

# **CITY OF LOS FRESNOS, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended  
September 30, 2019

**Prepared by:**

*City of Los Fresnos, Texas  
Finance Department  
Pablo A. Garza,  
Finance Director*

**City of Los Fresnos, Texas**  
**City Officials**  
**September 30, 2019**

Mayor Hipolito "Polo" Narvaez

Mayor Pro-tem Yolanda H. Cruz

Council Members Joe Collinworth  
James Herrera  
Juan Munoz  
Swain Real

City Manager Mark W. Milum

Finance Director Pablo A. Garza

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**INTRODUCTORY SECTION**





March 24, 2020

To the Honorable Mayor, Mayor Pro Tem, Members of the Governing Council, and Citizens of the City of Los Fresnos:

We are pleased to submit to you the 2019 Comprehensive Annual Financial Report (CAFR) of the City of Los Fresnos, Texas. The report was prepared by the Finance Director and City Manager. The combined financial statements and related notes have been audited by the independent firm of Certified Public Accountants, Carr, Riggs & Ingram, LLC, whose reports are included herein. The audit satisfies Article III H. Section 3.13 of the City Charter, which requires an annual audit of all accounts of the City by an independent Certified Public Accountant. A single audit for Federal awards received by the City directly from Federal agencies or passed through by the State of Texas or other governmental entities during the Fiscal year 2019 was not required under the provisions of the Single Act of 1996.

This report contains management's representations concerning the finances of the City of Los Fresnos; consequently, management assumes full responsibility for the completeness and reliability of all of the information contained in this report. To provide a reasonable basis for making these representations, management of the City of Los Fresnos has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Los Fresnos' financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. Furthermore, we believe all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

GASB Statement No. 34, entitled "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of management discussion and analysis (MD&A).

The letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

## ***Profile of the City of Los Fresnos***

The City of Los Fresnos, incorporated in 1945, is located in south central Cameron County in the Lower Rio Grande Valley of South Texas. One of Los Fresnos' strengths is its location, as it is located in the center of Cameron County with a major tourist destination just a few miles to the east, larger cities to the south and northwest providing big city needs just down the road while enjoying the quality of life a small but vibrant city brings to its citizens. According to the census data at [www.census.gov](http://www.census.gov), Los Fresnos currently serves an estimated population of 7,883. The City of Los Fresnos is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Los Fresnos operates under the council-manager form of government. Policy-making and legislative authority are vested in the governing City Council, which is composed of a Mayor and five Council Persons, elected in the manner provided by the Charter. Each elected council member serves for a term of three years. The Council appoints the City Manager, who in turn appoints the heads of various departments.

This City of Los Fresnos provides a full range of services, including police, fire and ambulance services, streets, drainage, sanitation, health services, recreational and cultural activities, planning and zoning, and administrative services. The City also provides water and wastewater services.

The Council is required to adopt a final budget by no later than the close of the prior fiscal year. The annual budget serves as the foundation for the City of Los Fresnos' financial planning and control. The budget is prepared by fund, function, and department. Department heads may transfer funds within a department as they see fit. Transfers between departments, however, need approval from the governing council.

### ***Local Economy***

Major businesses located within the government boundaries or in close proximity include services, retail, finance, construction, and government. According to the 2019 Census, approximately 57.8% of 16 years or older population were in the civilian labor force in Los Fresnos compared to 55.2% in Cameron County. In 2019, the unemployment rate for Cameron County was 5.8%, which is higher than the 3.4% unemployment rate in Texas. Unemployment rates for Los Fresnos are not available at the local level due to Los Fresnos being too small. Employment patterns show significantly higher unemployment rates in Cameron County Workforce Development Area as compared to state and nationwide. During the last three years, Cameron County's unemployment rate has improved from 7.2% reported in 2016, to 5.8% as of September 30, 2019.

### ***Long-term Financial Planning***

Unassigned, fund balance in the general fund at year end was 36.9% percent of total general fund expenditures and equivalent to 135 days of expenditures. This amount was slightly higher than the internal policy set by the City Manager for budgetary and planning purposes (i.e., three months of general fund expenditures, or 25%).

Engineering studies, pass through grants, and loans continue for our entire water and wastewater system to determine the immediate and long term needs for the next 20 years.

The Nature Park includes walking trails, benches, water fountains, parking, exercise stations, and public restrooms and is now open for public access. In addition, a new playground for kids was completed during the year with a \$84,703 investment. Besides the Nature Park, the City has 3 other parks that many enjoy daily by many residents.

The City has also received 2 grants for \$700,000 for a portion of hike and bike trails that will encompass the City. The hike and bike trail will allow a safe route to most major areas in the City. The engineering, development of components, schematic design, final design and preparation, environmental services, are some of the items that have been 100% completed. Partners have come to an agreement on the easement for the trails and now the project can start for bidding for construction.

The City made a final determination on building a new City Hall and upgrade the existing City Hall and Police Department to be total utilized by the Police Department. As part of the new issuance the City allocated \$3,500,000 for the construction of the City Hall which is now 89% complete. Construction began in 2018 and expected to be completed by November 2019.

The City is currently utilizing TIRZ funding through certificates of obligations to upgrade the Resaca crossings on Henderson Road as well as repair streets city wide for approximately \$2,000,000. These projects are currently under construction. The extra 10 feet of right-of-way on the side of Henderson Road along the resacas was acquired for the Henderson Road Resaca Crossing project. The City has partnered with CCRMA to complete design engineering work to widen and improve Whipple Road with grant funding through TxDOT.

The City received \$275,000 on CDBG funding that was used for flood and drainage improvements. This project will prevent road deterioration and remove a potential threat to public safety. The project consists of eight hundred thirty linear feet (1,830 l.f.) of storm sewer line, inlets, manholes, and concrete headwalls. This project covered Cross Country, East 6<sup>th</sup> Street and Olmo Street.

### ***Major Initiatives***

The City has a number of significant initiatives underway and recently completed, as described below. These initiatives should have a positive effect on the City's economic health and services to residents and business.

### ***Economic Growth and Planning Initiatives***

Many of the City's accomplishments in 2019 assist in the achievement of the vision of being a community with opportunity.

### ***Environment and Quality of Life***

The Police Department (PD) continues to be first class in serving our residents. First and foremost is accomplishing this by providing our employees with the necessary tools. Training is a top priority with officers training for in excess of required hours. The Police Department was awarded several grants, including Stone Garden Grant and Border Star Grant, for drug interdiction along the major roadways throughout the City. During 2019, the department acquired two (2) staff units, one (1) patrol unit, and a full body camera system. In addition, the department oversees the Code and Health Department, which inspects all restaurants and food serving facilities thorough the City. This ensures that Citizens and visitors consume safe food products within our City Limits. Dog kennel upgrades were completed to properly care for the animals that are left unattended, including air conditioning and heating. An upgrade to the video system was completed, as well as the purchase of new weapons and remodeling of the Evidence Room and Jail Cells. The Alamo Warehouse repairs and upgrades allowed for the change of use from Fire/EMS to office space for PD, as well as for storage and training.

Code and Health takes care of ordinance violations including high grass areas that attract unwanted rodents. The Police Department is highly involved in the Community. The department continues to work closely with Los Fresnos C.I.S.D. by providing presentations on drug awareness and career day to students of the school district. The City provides communications, and assists the LFCISD police department with other school-sponsored events. We believe that these accomplishments not only make this community a safer place to work and live but also reflect that this community is willing to assist other communities in case of need. The removing of blighted areas on several properties was completed this year.

The Library serves a population area of over 32,000. The Library circulated over 25,000 print and non-print materials. It has a collection of 45,550 items that includes extensive DVD and Electronic book collections. The main target audience continues to be children. There are daily activities for children that include weekly outreach

visits to the area daycare and Head Start facilities. Children at these facilities benefit from weekly visits by the Children's Librarian, which provides free books, book readings, and educational activities. The 2019 Summer Reading program was a great success with over 600 children in attendance. The programs consisted of children reading over 2,500 books. We coordinated with the LFCISD that allowed students to test on the books they read during the summer. Patron access to computers are in high demand at the Library with 18 computers in use and over 26,500 sessions averaging over 1 hour each. We continue to look for alternatives to accessing the web by providing Wi-Fi hotspots and three (3) laptops that are available for patrons to checkout. Patrons have clocked over 52800 hours on our free Wi-Fi connection. The Library served as a Site Coordinator for Volunteer Income Tax Assistance collaborating with Cameron County United Way and Los Fresnos CISD to tax returns preparation. We had 53 volunteers preparing, greeting, and assisting the community with tax preparation. A total of 329 tax returns were filed through this program with refunds totaling over \$777,278. These refunds bring in more revenue to our community. The library has once again been the recipient of E-Rate Grant Federal funding program in the amount of \$9,586. These funds provide for internet connectivity at high-speed fiber connection. The roof replacement of the Library was completed this year.

The Public Works Department is always working in the background. The department works daily to maintain our City parks and buildings including the water plant, sewer plants and streets and alleys. The expansion of the sewer sludge water beds at the sewer plant location was completed during 2019 and is fully operational. A perimeter fence has been completed around water and sewer plant. Plans to upgrade the City water treatment plant and to expand the current wastewater system are now in the final stages for approval from State and Federal agencies. The City's Water Conservation Plan was completed. Furniture for the new City Hall was purchased. A few upgrades were completed, such as the Chemical Containment Wall and the aerator and gearbox at the Sewer Plant. A new manhole was installed. The sewer line on the East Side was replaced, submersible pumps at 5 lift stations were replaced, and the control panel at 3 lift stations were replaced. Also completed were upgrades to the drainage at Legion Air, cleaning of drainage areas, alley paving, and city-wide sidewalk projects. The reroof of the Community Park pavilion was completed. Two new mowers for Parks was purchased.

