changes during the year.

CITY OF MERCEDES, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Plan Year Ended December 31,					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 11,228	\$ 24,310	\$ 22,616	\$ 20,162	\$ 14,161	\$ 14,018
Interest (on the total OPEB liability)	12,082	8,280	8,357	8,866	14,145	8,541
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(5,011)	(19,830)	(6,176)	14,641	(139,319)	120,401
Change of assumptions	16,474	(149,333)	13,696	55,292	51,382	(18,067)
Benefit payments, including refunds of employee contributions	(9,544)	(7,563)	(6,838)	(2,653)	(1,827)	(1,649)
Net Change in Total OPEB Liability	<u>25,229</u>	<u>(144,136)</u>	<u>31,655</u>	<u>96,308</u>	<u>(61,458)</u>	<u>123,244</u>
Total OPEB Liability - Beginning	<u>297,477</u>	<u>441,613</u>	<u>409,958</u>	<u>313,644</u>	<u>375,102</u>	<u>251,858</u>
Total OPEB Liability - Ending	<u><u>\$ 322,706</u></u>	<u><u>\$ 297,477</u></u>	<u><u>\$ 441,613</u></u>	<u><u>\$ 409,952</u></u>	<u><u>\$ 313,644</u></u>	<u><u>\$ 375,102</u></u>
 Covered Payroll	 \$ 5,614,119	 \$ 5,402,265	 \$ 5,259,629	 \$ 5,305,900	 \$ 4,568,193	 \$ 4,122,806
 Total OPEB Liability as a Percentage of Covered Payroll	 5.75%	 5.51%	 8.40%	 7.73%	 6.87%	 9.10%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2023
	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	3.60% to 11.85% including inflation
Discount Rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
 Mortality Rates - Service Retirees	 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
 Mortality Rates - Disabled Retirees	 2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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 the most recent Scale MP-2021 (with immediate convergence) 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, 2023.

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CITY OF MERCEDES, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2024

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the Water and Sewer (Utility) Fund. The capital project funds adopt project length budgets. Formal budgetary integration is employed as a management control device during the year for the General and Debt Service, as well as for the Water and Sewer Funds. The American Rescue Plan fund, a major special revenue fund, did not have legally adopted budget. The City Commission accepted the funds by resolution, but no budgetary action was taken due to the timing of the receipt of the funds.

Unused appropriations of the above annually budgeted amounts 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.

Budgetary data for Capital Project Funds is budgeted over the life of the respective project and not on an annual basis. Therefore, this data is not presented in the accompanying combined financial statements.

Revisions that alter total expenditures within a department must be approved by the City Commission. Therefore, the legal level of budgetary responsibility is at the departmental level.

City Management establishes the amount of estimated revenues and other resources available for appropriation for the succeeding budget year. City Management submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating fund includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is adapted by the City Commission.

Expenditures may not legally exceed budgeted appropriations at the departmental level. During the year, several supplementary appropriations were necessary.

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SUPPLEMENTARY INFORMATION

CITY OF MERCEDES
Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2024

EXHIBIT H-1

	Special Revenue Funds											
	Municipal Technology	Library	Special Revenue	Local Forfeiture	Keep Mercedes Beautiful	Hotel/Motel	TIRZ	Recreation Program	Parks Fund	Total Nonmajor Special Revenue Funds		
ASSETS:												
1010 Cash and Cash Equivalents	\$ 147,463	\$ 1,291	\$ 29,678	\$ 21,186	\$ 7,283	\$ 732,146	\$ 126,408	\$ 3,182	\$ 327,087	\$ 1,395,725		
Receivables (net of allowance for uncollectible):												
1150 Accounts Receivable, Net	-	-	375	-	-	-	-	-	-	375		
1260 Due from Other Governments	-	-	-	-	-	-	267,341	-	-	267,341		
1300 Due from Other Funds	-	-	67,682	-	-	-	-	-	-	67,682		
TOTAL ASSETS	\$ 147,463	\$ 1,291	\$ 97,735	\$ 21,186	\$ 7,283	\$ 732,146	\$ 393,750	\$ 3,182	\$ 327,087	\$ 1,731,123		
LIABILITIES:												
2010 Accounts Payable	235	-	28	-	-	1,536	-	-	-	1,799		
2020 Wages and Salaries Payable	-	-	9,573	-	-	-	-	-	-	9,573		
2080 Due to Other Funds	4,782	-	65,000	-	-	-	42,559	-	-	112,342		
2230 Unearned Revenues	-	-	8,835	-	-	-	-	-	-	8,835		
TOTAL LIABILITIES	5,018	-	83,436	-	-	1,536	42,559	-	-	132,549		
DEFERRED INFLOWS OF RESOURCES:												
2605 Deferred Resource Inflow - TIRZ	-	-	-	-	-	-	267,341	-	-	267,341		
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	267,341	-	-	267,341		
FUND BALANCES:												
Restricted for:												
3005 General Government	-	1,291	-	-	-	-	-	3,182	-	4,474		
3008 Municipal Court	142,445	-	-	-	-	-	-	-	-	142,445		
3009 Tourism	-	-	-	-	-	730,610	-	-	-	730,610		
3010 Public Safety	-	-	14,299	21,186	-	-	-	-	-	35,485		
3410 Parkland	-	-	-	-	-	-	-	-	327,087	327,087		
3415 Community Development	-	-	-	-	7,283	-	83,849	-	-	91,132		
TOTAL FUND BALANCES	142,445	1,291	14,299	21,186	7,283	730,610	83,849	3,182	327,087	1,331,233		
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 147,463	\$ 1,291	\$ 97,735	\$ 21,186	\$ 7,283	\$ 732,146	\$ 393,750	\$ 3,182	\$ 327,087	\$ 1,731,123		

CITY OF MERCEDES
Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2024

EXHIBIT H-1

	Capital Project Funds					
	PPFCO Series 2013	Series 2015	Series 2018	Street Maintenance	Total Nonmajor Capital Projects Fund	
ASSETS:						
1010 Cash and Cash Equivalents	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$ 27,361	
TOTAL ASSETS	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$ 27,361	
FUND BALANCES:						
Restricted for:						
3510 Construction	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$ 27,361	
TOTAL FUND BALANCES	3,880	2,439	17,507	3,535	27,361	
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$ 27,361	

CITY OF MERCEDES
Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2024

EXHIBIT H-1

	Capital Project Funds					
	PPFCO Series 2013	Series 2015	Series 2018	Street Maintenance	Total Nonmajor Capital Projects Fund	
ASSETS:						
1010 Cash and Cash Equivalents	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$	27,361
TOTAL ASSETS	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$	27,361
FUND BALANCES:						
Restricted for:						
3510 Construction	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$	27,361
TOTAL FUND BALANCES	3,880	2,439	17,507	3,535		27,361
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$	27,361

CITY OF MERCEDES
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended September 30, 2024

EXHIBIT H-2

		Special Revenue Funds										Total Nonmajor Special Revenue Funds
		Municipal Technology	Urban County	Library	Special Revenue	Local Forfeiture	Keep Mercedes Beautiful	Hotel/Motel	TIRZ	Recreation Program	Parks Fund	
REVENUES:												
5180	Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,028	\$ -	\$ -	\$ -	\$ 150,028
5200	Licenses and Permits	-	-	-	-	-	-	-	-	-	182,500	182,500
5300	Intergovernmental Revenue and Grants	-	64,992	-	226,715	-	5,000	-	-	-	-	296,707
5610	Investment Earnings	7,644	-	-	-	1,118	-	35,199	-	-	-	43,961
5700	Other Revenue	8,030	-	897	-	3,524	5,000	-	6,932	-	8,332	32,715
	TOTAL REVENUES	15,674	64,992	897	226,715	4,642	10,000	185,227	6,932	-	190,832	705,912
EXPENDITURES:												
Current:												
100	General Government	29,358	64,992	-	-	-	-	134,260	-	-	35,327	263,937
200	Public Safety	-	-	-	222,281	18,162	-	-	-	-	-	240,443
400	Health and Welfare	-	-	-	-	-	4,395	-	-	-	-	4,395
500	Culture and Recreation	-	-	2,328	-	-	-	-	-	-	-	2,328
600	Conservation and Development	-	-	-	-	-	-	-	58,867	-	-	58,867
	TOTAL EXPENDITURES	29,358	64,992	2,328	222,281	18,162	4,395	134,260	58,867	-	35,327	569,968
Excess(Deficiency) of Revenues Over(Under)												
	Expenditures	(13,684)	-	(1,431)	4,435	(13,519)	5,605	50,967	(51,934)	-	155,505	135,944
OTHER FINANCING SOURCES (USES)												
	Net Change in Fund Balances	(13,684)	-	(1,431)	4,435	(13,519)	5,605	50,967	(51,934)	-	155,505	135,944
3600	Fund Balance - Beginning	156,129	\$ -	2,722	9,865	34,705	1,678	\$ 679,642	\$ 135,783	\$ 3,182	\$ 171,582	\$ 1,195,289
3900	Fund Balance - Ending	\$ 142,445	\$ -	\$ 1,291	\$ 14,299	\$ 21,186	\$ 7,283	\$ 730,610	\$ 83,849	\$ 3,182	\$ 327,087	\$ 1,331,233