Emergency Management is always very critical. It is an area no one thinks about until times of need. Los Fresnos is fortunate to have individuals dedicated to planning and training to meet different kinds of emergencies. The Emergency Management team is comprised of the entire City staff as well as the Los Fresnos Fire Department and the Los Fresnos Ambulance Service. This has proved valuable with hurricanes, tropical storms and flooding events as well as normal emergency calls for service from the police, fire and medical service over the last years. All of the local events that occur are planned using the same type of management that is utilized during emergency situations. The Fire Department and Ambulance Service new building is now fully operational with a 32,000 sq.ft. facility to better serve our resident needs and provide for future services for many years to come.

Information Technology (IT) is what keeps all the vital services we depend on running and current. Technology plays a vital role in maintaining communication and access throughout the City during daily activities and especially during emergencies. Our IT department is committed to limiting downtime to a minimum. This is accomplished by routine preventive maintenance programs and 20% upgrade program where 20% of all equipment is replaced yearly so that no equipment is older than 5 years. This year the department has configured, installed, and launched a new network at our new location including the installation of new equipment and the creation of interconnectivity with our other locations. Network upgrades, cabling, and additional services for new City Hall were completed.

Our Senior Citizen program continues to provide quality service to our elderly. We were fortunate to upgrade the van used to transport seniors to and from the center as well as transport them to events, doctor offices, and shopping.

The City is a strong advocate for creating a healthy environment that enhances the quality of life. The City continues its funding for the Community Health Outreach Program. This funding includes an employee, training, supplies, and equipment. The program promotes physical activity and healthy eating habits. Through this program, the city provides free exercise classes, health screenings, as well as nutrition classes, such as Diabetes Prevention Program and The Happy Kitchen. Incentives and tools, such as measuring cups, exercise bands, and portion control plates are also given to participants of the program to implement their healthy lifestyle changes. The program has partnered with Los Fresnos CISD to encourage employee wellness within their schools. The City has implemented a Wellness Program through the Community Health Outreach program to encourage employees to eat healthier and be more active in their daily activities. Upgrades at the parks continues with general maintenance to the basketball court, playground equipment and exercise stations. The Nature Park is equipped with exercise stations and a walk and bike trail. An additional hike and bike trail is currently in planning stages that will further encourage an active community. The City and the Community Health Outreach Program have partnered with Its Time Texas Community Challenge, a state wide initiative, to encourage the community to make healthier food choices and encourage physical activity. The City facilitates an annual triathlon event that promotes physical activity and stimulates the local economy.

The City assists in routing and manning many different City events through our community. This year the City operated the pool and swimming program almost year round for open swimming including swimming lessons. The City partnered with the school district to be able to have supervised gym time activities during the evenings.

The Community Development Corporation (CDC) has continued the Business Incentive Grants program to assist local business in paying for signs, landscaping and storefront improvements. These businesses include restaurants, industrial supplies, and Citizens services. The CDC also provided funding for alleys that connect businesses along Ocean Blvd./Highway 100. CDC provided funding for office furniture for the new City Hall and complete electrical upgrade for little league fields. CDC also provided funding for new City Hall Christmas decorations, highway banners, tree and arches.

The CDC also supports several of the City events throughout the year such as:

- Los Fresnos PRCA Rodeo
- Cameron County Fair and Livestock Show
- Halloween Carnival
- Narciso Martinez Conjunto Festival
- 4th of July Celebration and Fireworks
- Commemorative Air Show
- Smoking Highway 100 BBQ Cook-off
- Christmas Festival in the Park with Santa Clause

In keeping with improving the quality of life, the City supports many annual events such as:

- Los Fresnos PRCA Rodeo
- Los Fresnos Rodeo Parade
- Cameron County Fair and Livestock Show
- Boys and Girls Club
- Halloween Carnival
- Narciso Martinez Conjunto Festival
- 4th of July Celebration and Fireworks
- Commemorative Air Show
- Smoking Highway 100 BBQ Cook-off
- Homecoming Festival
- Christmas Parade
- Christmas Festival in the Park with Santa Claus
- Annual Leo Aguliar 5K Walk/Run and Health Fair
- Chamber of Commerce

All of the events listed bring the community together and strive to achieve an environment with a sense of safety and family unity.

***Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for excellence in Financial Reporting to the City of Los Fresnos for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2018. This was the eleventh consecutive year that the City achieved this prestigious award since 2008. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

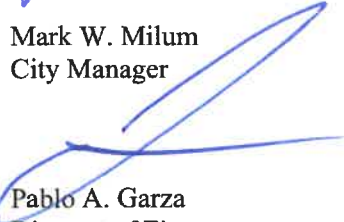
The preparation of this report would not be possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

Finally, we acknowledge the Mayor and Council members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated.

Respectfully,



Mark W. Milum  
City Manager



Pablo A. Garza  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Los Fresnos  
Texas**

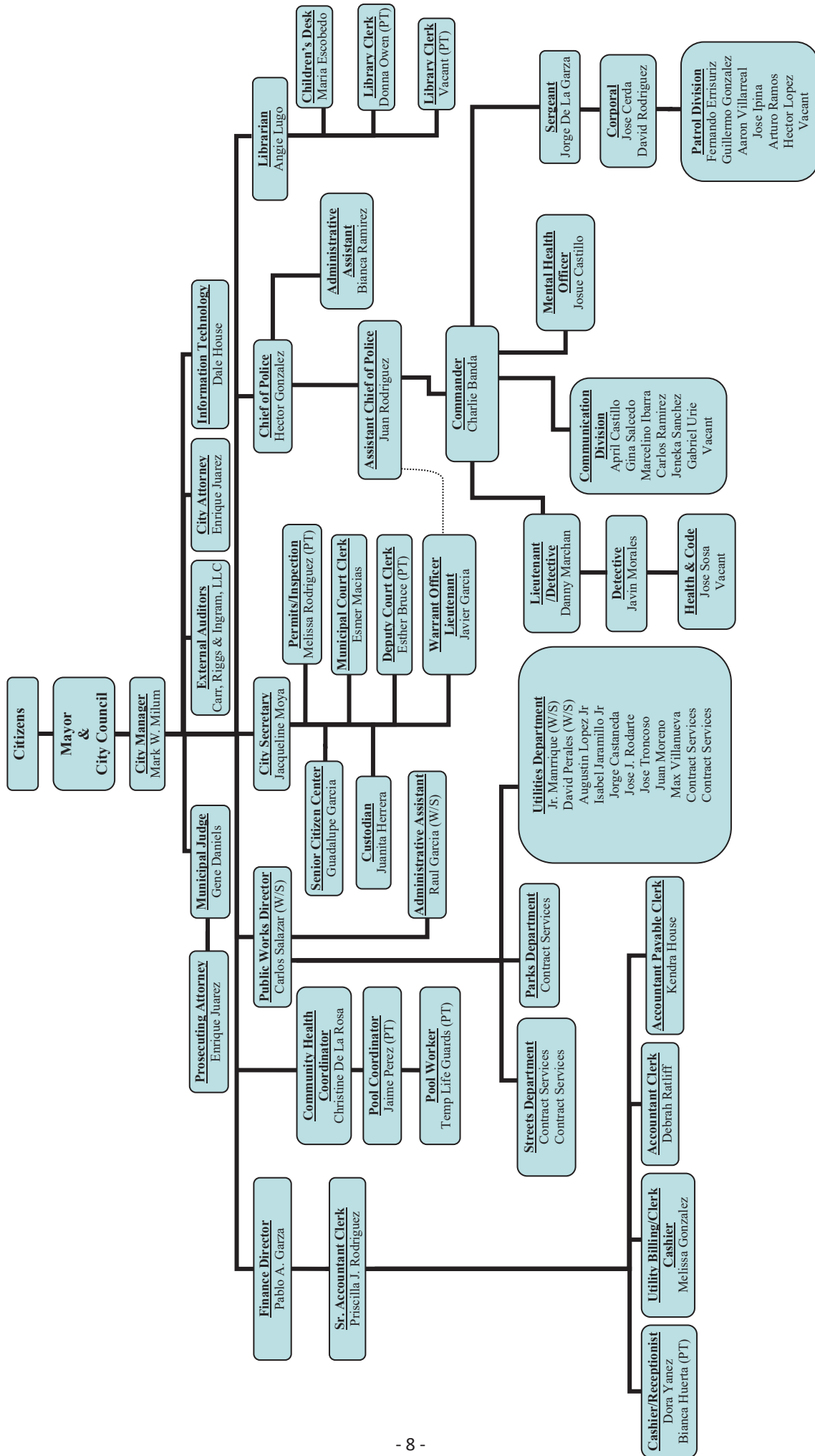
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# City of Los Fresnos Organizational Chart







**REPORT**

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members  
of the City Council  
City of Los Fresnos, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Los Fresnos, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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 unit, each major fund, and the aggregate remaining fund information of the City of Los Fresnos, Texas, as of September 30, 2019, 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.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15-26, the budgetary comparison information on pages 69-70 and pension supplementary information on pages 71-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020, on our consideration of the City of Los Fresnos, 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 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 Los Fresnos, 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 City of Los Fresnos, Texas' internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Harlingen, Texas  
March 24, 2020

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## City of Los Fresnos, Texas Management's Discussion and Analysis

As management of the City of Los Fresnos, we offer readers of the City of Los Fresnos' financial statements this narrative overview and analysis of the financial activities of the City of Los Fresnos for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Los Fresnos exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29,409,041 (*net position*). Of this amount, \$955,770 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Los Fresnos' total net position increased by \$287,988.
- At the close of the current fiscal year, the City of Los Fresnos' governmental funds reported combined ending fund balances of \$4,393,364, a decrease of \$2,688,333 in comparison with the prior year due to capital outlay expenditures incurred. Approximately 34.9% of this amount, \$1,534,267 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of current fiscal year, unassigned fund balance for the general fund was \$1,534,267, or approximately 36.9% of total general fund expenditures.
- The City of Los Fresnos' total outstanding long-term debt decreased by \$1,078,411 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City of Los Fresnos' basic financial statements. The City of Los Fresnos' basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish detail to support the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Los Fresnos' finances, in a manner similar to a private-sector business.