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CITY OF MERCEDES
Combining Statement of Revenues, Expenditures, and
For the Year Ended September 30, 2024

EXHIBIT H-2

		Capital Project Funds					
		PPFCO Series 2013	Series 2015	Series 2018	Street Maintenance	Total Nonmajor Capital Projects Fund	
REVENUES:							
5610	Investment Earnings	\$ 207	\$ -	\$ 2,056	\$ -	\$ 2,263	
5700	Other Revenue	-	-	-	980	980	
TOTAL REVENUES		207	-	2,056	980	3,243	
EXPENDITURES:							
300	Public Works	-	-	49,473	-	49,473	
TOTAL EXPENDITURES		-	-	49,473	-	49,473	
Excess(Deficiency) of Revenues Over(Under) Expenditures		207	-	(47,416)	980	(46,230)	
Net Change in Fund Balances		\$ 207	\$ -	\$ (47,416)	\$ 980	\$ (46,230)	
3600	Fund Balance - Beginning	\$ 3,673	\$ 2,439	64,924	2,555	73,591	
3900	Fund Balance - Ending	\$ 3,880	\$ 2,439	\$ 17,507	\$ 3,535	\$ 27,361	

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COMPONENT UNIT

Development Corporation of Mercedes
Balance Sheet - Governmental Funds
September 30, 2024

EXHIBIT C-1

Major Governmental Funds

	General Fund	IRP Loan Fund	RPEG Grant Fund	Total Governmental Funds
ASSETS:				
1010 Cash and Cash Equivalents	\$ 1,056,123	\$ -	\$ -	\$ 1,056,123
1050 Sales Taxes Receivable	347,506	-	-	347,506
1150 Notes Receivable, Net	99,154	157,260	620,099	876,513
1260 Due From City of Mercedes	341,324	-	-	341,324
Restricted and Non-Spendable Assets:				
1611 Restricted Cash and Cash Equivalents	274,702	295,185	223,311	793,198
1990 Redevelopment Assets	3,558,100	-	145,817	3,703,917
TOTAL ASSETS	\$ 5,676,909	\$ 452,445	\$ 989,226	\$ 7,118,580
LIABILITIES:				
2010 Accounts Payable	147	-	-	147
2020 Wages and Salaries Payable	9,889	-	-	9,889
2090 Due to City of Mercedes	78,805	-	-	78,805
TOTAL LIABILITIES	88,842	-	-	88,842
FUND BALANCES:				
Non-spendable for:				
3002 Non-Spendable	3,558,100	-	145,817	3,703,917
Restricted for:				
3425 Restricted	341,324	452,445	843,410	1,637,178
Unassigned for:				
3600 Unassigned	1,688,643	-	-	1,688,643
TOTAL FUND BALANCES	5,588,067	452,445	989,226	7,029,739
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND BALANCES	\$ 5,676,909	\$ 452,445	\$ 989,226	\$ 7,118,580

Development Corporation of Mercedes
Reconciliation of the Balance Sheet - Governmental to the Governmental Activities -
Statement of Net Position
September 30, 2024

EXHIBIT C-2

Total Fund Balances - Governmental Funds		\$ 7,029,739
Amounts Reported for governmental activities in the statement of net position are different because:		
Long-term receivable due from the City of Mercedes is not available to pay current expenditures in the funds.		
		218,750
Capital assets used in governmental activities are not financial resources, and therefore are not reported in governmental funds:		
Capital Assets Being Depreciated	55,175	
Accumulated Depreciation	(32,581)	
Total Capital Assets, Net		22,594
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities at the fund level.		
Debt Service - Due Within One Year	(1,014,154)	
Debt Service - Due in More Than One Year	(1,317,220)	
Total Long-Term Liabilities		(2,331,374)
Interest on long-term debt is not accrued in the governmental funds, but is recognized as an expenditure in the funds.		
Accrued Interest Payable	(3,392)	
Total Accrued Interest Payable		(3,392)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB Statement No. 68, a deferred resource outflow and a deferred resource inflow. This resulted in a decrease in net position.		
Net Pension Liability	(86,972)	
Deferred Outflow related to Pension Plan	19,843	
Deferred Inflow related to Pension Plan	(42,808)	
		(109,937)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB Statement No. 75, a deferred resource outflow and a deferred resource inflow. This resulted in a decrease in net position.		
Net OPEB Liability	(9,488)	
Deferred Outflow related to OPEB	177	
Deferred Inflow related to OPEB	(2,547)	
		(11,858)
Net position of governmental activities		<u><u>\$ 4,814,522</u></u>

Development Corporation of Merced
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For The Year Ended September 30, 2024

EXHIBIT C-3

		Major Governmental Funds			
		General Fund	IRP Loan Fund	RPEG Grant Fund	Total Governmental Funds
REVENUES:					
5120	General Sales and Use Taxes	2,336,935	-	-	2,336,935
5300	Intergovernmental Revenue and Grants	275,834	-	-	275,834
5610	Investment Earnings	28,685	10,434	21,197	60,316
	Total Revenues	2,641,454	10,434	21,197	2,673,085
EXPENDITURES:					
Current:					
100	Administration	545,893	450	2,035	548,378
650	Economic Development and Assistance	639,734	-	-	639,734
Debt Service:					
710	Financing Agreement Principal	1,038,056	25,816	-	1,063,872
720	Interest and Fiscal Charges	55,565	5,033	-	60,597
	Total Expenditures	2,279,248	31,298	2,035	2,312,581
	Excess(Deficiency) of Revenues Over(Under) Expenditures	362,206	(20,864)	19,162	360,504
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	46,183	-	29,750	75,933
8911	Transfers Out	(29,750)	-	(46,183)	(75,933)
	Total Other Financing Sources (Uses)	16,433	-	(16,433)	-
	Net Change in Fund Balances	378,639	(20,864)	2,730	360,504
3600	Fund Balance - Beginning, as restated	\$ 5,209,429	\$ 473,309	\$ 986,497	\$ 6,669,234
3900	Fund Balance - Ending	\$ 5,588,067	\$ 452,445	\$ 989,226	\$ 7,029,739

Development Corporation of Mercedes
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental
Funds to the Governmental Activities - Statement of Activities
For the Year Ended September 30, 2024

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	360,504
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2024 capital outlays and debt principal payments is to increase (decrease) the change in net position.		
Depreciation of Capital Assets	<u>(10,448)</u>	(10,448)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Repayment	<u>1,083,110</u>	1,083,110
Interest on long-term debt is not accrued in the governmental funds, but it is recognized as an expenditure at the fund level.		
Accrued Interest Expense	<u>10,347</u>	10,347
Long-term receivable due from the City of Mercedes is not available to pay current expenditures in the funds.		
VTX Note Receivable	<u>(125,000)</u>	(125,000)
GASB 68 requires certain plan expenditures to be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. Finally, the proportionate share of pension expense on the plan as a whole has to be recorded.		
Change in Net Pension Liability	40,805	
Deferred Outflow related to Pension Plan	(81,965)	
Deferred Inflow related to Pension Plan	<u>12,518</u>	(28,642)
GASB 75 requires certain plan expenditures to be de-expensed and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. Finally, the proportionate share of OPEB expense on the plan as a whole has to be recorded.		
Change in Net OPEB Liability	(750)	
Deferred Outflow related to OPEB	(5,034)	
Deferred Inflow related to OPEB	<u>5,146</u>	(638)
Change in Net Position of Governmental Activities	\$	1,289,234

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INTERNAL CONTROL/COMPLIANCE SECTION

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***

To the City Commission of
City of Mercedes, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mercedes, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Mercedes, Texas' basic financial statements and have issued our report thereon dated May 5, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items, 2024-002, 2024-003, to be material weaknesses, and items 2024-001, 2024-004 to be significant deficiencies.