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

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).



## City of Los Fresnos, Texas Management's Discussion and Analysis

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

The government-wide financial statements include not only the City of Los Fresnos itself (known as the *primary government*), but also a legally separate Community Development Corporation for which the City of Los Fresnos is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Water and Sewer component, although also legally separate, functions for all practical purposes as a department of the City of Los Fresnos, and therefore has been included as an integral part of the primary government.

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

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

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

The City of Los Fresnos maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining* statements elsewhere in this report.

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

## City of Los Fresnos, Texas Management's Discussion and Analysis

**Proprietary funds.** The City of Los Fresnos maintains a proprietary fund. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Los Fresnos uses a proprietary fund to account for its Water and Sewer component and it is also a major fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer component considered to be a major fund of the City of Los Fresnos.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Los Fresnos own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. There are no fiduciary funds presented in the current year.

**Notes to the financial statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-68 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Los Fresnos' progress in funding its obligation to provide pension and OPEB benefits to its employees.

### Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Los Fresnos, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,409,041 at the close of the most recent fiscal year.

## City of Los Fresnos, Texas Management's Discussion and Analysis

**CITY OF LOS FRESNOS, TEXAS  
SUMMARY OF NET POSITION  
SEPTEMBER 30, 2019**

(With Comparative Totals as of September 30, 2018)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total			
	2019	2018	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>								
Current and other assets	\$ 5,465,715	\$ 7,897,280	\$ 3,895,587	\$ 4,691,773	\$ 9,361,302	\$ 12,589,053	\$ 376,882	\$ 274,003
Capital assets	12,803,773	9,395,950	26,851,067	26,677,722	39,654,840	36,073,672	-	-
<b>Total assets</b>	<b>18,269,488</b>	<b>17,293,230</b>	<b>30,746,654</b>	<b>31,369,495</b>	<b>49,016,142</b>	<b>48,662,725</b>	<b>376,882</b>	<b>274,003</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Pension Related	214,358	55,663	113,598	30,340	327,956	86,003	-	-
OPEB Related	7,914	7,450	4,152	3,908	12,066	11,358	-	-
<b>Total deferred outflow of resources</b>	<b>222,272</b>	<b>63,113</b>	<b>117,750</b>	<b>34,248</b>	<b>340,022</b>	<b>97,361</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows</b>	<b>\$18,491,760</b>	<b>\$17,356,343</b>	<b>\$ 30,864,404</b>	<b>\$ 31,403,743</b>	<b>\$49,356,164</b>	<b>\$ 48,760,086</b>	<b>\$ 376,882</b>	<b>\$ 274,003</b>
<b>LIABILITIES</b>								
Long-term liabilities outstanding	9,153,435	9,699,330	8,229,779	8,762,295	17,383,214	18,461,625	-	-
Net pension liability	635,145	-	333,205	-	968,350	-	-	-
OPEB liability	79,974	78,448	41,957	41,156	121,931	119,604	-	-
Other liabilities	1,143,374	662,057	310,834	270,595	1,454,208	932,652	108,112	45,177
<b>Total liabilities</b>	<b>11,011,928</b>	<b>10,439,835</b>	<b>8,915,775</b>	<b>9,074,046</b>	<b>19,927,703</b>	<b>19,513,881</b>	<b>108,112</b>	<b>45,177</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Pension related	7,030	82,087	3,692	43,065	10,722	125,152	-	-
OPEB related	5,705	-	2,993	-	8,698	-	-	-
<b>Total deferred inflow of resources</b>	<b>12,735</b>	<b>82,087</b>	<b>6,685</b>	<b>43,065</b>	<b>19,420</b>	<b>125,152</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>								
Net investment in capital assets	5,830,928	4,940,324	21,438,210	21,457,949	27,269,138	26,398,273	-	-
Restricted	657,133	467,205	527,000	476,000	1,184,133	943,205	-	-
Unrestricted	979,036	1,426,892	(23,266)	352,683	955,770	1,779,575	268,770	228,826
<b>Total Net Position</b>	<b>7,467,097</b>	<b>6,834,421</b>	<b>21,941,944</b>	<b>22,286,632</b>	<b>29,409,041</b>	<b>29,121,053</b>	<b>268,770</b>	<b>228,826</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$18,491,760</b>	<b>\$17,356,343</b>	<b>\$ 30,864,404</b>	<b>\$ 31,403,743</b>	<b>\$49,356,164</b>	<b>\$ 48,760,086</b>	<b>\$ 376,882</b>	<b>\$ 274,003</b>

By far the largest portion of the City of Los Fresnos' net position (92.7% percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Los Fresnos uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Los Fresnos investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

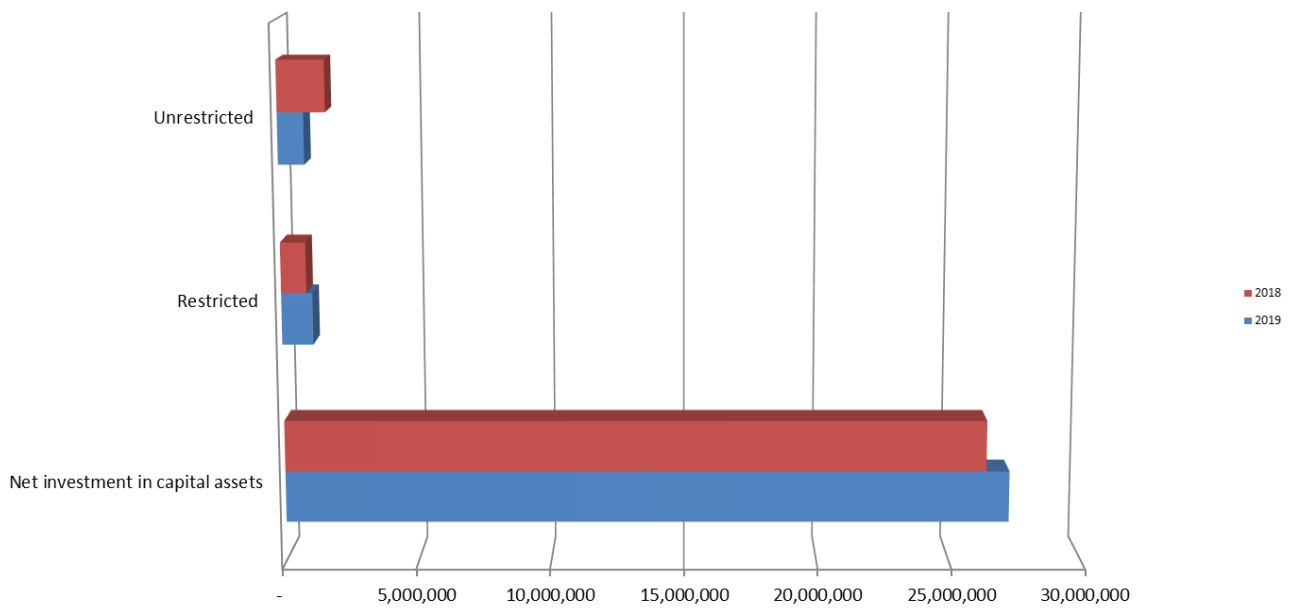
An additional portion of the City of Los Fresnos' net position (4.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$955,770 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of Los Fresnos is able to report positive balances in all three categories of net position for the government as a whole, as well as for its governmental activities. The same situation held true for the prior fiscal year.

## City of Los Fresnos, Texas Management's Discussion and Analysis

The City of Los Fresnos' overall net position increased \$287,988 from prior fiscal year. The reasons for this increase are discussed in the following sections for governmental activities and business-type activities.