Report on Compliance and Other Matters

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

City of Mercedes' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Mercedes, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Mercedes, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Adrian Webb, CPA

ADRIAN WEBB, CPA
Certified Public Accountant
Edinburg, Texas
May 5, 2025

ADRIAN WEBB, CPA

**Certified Public Accountant
Edinburg, Texas**

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

To the City Commission of
City of Mercedes, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Mercedes, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Mercedes, Texas' major federal programs for the year ended September 30, 2024. City of Mercedes, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Mercedes, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

Our responsibility is to express an opinion on compliance for each of the City of Mercedes, Texas major federal programs based on our audit of the types of compliance requirements referred to above.

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

We are required to be independent of the City of Mercedes, Texas and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Mercedes, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Mercedes, Texas' federal programs.

Auditor's responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Mercedes' compliance based on our audit. 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 accounting standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Mercedes, Texas' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Mercedes, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Mercedes, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Mercedes, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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Report on Internal Control over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Adrian Webb, CPA

ADRIAN WEBB, CPA

Edinburg, Texas

May 5, 2025

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

I. Summary of the Auditor's Results:

Financial Section:

A. The type of report issued:
Unmodified Opinion

B. Internal control over financial statements:

Material Weakness(es) identified? Yes

Significant Deficiency(ies) identified which
were not considered material weaknesses? Yes

C. Noncompliance material to the financial statements noted. No

Federal Awards Section:

D. The type of report issued:
Unmodified opinion

E. Internal control over Major Programs:

Material Weakness(es) identified? No

Significant Deficiency(ies) identified which
were not considered material weaknesses? No

F. Any audit findings disclosed that are required to be reported in
accordance with the Uniform Guidance? No

G. Identification of major programs:
AL 21.027 COVID – 19 State and Local Recovery Funds (ARPA)

H. Dollar threshold to distinguish between type A and type B programs: \$750,000

I. Auditee qualifies as a low-risk auditee No

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2024

II. Financial Statement Findings

2024-001 Controls over Reporting of Financial Information (Significant Deficiency)

Criteria:

Texas Local Government Code requires that the City completes the annual audit within 180 days of the close of the fiscal year.

Condition:

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

Cause:

The City has experienced significant turnover in key personnel in the City's finance department in past years. Absent robust accounting policies and procedures, when vacancies occur information can be lost and as individuals are getting up to speed, processes may not be fully executed and/or embedded. Staff had to take on additional resources to review and did not have sufficient training or resources to review and reconcile the subledgers to the general ledger in a timely manner.

Effect:

Delays in processing year-end closing procedures caused the financial statements release to be delayed.

Recommendation:

The Finance Department should look at increasing the amount of experienced finance staff to help facilitate year-end closing processes and the preparation of its basic financial statements. Because the basic financial statement is the responsibility of the City, it is in its own best interest to closely monitor the accounting process to ensure that financial position and operating results are accurately and timely reported. The following steps could be used to avoid future delays:

- Assign additional qualified accounting personnel to help process complex transactions.
- Identify critical due dates and develop listing of assignment, including department coordinated items, based on available resources to meet those due dates.
- Hold periodic meetings to monitor the progress of assignments and responsibilities.
- Conduct management review of financial statements and audit schedules prior to presenting them to the auditors.

Auditee's Response:

City management concurs with the auditor's comments and recommendations. Management will continue exploring options for adding additional staffing or consulting services and resources for training.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2024

2024-002 Improve Internal Controls Over Financial Reporting (Material Weakness)

Criteria:

Management is responsible for the preparation and fair presentation, as well as the accuracy of its financial statements, including disclosures in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. As part of satisfying that responsibility, staff should possess that skills, knowledge, and experience necessary to complete year-end close and diligently employ that knowledge, skill, and experience to produce reliable and accurate financial information.

Generally accepted auditing standards defined internal control as a process – affected by the Members of City Council, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations.

The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) established the following framework that stress the need for policies and procedures to promote effective internal control for an entity:

Control Environment – Establish structures, reporting lines, authorities and responsibilities.

Risk Assessment – Select and develop control activities that mitigate risks.

Control Activities – Deploy control activities through policies and procedures.

Information and Communication – Communicate internal control information internally.

Monitoring – Evaluations are used to determine if controls are present and functioning.

An overall purpose of internal control over financial reporting is to foster the preparation of reliable financial statements. Reliable financial statements must be accurate.

Condition:

During the audit, we noted the following conditions that resulted in material audit adjustments to the financial statements:

Accuracy in External Financial Reporting

Adjustments included the following for the government fund financial statements:

- Adjustment to reconcile the Deferred Inflow Related to Property Taxes.
- Adjustments related to incorrect Outstanding Check/Deposit Bank Activity.
- Adjustments to reconcile Property Taxes.
- Adjustments to reconcile Capital Outlay.
- Adjustments related to the Due To/Due From accounts.
- Adjustments related to Grant Revenue, Deferred Revenue, and Expense accounts.
- Adjustments related to EMS

Adjustments included the following for the government-wide financial statements:

- Adjustments related to Deferred Inflows and Deferred Outflows.
- Adjustments related to Capital Assets

Bank Reconciliations

The City’s monthly bank reconciliation process was not completed in a timely manner during the period of the audit. During our review of the bank reconciliation process, we found that the majority of September 30, 2024, reconciliations were prepared and finalized by the same individual. In addition, there were inaccuracies that required material adjustments.

CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Segregation of Duties

The internal control procedures as described and documented included segregation of duties within the bank reconciliation, and the payroll processes. However, in certain instances, due to lack of provided documentation, we were unable to verify that the review process existed.

Recording of Accruals

The City did not have a proper cutoff to ensure revenues and expenditures are recognized in the proper period.

Cause:

The City has experienced significant turnover in key personnel in the City's finance department in past year. Absent robust accounting policies and procedures, when vacancies occur information can be lost and as individuals are getting up to speed, processes may not be fully executed and/or embedded. Staff had to take on additional resources to review and did not have sufficient training or resources to review and reconcile the subledgers to the general ledger in a timely manner. Additionally, staff does not have the skills, knowledge, and experience to accurately report GAAP financial statements.

Effect:

Reconciliations and adjustments to year-end balances that either are not reported or are posted after the preparation of fiscal year-end reports decrease the reliability and usefulness of the reports. In addition, not following formal policies and procedures regarding internal control over individual transaction cycles could lead to inconsistency in processing transactions and increases the risk that errors whether due to mistake or fraudulent activity will not be detected and corrected in a timely manner.

Recommendation:

The City should contemplate if there are sufficient resources available to prepare a complete set of financial statements. Additional personnel should be considered to enhance the City's internal control over the financial reporting and within each transaction cycle ensure transactions are thoroughly evaluated, reviewed and recorded to facilitate accurate and complete year-end closing of the general ledger.

Auditee's Response:

City management concur with the audit findings. The City has already begun implementing new policies and procedures related to internal controls during the 2025 year.

2024-003 – Capital Assets (Material Weakness)

Criteria:

Internal controls should be designed to ensure capital asset balances are free from material misstatements. A key control to achieve this objective is maintaining a complete and accurate capital asset listing and depreciation schedule. Accounting principles in the United States of America (GAAP) require entities track and record the original cost of capital assets and to calculate depreciation on certain capital assets and expense the costs over their useful life from the date placed in service.

Condition:

The City does not have a complete set of records for the General Capital Assets and the Proprietary Fund Capital Assets. The fixed asset schedule was not complete and material adjustments were necessary.

Cause:

The City does not maintain a complete capital asset depreciation schedule. The City did not maintain proper cutoff by posting the capital outlay in the period in which purchased assets were received.

Effect:

The incomplete detailed capital assets schedules contained errors and were not reconciled in a timely manner.

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CITY OF MERCEDES, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2024

2024-004 – Expenditures over Appropriations (Significant Deficiency)

Criteria:

According to the Texas Local Government Code, Title 4, Subtitle A, Chapter 102, Municipal Budget establishes the law governing the annual General Fund budget requirements for the City.