### City of Los Fresnos Net Position September 30, 2019 and 2018



## City of Los Fresnos, Texas Management's Discussion and Analysis

### CITY OF LOS FRESNOS, TEXAS CHANGES IN NET POSITION SEPTEMBER 30, 2019

*(With Comparative Totals as of September 30, 2018)*

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 1,005,266	\$ 962,134	\$ 2,735,394	\$ 2,772,735	\$ 3,740,660	\$ 3,734,869
Operating grants and contributions	163,313	124,429	-	-	163,313	124,429
Capital grants and contributions	495,474	543,798	-	-	495,474	543,798
General Revenues:						
Property taxes, levied for general purposes	2,019,723	1,877,846	-	-	2,019,723	1,877,846
Sales Taxes	1,228,539	1,088,737	-	-	1,228,539	1,088,737
Franchise Taxes	390,073	359,351	-	-	390,073	359,351
Miscellaneous	285,791	246,860	81,807	51,816	367,598	298,676
Total Revenues	<u>5,588,179</u>	<u>5,203,155</u>	<u>2,817,201</u>	<u>2,824,551</u>	<u>8,405,380</u>	<u>8,027,706</u>
Expenses:						
General government	650,365	448,561	-	-	650,365	448,561
Public safety	2,455,871	1,880,517	-	-	2,455,871	1,880,517
Highways and streets	472,102	403,361	-	-	472,102	403,361
Health and welfare	357,380	296,807	-	-	357,380	296,807
Culture and Recreation	807,260	688,405	-	-	807,260	688,405
Interest on long-term debt	280,025	353,085	-	-	280,025	353,085
Water	-	-	1,542,087	1,301,036	1,542,087	1,301,036
Sewer	-	-	1,552,302	1,396,360	1,552,302	1,396,360
Total Expenses	<u>5,023,003</u>	<u>4,070,736</u>	<u>3,094,389</u>	<u>2,697,396</u>	<u>8,117,392</u>	<u>6,768,132</u>
Increase/(decrease) in net position before transfers	565,176	1,132,419	(277,188)	127,155	287,988	1,259,574
Transfers	67,500	-	(67,500)	-	-	-
Increase in net position	<u>632,676</u>	<u>1,132,419</u>	<u>(344,688)</u>	<u>127,155</u>	<u>287,988</u>	<u>1,259,574</u>
Net position--beginning	6,834,421	6,183,753	22,286,632	22,193,311	29,121,053	28,377,064
Prior Period Adjustment	-	(481,751)	-	(33,834)	-	(515,585)
Net position--beginning, restated	6,834,421	5,702,002	22,286,632	22,159,477	29,121,053	27,861,479
Net position--ending	<u>\$ 7,467,097</u>	<u>\$ 6,834,421</u>	<u>\$ 21,941,944</u>	<u>\$ 22,286,632</u>	<u>\$ 29,409,041</u>	<u>\$ 29,121,053</u>

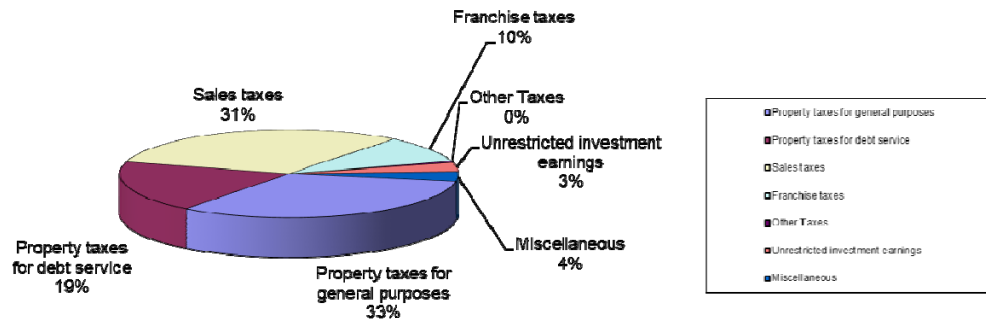
**Governmental Activities.** During the current fiscal year, revenue increased by \$385,024. The main reason for the increase in revenue was due to an increase in property taxes and sales taxes. During the current fiscal year, expenses increased by \$952,267.

## City of Los Fresnos, Texas Management's Discussion and Analysis

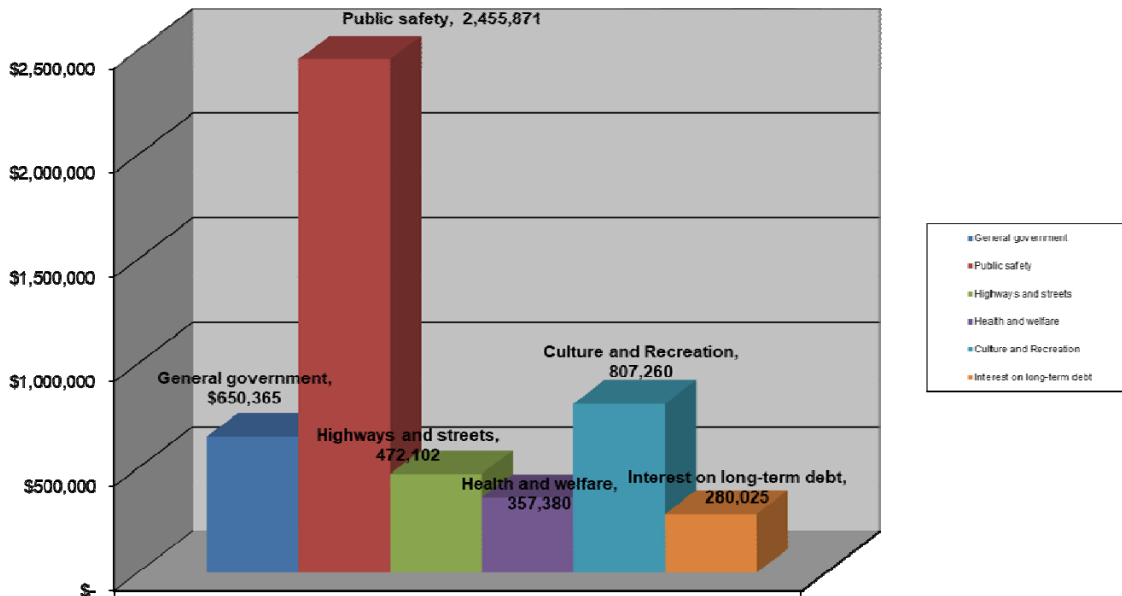
**Business Type Activities.** For the City of Los Fresnos' business-type activities, the results for the current fiscal year were a decrease to overall net position with an ending balance of \$21,941,944. The total decrease in net position for business-type activities was (\$344,688) or (1.55%) from the prior fiscal year.