Condition:

The City's General Fund reported expenditures that exceeded its appropriations.

Cause:

The City failed to properly amend its budget to accommodate the 2024 fiscal year's expenditures in the following categories:

- General Government
- Public Safety
- Public Works
- Health & Welfare
- Culture & Recreation

Effect:

As a result, the City was not in compliance with the Texas Local Government Code.

Recommendation:

It is recommended that the City implement a systematic review of its budget throughout the year. This should include timely amendments to ensure alignment with state law and prevent excess expenditures. Meetings should be held on a regular basis regarding the City's budget status and performance to provide adequate time to make adjustments to the budget based on actual expenditures.

Auditee's Response:

The City of Mercedes commits to providing accurate reporting of expenditures per line item at each board meeting. This will enable the Commissioners and the Mayor to monitor spending and take necessary actions to avoid overspending on appropriated items.

II. Findings Relating to Federal Awards and Questions Costs.

None

City of Mercedes, Texas
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
For the Year Ended September 30, 2024

Federal/State Grantor/ Pass Through Grantor/ Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Expenditures
Federal Awards			
U.S. Department of Housing and Urban Development			
Passed through Urban County Community Development Block Grant 34th Year Entitlement Grant	14.218	B-21-UC-48-0501	\$ 207,404
U.S. Department of Housing and Urban Development			
Passed through Urban County Community Development Block Grant 35th Year Entitlement Grant	14.218	B-22-UC-48-0501	148,000
U.S. Department of Housing and Urban Development			
Passed through Urban County Community Development Block Grant 36th Year Entitlement Grant	14.218	B-23-UC-48-0501	36,764
U.S. Department of Treasury			
Direct Program Covid-19 Coronavirus State and Local Fiscal Recovery Funds (ARPA)	21.027		1,438,339
Department of Homeland Security			
Passed through the Texas Office of the Governor-Homeland Security Grants Division (HSGD) Homeland Security Grant Program	97.067	EMW-2022-SS-00	42,366
Total Expenditures of Federal Awards			<u>\$ 1,872,873</u>

CITY OF MERCEDES, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE
YEAR ENDED SEPTEMBER 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Mercedes, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Therefore, some amounts may differ from amounts presented in or used in the preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2: INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3: FEDERAL LOANS AND LOAN GUARANTEES

During the fiscal year ended September 30, 2024, the City had no outstanding federal loans payable or loan guarantees.

NOTE 4: SUB-RECIPIENTS

During the fiscal year ended September 30, 2024, the City did not have any sub-recipients.

NOTE 5: NONCASH AWARDS

During the fiscal year ended September 30, 2024, the City did not receive any non-cash assistance.

NOTE 6: FEDERALLY FUNDED INSURANCE

During the fiscal year ended September 30, 2024, the City had no outstanding federally funded insurance.

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CITY OF MERCEDES, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

2024-001 Control Over Reporting of Financial Information (Significant Deficiency)

Corrective Action Plan

The City is currently working on correcting this finding by ensuring that year-end closing processes are done in a timely manner. Appropriate staff should also be assigned to financial reporting to identify critical due dates when gathering supporting documentation.

Proposed Completion Date – September 30, 2025

Contact Person – Meredith Hernandez, Interim Finance Director

2024-002 Improve Internal Controls Over Financial Reporting (Material Weakness)

Corrective Action Plan

The City is currently working on correcting this finding by ensuring all funds are monitored and reconciled monthly. Additional personnel should be assigned to various processed to limit the risk involved in transactions, such as bank reconciliations, period-ending adjustments, etc.

Proposed Completion Date – September 30, 2025

Contact Person – Meredith Hernandez, Interim Finance Director

2024-003 – Capital Assets (Material Weakness)

Corrective Action Plan

The City will continue correcting this finding by further updating the database and conducting continuous monitoring.

Proposed Completion Date – September 30, 2025

Contact Person – Meredith Hernandez, Interim Finance Director

2024-004 – Expenditures Over Appropriations (Significant Deficiency)

Corrective Action Plan

The City will continue correcting this finding by implementing a review of the budget and deciding whether an amendment is necessary based on the City's expenditures.

Proposed Completion Date – September 30, 2025

Contact Person – Meredith Hernandez, Interim Finance Director