**Component Unit.** Net position increased by \$39,944.

**Revenues by Source  
Governmental Activities**

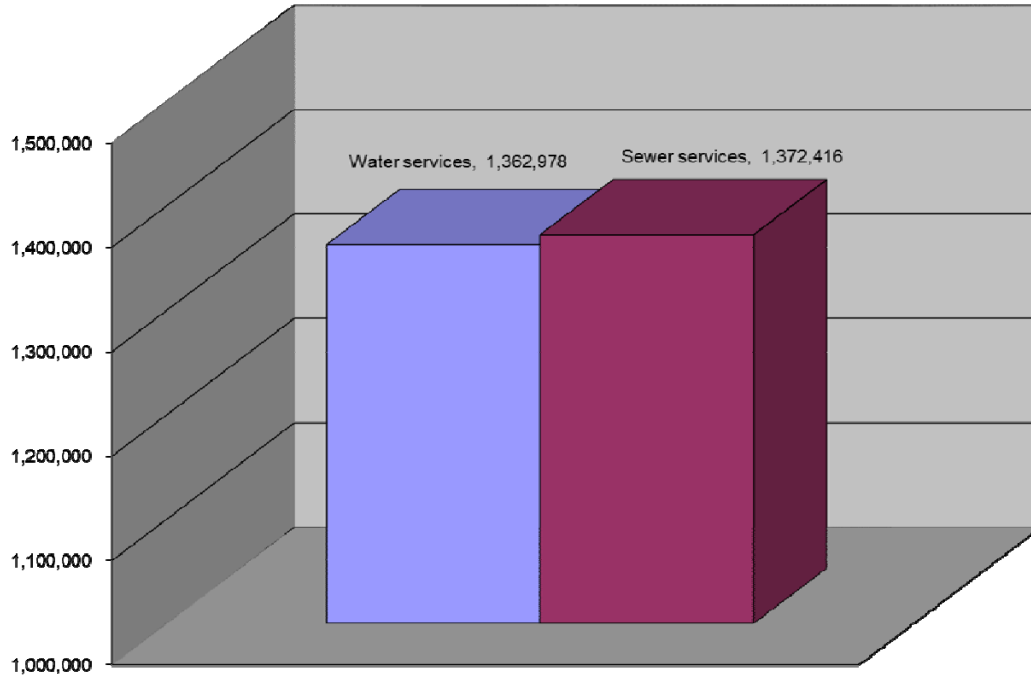


**Expenses-Governmental Activities**

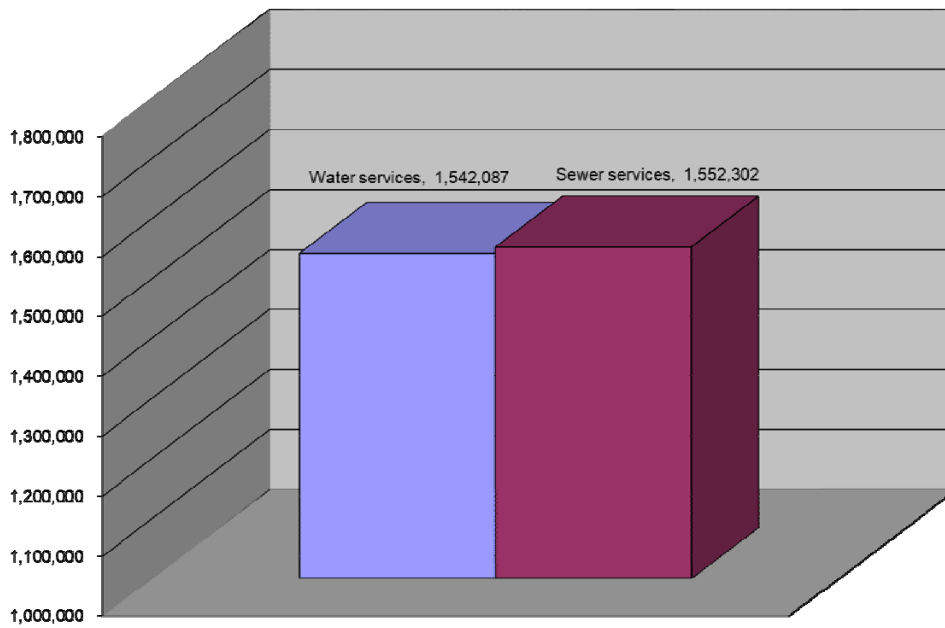


# City of Los Fresnos, Texas Management's Discussion and Analysis

### Program Revenues-Business-type Activities

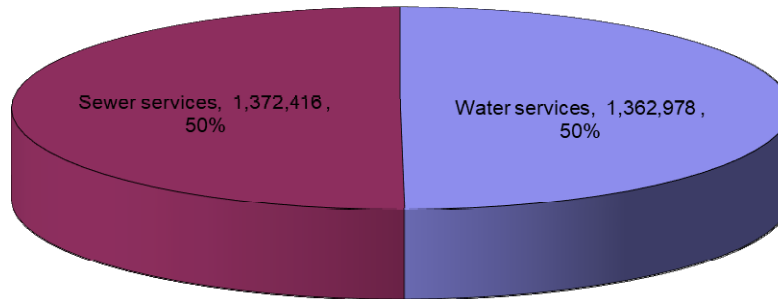


### Expenses-Business-type Activities



## City of Los Fresnos, Texas Management's Discussion and Analysis

### Revenues by Source-Business-type Activities



### Financial Analysis of Governmental Funds

As noted earlier, the City of Los Fresnos uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* The focus of the City of Los Fresnos' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Los Fresnos' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Los Fresnos itself, or a group of individuals that has been delegated authority to assign resources for use for particular purposes by the City of Los Fresnos' Council.

As of the end of the current fiscal year, the City of Los Fresnos' governmental funds reported combined ending fund balances of \$4,393,364, a decrease of \$2,688,333 in comparison with the prior year. Approximately 34.9% of this amount, \$1,534,267 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed for other services.

The general fund is the chief operating fund of the City of Los Fresnos. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,534,267. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.



## City of Los Fresnos, Texas Management's Discussion and Analysis

The fund balance of the City of Los Fresnos' general fund increased by, \$213,932, during the current fiscal year. Key factors in this increase are as follows:

- Sales tax and franchise tax revenue increased by \$174,155 during the year.
- Capital outlay decreased by \$109,857 during the year.

The debt service fund has a total fund balance of \$16,214, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$11,168.

**Proprietary Funds.** The City of Los Fresnos' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund at the end of the year amounted to (\$23,266) out of a total net position balance of \$21,941,944, which represents a decrease from the prior year of \$344,688 (net loss).

### General Fund Budgetary Highlights

**Final budget compared to actual results.** A review of the actual revenue compared to appropriations in the final budget yields no significant variances.

The most significant differences between estimated expenditures and actual expenditures were as follows:

<u>Expenditure Resource</u>	Estimated <u>Expenditures</u>	Actual <u>Expenditures</u>	<u>Difference</u>
Capital outlay	\$431,833	\$309,720	\$122,113
Highways and streets	277,734	353,648	(75,914)
Culture and recreation	580,510	496,942	83,568

The most significant differences between original budget and final amended budget were as follows:

<u>Expenditure Resource</u>	<u>Budget</u>	Final Amended <u>Budget</u>	<u>Difference</u>
Capital outlay	\$212,998	\$431,833	\$218,835

**City of Los Fresnos, Texas**  
**Management's Discussion and Analysis**

**Capital Asset and Debt Administration**

**Capital assets.** The City of Los Fresnos' investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$39,654,840 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. This information can be found in Note 5 of this report.

**CITY OF LOS FRESNOS, TEXAS**  
**CAPITAL ASSETS (net of depreciation)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Capital assets, not being depreciated:						
Land/Water rights	\$ 1,190,726	\$ 1,190,726	\$ 519,409	\$ 519,409	\$ 1,710,135	\$ 1,710,135
Construction in progress	3,478,362	332,762	1,084,813	402,526	4,563,175	735,288
Capital assets, being depreciated:						
Buildings and system	1,409,586	1,409,586	-	-	1,409,586	1,409,586
Improvements other than buildings	-	-	123,053	37,293	123,053	37,293
Machinery and equipment	2,345,670	2,061,850	2,885,900	2,828,087	5,231,570	4,889,937
Infrastructure	8,476,313	8,036,005	30,502,570	30,430,640	38,978,883	38,466,645
Accumulated depreciation	(4,096,884)	(3,634,979)	(8,264,678)	(7,540,233)	(12,361,562)	(11,175,212)
Total capital assets	<u>\$ 12,803,773</u>	<u>\$ 9,395,950</u>	<u>\$ 26,851,067</u>	<u>\$ 26,677,722</u>	<u>\$ 39,654,840</u>	<u>\$ 36,073,672</u>

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

- Purchase of furniture for the new City Hall administration building \$134,857
- Construction of the new City Hall administration building \$2,955,546
- Purchase of a simulator and a recording system \$47,516
- Purchase of three (3) Police Units \$121,780
- Street and drainage improvements \$133,793
- Park trails, signage, trails, and landscaping improvements \$33,260
- Water treatment plant improvements \$85,760
- Sewer and collection system rehabilitation \$682,287

Additional information on the City of Los Fresnos' capital assets can be found in Note 5 of this report.

## City of Los Fresnos, Texas Management's Discussion and Analysis

**Long-term Debt.** At the end of the current fiscal year, the City of Los Fresnos had total bonded debt outstanding of \$16,761,042, including the component unit. This information can be found in Note 8 of this report.

### CITY OF LOS FRESNOS, TEXAS OUTSTANDING DEBT GENERAL OBLIGATION AND REVENUE BONDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 9,105,000	\$ 9,580,000	\$ -	\$ -	\$ 9,105,000	\$ 9,580,000
Revenue bonds	-	-	7,656,042	8,132,042	7,656,042	8,132,042
Total	<u>\$ 9,105,000</u>	<u>\$ 9,580,000</u>	<u>\$ 7,656,042</u>	<u>\$ 8,132,042</u>	<u>\$ 16,761,042</u>	<u>\$ 17,712,042</u>

The City of Los Fresnos' General Obligation and Revenue Bonds decreased by \$951,000 during the current fiscal year.

#### Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of Los Fresnos and were considered in developing the 2019-2020 fiscal year budget:

- The unemployment rate for Cameron County is currently 5.8 percent at the end of 2019. The rate represents a decrease compared to 6.0 percent in 2018. This compares unfavorable to the state's average unemployment rate of 3.4 percent and unfavorable to the national average rate of 3.7 percent.
- The Water and Wastewater rates have been adjusted to cover new funding for water and sewer improvements starting October 2019.
- The City has kept a conservative attitude towards the budget preparation and was able to present and approve a balance budget on the General Fund.

During the current fiscal year, the unassigned fund balance in the general fund increased to \$1,534,267. The City of Los Fresnos has appropriated \$3,805,146 for spending in the 2019-2020 fiscal year budget.

#### Requests for Information

This financial report is designed to provide a general overview of the City of Los Fresnos' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 520 East Ocean Boulevard, Los Fresnos, Texas 78566.



**FINANCIAL STATEMENTS**

City of Los Fresnos, Texas  
**STATEMENT OF NET POSITION**

September 30, 2019

	Primary Government			Component Unit
	Governmental	Business - type	Total	
	Activities	Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,780,379	\$ 1,346,089	\$ 3,126,468	\$ 342,571
Restricted cash	2,609,104	2,888,967	5,498,071	-
Receivables, net	394,135	313,511	707,646	34,311
Due from other governments	28,489	-	28,489	-
Internal balances	652,980	(652,980)	-	-
Due from component unit/primary government	628	-	628	-
Capital assets, net				
Capital assets not being depreciated	4,669,088	1,604,222	6,273,310	-
Capital assets, net of accumulated depreciation	8,134,685	25,246,845	33,381,530	-
Total assets	18,269,488	30,746,654	49,016,142	376,882
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	214,358	113,598	327,956	-
Deferred outflows related to OPEB	7,914	4,152	12,066	-
Total deferred outflows of resources	222,272	117,750	340,022	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
	\$ 18,491,760	\$ 30,864,404	\$ 49,356,164	\$ 376,882
<b>LIABILITIES</b>				
Accounts payable	\$ 920,220	\$ 151,102	\$ 1,071,322	\$ 104,468
Accrued expenses	223,154	159,732	382,886	3,016
Due to component unit/primary government	-	-	-	628
Non-current liabilities				
Due within one year	548,435	620,594	1,169,029	-
Due in more than one year	8,605,000	7,609,185	16,214,185	-
Net pension liability	635,145	333,205	968,350	-
OPEB liability	79,974	41,957	121,931	-
Total liabilities	11,011,928	8,915,775	19,927,703	108,112
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	7,030	3,692	10,722	-
Deferred inflows related to OPEB	5,705	2,993	8,698	-
Total deferred inflows of resources	12,735	6,685	19,420	-
<b>NET POSITION</b>				
Net investment in capital assets	5,830,928	21,438,210	27,269,138	-
Restricted for debt service	35,391	527,000	562,391	-
Restricted for Hike and Bike project	5,601	-	5,601	-
Restricted for TIFRZ	616,141	-	616,141	-
Unrestricted	979,036	(23,266)	955,770	268,770
Total net position	7,467,097	21,941,944	29,409,041	268,770
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
	\$ 18,491,760	\$ 30,864,404	\$ 49,356,164	\$ 376,882

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

City of Los Fresnos, Texas  
**STATEMENT OF ACTIVITIES**

*For the year ended September 30, 2019*

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
<b>Governmental activities:</b>				
General government	\$ 650,365	\$ 373,119	\$ -	\$ 224,545
Public safety	2,455,871	586,375	77,424	-
Highways and streets	472,102	-	-	-
Health and welfare	357,380	10,825	85,889	167,989
Culture and recreation	807,260	34,947	-	102,940
Interest and other issuance fees	280,025	-	-	-
<b>Total governmental activities</b>	<b>5,023,003</b>	<b>1,005,266</b>	<b>163,313</b>	<b>495,474</b>
<b>Business - type activities:</b>				
Water services	1,542,087	1,362,978	-	-
Sewer services	1,552,302	1,372,416	-	-
<b>Total business-type activities</b>	<b>3,094,389</b>	<b>2,735,394</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 8,117,392</b>	<b>\$ 3,740,660</b>	<b>\$ 163,313</b>	<b>\$ 495,474</b>
<b>Component Unit</b>				
Community development services	\$ 368,712	\$ -	\$ -	\$ -

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

Transfers

**Total general revenues and transfers**

**Change in net position**

**Net position--beginning**

**Net position--ending**

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

Continued

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business - type Activities	Total	
\$ (52,701)	\$ -	\$ (52,701)	\$ -
(1,792,072)	-	(1,792,072)	-
(472,102)	-	(472,102)	-
(92,677)	-	(92,677)	-
(669,373)	-	(669,373)	-
(280,025)	-	(280,025)	-
(3,358,950)	-	(3,358,950)	-
-	-	-	-
-	(179,109)	(179,109)	-
-	(179,886)	(179,886)	-
-	(358,995)	(358,995)	-
(3,358,950)	(358,995)	(3,717,945)	-
			(368,712)
1,279,111	-	1,279,111	-
740,612	-	740,612	-
1,228,539	-	1,228,539	404,766
390,073	-	390,073	-
18,040	-	18,040	-
127,419	81,807	209,226	3,890
140,332	-	140,332	-
67,500	(67,500)	-	-
3,991,626	14,307	4,005,933	408,656
632,676	(344,688)	287,988	39,944
6,834,421	22,286,632	29,121,053	228,826
\$ 7,467,097	\$ 21,941,944	\$ 29,409,041	\$ 268,770

City of Los Fresnos, Texas  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

September 30, 2019

	General Fund	CO Series 2017 Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,071,411	\$ -	\$ 708,968	\$ 1,780,379
Restricted cash	-	1,453,636	1,155,468	2,609,104
Receivables (net of allowance for uncollectibles)				
Taxes	194,158	-	20,237	214,395
Accounts	179,740	-	-	179,740
Due from other governments	25,464	-	3,025	28,489
Due from other funds	1,101,751	23,457	235,677	1,360,885
Due from component unit	628	-	-	628
<b>TOTAL ASSETS</b>	<b>\$ 2,573,152</b>	<b>\$ 1,477,093</b>	<b>\$ 2,123,375</b>	<b>\$ 6,173,620</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 556,505	\$ -	\$ 363,715	\$ 920,220
Accrued expenditures	56,579	-	-	56,579
Due to other funds	349,426	-	358,479	707,905
<b>TOTAL LIABILITIES</b>	<b>962,510</b>	<b>-</b>	<b>722,194</b>	<b>1,684,704</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	76,375	-	19,177	95,552
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>76,375</b>	<b>-</b>	<b>19,177</b>	<b>95,552</b>
<b>FUND BALANCES</b>				
Restricted				
Debt service	-	-	16,214	16,214
Hike and Bike project	-	-	5,601	5,601
TIFRZ	-	-	616,141	616,141
Capital projects	-	1,477,093	744,048	2,221,141
Unassigned	1,534,267	-	-	1,534,267
<b>Total fund balances</b>	<b>1,534,267</b>	<b>1,477,093</b>	<b>1,382,004</b>	<b>4,393,364</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,573,152</b>	<b>\$ 1,477,093</b>	<b>\$ 2,123,375</b>	<b>\$ 6,173,620</b>

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



**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION**

<u>September 30, 2019</u>	<u>Governmental Activities</u>
Total fund balances	\$ 4,393,364
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,803,773
Property tax revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.	95,552
Some liabilities, including bonds and capital leases payable, are not due in the current period and therefore are not reported in the funds.	(9,153,435)
Included in the noncurrent assets is the recognition of the City's net pension liability required by GASB 68 in the amount of \$(635,145), a deferred resource inflow in the amount of \$(7,030), and a deferred resource outflow in the amount of \$214,358. This resulted in an decrease in net position of \$(427,817).	(427,817)
Included in the noncurrent liabilities is the recognition of the City's OPEB liability required by GASB 75 in the amount of \$(79,974), a deferred resource inflow in the amount of \$(5,705), and a deferred resource outflow in the amount of \$7,914. This resulted in a decrease in net position of \$(77,765).	(77,765)
Interest on long-term debt (\$105,682) and compensated absences (\$60,893) are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(166,575)
<u>Net position of governmental activities</u>	<u>\$ 7,467,097</u>

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

City of Los Fresnos, Texas  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**

*For the year ended September 30, 2019*

	General Fund	CO Series 2017 Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,290,539	\$ -	\$ 738,721	\$ 2,029,260
Nonproperty taxes	1,636,652	-	-	1,636,652
Fines and forfeitures	570,557	-	-	570,557
Licenses and permits	134,227	-	-	134,227
Charges for services	300,482	-	-	300,482
Intergovernmental	223,313	-	299,274	522,587
Grant income	33,260	-	-	33,260
Miscellaneous and program revenues	95,332	-	45,000	140,332
Interest and investment income	22,116	76,280	29,023	127,419
<b>Total revenues</b>	<b>4,306,478</b>	<b>76,280</b>	<b>1,112,018</b>	<b>5,494,776</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	542,217	-	10,000	552,217
Public safety	1,917,867	-	-	1,917,867
Highways and streets	353,648	-	-	353,648
Health and welfare	319,648	-	-	319,648
Culture and recreation	496,942	-	-	496,942
Capital outlay	309,720	2,798,608	676,039	3,784,367
<b>Debt service</b>				
Principal retirement	205,895	-	340,000	545,895
Interest and fiscal agent fees	14,109	-	261,842	275,951
Administrative costs	-	-	4,074	4,074
<b>Total expenditures</b>	<b>4,160,046</b>	<b>2,798,608</b>	<b>1,291,955</b>	<b>8,250,609</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	146,432	(2,722,328)	(179,937)	(2,755,833)
<b>Other financing sources (uses)</b>				
Transfers in	67,500	-	141,344	208,844
Transfers out	-	-	(141,344)	(141,344)
<b>Total other financing sources (uses)</b>	<b>67,500</b>	<b>-</b>	<b>-</b>	<b>67,500</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>213,932</b>	<b>(2,722,328)</b>	<b>(179,937)</b>	<b>(2,688,333)</b>
<b>Fund balances, beginning of year</b>	<b>1,320,335</b>	<b>4,199,421</b>	<b>1,561,941</b>	<b>7,081,697</b>
<b>Fund balances, end of year</b>	<b>\$ 1,534,267</b>	<b>\$ 1,477,093</b>	<b>\$ 1,382,004</b>	<b>\$ 4,393,364</b>

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

City of Los Fresnos, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

<i>For the year ended September 30, 2019</i>	Governmental Activities
Net change in fund balances -- total governmental funds	\$ (2,688,333)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$479,484) was exceeded by capital outlay of \$3,784,367.	3,304,883
Adjustment to record capital contributions is reflected in the government-wide financial statements which increases net position.	102,940
Certain property tax revenues are deferred in the funds but are recognized as revenue in the statement of activities. The change in those amounts for the current period result in a decrease to the change in net position.	(9,537)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Expenses in the statement of activities differ from expenditures reported in the governmental funds for the change in compensated absences payable during the year (\$5,717) and the change in accrued interest of (\$4,580).	(10,297)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$69,998. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(29,593). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(646,514). The result of these changes is to decrease the change in net position by \$(606,109).	(606,109)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/18 caused the change in the ending net position to increase in the amount of \$1,697. Contributions made before the measurement date but after the previous date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(1,617). The City's reported net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$(6,846). The result of these changes is to decrease the change in net position by \$(6,766).	(6,766)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.	545,895
Change in net position of governmental activities	\$ 632,676

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

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

<i>September 30, 2019</i>	Enterprise Fund
	Water & Sewer Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,346,089
Restricted cash and cash equivalents	2,888,967
Service receivables, net	313,511
Due from other funds	204,550
Total current assets	4,753,117
Capital assets	
Land	105,759
Vehicles	247,956
Warehouse lot improvements	123,053
Furniture and equipment	117,646
Water treatment and distribution	7,090,698
Elevated storage tank	1,533,233
Water treatment equipment	67,039
Water meters	840,031
Water rights	413,650
Sanitary sewer system	23,411,875
Sewer system equipment	79,992
Construction in progress	1,084,813
	35,115,745
Accumulated depreciation	(8,264,678)
Total capital assets	26,851,067
Deferred outflows of resources	
Deferred outflows related to pension liabilities	113,598
Deferred outflows related to OPEB	4,152
Total deferred outflows of resources	117,750
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 31,721,934

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

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION - CONTINUED**

<i>September 30, 2019</i>	Enterprise Fund
	Water & Sewer Fund
<b>LIABILITIES</b>	
Current liabilities	
Current maturities of long-term debt	\$ 620,594
Accounts payable	151,102
Accrued expenses and other liabilities	116,541
Accrued interest on revenue bonds	43,191
Due to other funds	857,530
Total current liabilities	1,788,958
Long-term liabilities	
Meter deposits	204,233
Net pension liability	333,205
OPEB liability	41,957
Capital lease payable	275,910
Revenue bonds payable	7,129,042
Total long-term liabilities	7,984,347
Total liabilities	9,773,305
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources	
Pension related	3,692
OPEB related	2,993
Total deferred inflows of resources	6,685
<b>NET POSITION</b>	
Net investment in capital assets	21,438,210
Restricted for debt service	527,000
Unrestricted	(23,266)
Total net position	21,941,944
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 31,721,934

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**

<i>For the fiscal year ended September 30, 2019</i>	Enterprise Fund
	Water & Sewer Fund
Operating revenues	
Current user charges	\$ 2,675,155
Penalties	60,239
Total operating revenues	2,735,394
Operating expenses	
Administration	909,934
Employee benefits	553,062
Materials and supplies	213,871
Repairs and maintenance	251,359
Water purchases	35,885
Other operating expenses	258,191
Depreciation	724,445
Total operating expenses	2,946,747
Operating loss	(211,353)
Nonoperating revenues (expenses)	
Interest income	81,807
Interest expense	(147,642)
Total nonoperating expenses	(65,835)
Net loss before transfers	(277,188)
Transfers	
Transfers in	501,969
Transfers out	(569,469)
Total transfers	(67,500)
CHANGE IN NET POSITION	(344,688)
Net position, beginning of year	22,286,632
Net position, end of year	\$ 21,941,944

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

City of Los Fresnos, Texas  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

<i>For the fiscal year ended September 30, 2019</i>	Enterprise Fund
	Water & Sewer Fund
Cash flows from operating activities	
Receipts from customers	\$ 2,627,240
Payments to suppliers	(1,721,493)
Payments to employees	(243,655)
Net cash provided by operating activities	662,092
Cash flows from noncapital financing activities	
Transfers in	501,969
Transfers (out)	(569,469)
Net cash used in noncapital financing activities	(67,500)
Cash flows from capital and related financing activities	
Purchase of capital assets	(897,789)
Principal paid on long-term debt	(540,677)
Interest paid on long-term debt	(147,642)
Net cash used in capital and related financing activities	(1,586,108)
Cash flows from (to) investing activities	
Interest income received	81,807
Net cash provided by investing activities	81,807
Net decrease in cash and cash equivalents	(909,709)
Cash and cash equivalents, beginning of year	5,144,765
Cash and cash equivalents, end of year	\$ 4,235,056
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating loss	\$ (211,353)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation	724,444
(Increase) decrease in receivables	(111,268)
(Increase) decrease in due from other funds	(109,659)
(Increase) decrease in net pension asset	107,404
(Increase) decrease in deferred outflows	(83,502)
Increase (decrease) in accounts payable	52,360
Increase (decrease) in accrued expenses and other liabilities	(12,121)
Increase (decrease) in meter deposits	8,161
Increase (decrease) in net pension liability	333,205
Increase (decrease) in OPEB liability	801
Increase (decrease) in deferred inflows	(36,380)
Net cash provided by operating activities	\$ 662,092

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

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Los Fresnos, Texas (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-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

*Reporting Entity*

The City of Los Fresnos, Texas was incorporated on November 21, 1945, under the provisions of the laws for the State of Texas. The City operates under a City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities (water and wastewater) and garbage.

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

*Blended component units* - Blended component units, although legally separate entities, are in substance part of the government’s operations and so data from these units are combined with data of the primary government. The City of Los Fresnos, Texas does not include any blended component units.

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

The Los Fresnos Community Development Corporation (the “Corporation”) is a non-profit industrial development corporation governed by a seven member board appointed by the City. The Corporation is funded through a sales tax levy of one half of one percent. The purpose of the Corporation is to promote economic development within the City. The City has a voting majority, imposition of will, financial benefit and financial accountability over the Corporation. The Corporation also maintains a September 30 fiscal year end. A copy of the component unit’s financial statements can be obtained by contacting the City of Los Fresnos at City Hall, 520 East Ocean Boulevard, Los Fresnos, Texas 78566.

*Measurement Focus, Basis of Accounting and Basis of Presentation*

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting and Basis of Presentation - Continued*

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports deferred inflows of resources on its combined balance sheet. Deferred inflows of resources arise when potential revenue is *unavailable*. 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. Governmental funds also report unavailable revenues that arise from special assessments which are deferred and recognized as an inflow of resources in the period when the amounts become available.

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

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "*fund types*".

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting and Basis of Presentation - Continued*

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital project funds), and the servicing of general long-term debt (debt service funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses typically are the result of activities specific to a particular proprietary fund's operations. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation. All other revenues and expenses are reported as non-operating revenues and expenses.

The City reports the following governmental major funds:

**Governmental fund type:**

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

The *CO Series 2017 Fund* is reported as a major fund. It is used to account for bond proceeds used for construction.

Additionally, the City reports the following government fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. None of the special revenue funds are major.

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 not reported as a major fund.

The *Capital Projects Funds* are used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities, not being financed by the proprietary funds.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Proprietary fund types:**

The *Enterprise Funds* are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The *Water & Sewer Fund* is a major fund used to account for the operations of the City's water distribution and wastewater collection.

*Implementation of New Accounting Statements*

For fiscal year 2018-19, the City has implemented the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board.

***New Accounting Standards Adopted***

In fiscal year 2019, the City implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

***Recently Issued Accounting Pronouncements***

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**a. Cash and Cash Equivalents**

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

**b. Short-Term Interfund Receivables and Payables/Internal Balances**

Short-term lending/borrowing between funds that results in amounts outstanding at the end of the fiscal year are referred to as “due to/from other funds.” “Due to/from other funds” represent the current portion of interfund loans. With respect to the government-wide financial statements, any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

**c. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, because their use is limited by applicable bond covenants or City Ordinance. Funds restricted include amounts set aside to subsidize potential deficiencies from the enterprise funds' operations that could adversely affect debt service payments, amounts set aside from the proceeds of revenue bond issuances that are required for payment of construction, amounts set aside for debt service payments over the succeeding twelve months, amounts set aside for unexpected contingencies or to fund asset replacements, as well as amounts set aside from customers' meter deposits.

**d. 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. 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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value rather than fair value.

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.

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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance – Continued*

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:

Site improvements	7 - 55 years
Buildings	24 - 40 years
Furniture and equipment	7 - 20 years
Vehicles	3 - 7 years
Infrastructure	20 - 50 years

**e. Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental/business-type activities or the specific proprietary fund to which each relates, as applicable. Bond premiums and discounts, as well as bond insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, excluding bond insurance costs, are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as all 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 in the governmental funds.

**f. 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. The City reports the following items in this category:

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance – Continued*

In the 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 reports the following items in this category:

- Unavailable revenues which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category and are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: property taxes, payments in lieu of taxes, special assessments, noncurrent receivables and other. These amounts are recognized as an inflow of resources in the period that the amounts become available.
- The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

**g. Net position flow assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted (for example, restricted bond or grant proceeds) and unrestricted resource. 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.

**h. Fund balance flow assumptions**

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

**i. 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).

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance – Continued*

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 Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 City Council (Council) has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**j. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS'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.

**k. 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 includes for purposes of measuring the net OPEB liability, deferred outflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from the Supplemental Death Benefit's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Information regarding the City's Total Net OPEB 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**l. Bond Discounts/Issue Costs**

In governmental fund types, bond issuance costs are recognized in the current period. Bond discounts, bond premiums and bond insurance costs for government-wide financial statements and proprietary fund types are deferred and amortized over the initial life of the bonds. Bond discounts are presented as a reduction of the face amount of bonds payable, bond issuance costs are an expense of the current period and bond insurance costs are recorded as deferred charges and amortized over the life of the related bond.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m. Interfund Receivables, Payables and Transfers**

The due to/from other funds primarily represent temporary short-term borrowings for working capital, which are intended to be satisfied soon after year-end. Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, 2) reimburse the Debt Service Fund for debt service payments on debt related to the reimbursing fund, and 3) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

**n. Comparative Data**

Comparative total data for the prior year has been presented in the fund financial statements (other supplementary information).

**o. Estimates**

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

**p. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 24, 2020. See Note 18 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which 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.

Accounting principles generally accepted in the United States of America require that budgetary schedules be reported for the General Fund and all major special revenue funds with a legally adopted budget. The City of Los Fresnos prepares a legally adopted annual budget for the Tax Increment Financing Reinvestment Zone special revenue fund which is not a major fund in the current year; therefore it is presented in the other supplementary section of this report.

Unused appropriations for the annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are 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.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Revisions that alter total appropriations must be approved by the City Council. Therefore, the legal level of budgetary responsibility is at the total expenditures 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 Council 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 Council.

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

***Expenditures Over Appropriations***

At September 30, 2019 total expenditures did not exceed total appropriations.

***Deficit Fund Equity***

At September 30, 2019 the City reported a negative unrestricted net position for the Water and Sewer Fund in the amount of (\$23,266).

**NOTE 3: 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. At September 30, 2019, the City's deposits were entirely covered by 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.

***Interest Rate Risk***

The investment policy states that average maturity on any investment of the City's operating fund shall not exceed one year in maturity. The maximum final stated maturity of any investment shall not exceed five years.

***Credit Risk***

The City's investment policy limits authorized investments to certificates of deposit, U. S. Treasuries and federal government agencies, direct obligations of the State of Texas or its agencies, certain fully collateralized direct repurchase agreements, or joint pools of political subdivisions in the State of Texas with a credit quality rating no lower than AAA.

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

***Fair Value Measurements***

The City categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.

Level 2 – Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.

Level 3 – Significant unobservable inputs for an asset, as they trade infrequently or not at all. (The City does not value any investments using Level 3 inputs.)

The City’s amounts for the investment pools (LoneStar Investment Pool) of \$2,213,215 are included for financial reporting purposes in cash and cash equivalents on the Statement of Net Position as of September 30, 2019.

The City’s Local Government Investment Pools (LGIPs) qualify to be valued at amortized cost and have no limitations or restrictions on withdrawals. The City does not have any investments to report at fair value as of September 30, 2019.

As of September 30, 2019, all of the City’s external investment pools meet the criteria described in GASB Statement No. 79 and measures all of their investments at amortized cost; therefore, the City has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2019, consist of the following:

	Primary Government			Total	Component
	General Fund	Water and Sewer Fund	Non-Major and Other		Unit Community Development Corporation
Receivables					
Taxes	\$206,063	\$ -	\$ 23,624	\$229,687	\$ 34,311
Accounts	142,556	409,377	-	551,933	-
Intergovernmental	25,464	-	3,025	28,489	-
Other	<u>37,184</u>	<u>-</u>	<u>-</u>	<u>37,184</u>	<u>-</u>
Gross receivables	411,267	409,377	26,649	847,293	34,311
Less allowance for uncollectibles	<u>11,905</u>	<u>95,866</u>	<u>3,387</u>	<u>111,158</u>	<u>-</u>
Total receivables, net	<u>\$399,362</u>	<u>\$313,511</u>	<u>\$ 23,262</u>	<u>\$736,135</u>	<u>\$ 34,311</u>

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 4 – RECEIVABLES (Continued)**

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.

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

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 is as follows:

**Governmental Activities**

	Beginning Balance October 1, <u>2018</u>	<u>Additions</u>	Transfers/ <u>Reclassification</u>	Retirements <u>Disposals</u>	Ending Balance September 30, <u>2019</u>
<b>Capital assets, not being depreciated:</b>					
Land	\$ 1,190,726	\$ -	\$ -	\$ -	\$ 1,190,726
Construction in progress	<u>332,762</u>	<u>3,145,600</u>	<u>-</u>	<u>-</u>	<u>3,478,362</u>
	1,523,488	3,145,600	-	-	4,669,088
<b>Capital assets, being depreciated:</b>					
Buildings	1,409,586	-	-	-	1,409,586
Machinery and equipment	2,061,850	301,399	-	(17,579)	2,345,670
Infrastructure	<u>8,036,005</u>	<u>440,308</u>	<u>-</u>	<u>-</u>	<u>8,476,313</u>
	11,507,441	741,707	-	(17,579)	12,231,569
Less accumulated depreciation for:					
Buildings	(701,362)	(19,772)	-	-	(721,134)
Machinery and equipment	(1,601,463)	(98,683)	-	17,579	(1,682,567)
Infrastructure	<u>(1,332,154)</u>	<u>(361,029)</u>	<u>-</u>	<u>-</u>	<u>(1,693,183)</u>
Total accumulated depreciation	<u>(3,634,979)</u>	<u>(479,484)</u>	<u>-</u>	<u>17,579</u>	<u>(4,096,884)</u>
Total capital assets, being depreciated, net	<u>7,872,462</u>	<u>262,223</u>	<u>-</u>	<u>-</u>	<u>8,134,685</u>
Governmental activities, capital assets, net	<u>\$ 9,395,950</u>	<u>\$ 3,407,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,803,773</u>

Depreciation was charged to government functions as follows:

General government	\$ 12,468
Public safety	90,115
Highways and streets	118,454
Health and welfare	5,372
Culture and recreation	<u>253,075</u>
Total depreciation - governmental activities	<u>\$ 479,484</u>

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 5: CAPITAL ASSETS (Continued)**

**Business-type Activities**

	Beginning Balance October 1, <u>2018</u>	<u>Additions</u>	Transfers/ <u>Reclassification</u>	Ending Balance September 30, <u>2019</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 105,759	\$ -	\$ -	\$ 105,759
Water rights	413,650	-	-	413,650
Construction in progress	<u>402,526</u>	<u>682,287</u>	-	<u>1,084,813</u>
	921,935	682,287	-	1,604,222
<b>Capital assets, being depreciated:</b>				
Improvements	37,293	85,760	-	123,053
Equipment	2,828,087	57,813	-	2,885,900
Utility systems	<u>30,430,640</u>	<u>71,930</u>	-	<u>30,502,570</u>
	33,296,020	215,503	-	33,511,523
Less accumulated depreciation for:				
Improvements	(28,661)	(1,425)	-	(30,086)
Equipment	(1,303,315)	(93,274)	-	(1,396,589)
Utility systems	<u>(6,208,257)</u>	<u>(629,746)</u>	-	<u>(6,838,003)</u>
Total accumulated depreciation	<u>(7,540,233)</u>	<u>(724,445)</u>	-	<u>(8,264,678)</u>
Total capital assets, being depreciated, net	<u>25,755,787</u>	<u>(508,942)</u>	-	<u>25,246,845</u>
Business-type activities, capital assets, net	<u>\$26,677,722</u>	<u>\$173,345</u>	<u>\$ -</u>	<u>\$26,851,067</u>

Depreciation was charged to business-type activity functions as follows:

Water	\$207,720
Sewer	<u>516,725</u>
Total depreciation – business-type activities	<u>\$724,445</u>

**NOTE 6: UNEARNED REVENUE**

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the City reported \$ -0- in unearned revenue for non-current notes receivable.

**NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Unavailable revenues from property taxes in the general fund and the debt service fund at September 30, 2019 were \$76,375 and \$19,177, respectively.

In governmental activities, deferred outflows of resources consist of \$214,358 and \$7,914 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$7,030 and \$5,705 at September 30, 2019, respectively.

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT**

***Changes in Long-term Liabilities***

During the year ended September 30, 2019, the following changes occurred in liabilities reported in the long-term debt in governmental activities:

	Balance at October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance at September 30, <u>2019</u>	Amounts Due Within One <u>Year</u>
Capital lease obligation	\$ 119,330	\$ -	\$ (70,895)	\$ 48,435	\$ 48,435
General obligation debt	<u>9,580,000</u>	<u>-</u>	<u>(475,000)</u>	<u>9,105,000</u>	<u>500,000</u>
	<u>\$9,699,330</u>	<u>\$ -</u>	<u>\$(545,895)</u>	<u>\$9,153,435</u>	<u>\$ 548,435</u>

During the year ended September 30, 2019, the following changes occurred in liabilities reported in the long-term debt in business-type activities:

	Balance at October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance at September 30, <u>2019</u>	Amounts Due Within One <u>Year</u>
Water meter deposits	\$ 216,072	\$ 35,500	\$ (27,340)	\$ 224,232	\$ 20,000
Capital lease obligation	414,181	-	(64,677)	349,504	73,594
Revenue bonds	<u>8,132,042</u>	<u>-</u>	<u>(476,000)</u>	<u>7,656,042</u>	<u>527,000</u>
	<u>\$8,762,295</u>	<u>\$ 35,500</u>	<u>\$(568,017)</u>	<u>\$8,229,778</u>	<u>\$ 620,594</u>

**Primary Government**

***General Obligation Bonds***

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.

Certificates of obligation are direct obligations and pledge the full faith and credit of the City. These bonds and certificates generally are issued as 25-year serial bonds, with varying amounts of principal maturing each year.

In September 2018, the City authorized the issuance of the City of Los Fresnos, Tax Notes, Series 2018 in the amount of \$1,000,000. The certificates were issued for the purpose of funding construction of the new City administration building. The certificates bear interest of 2.93% and interest is payable annually on February and August 1<sup>st</sup> of each year. The certificates mature on February 1, 2025.

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT (Continued)**

Certificates of obligation currently outstanding are as follows:

**Governmental Activities**

<u>Series</u>	<u>Original Balance</u>	<u>Interest Rate(s)</u>	<u>Balance at October 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at September 30, 2019</u>	<u>Amounts Due Within One Year</u>
Series 2005 Combination Tax and Limited Pledge Revenue Certificates of Obligation	\$2,100,000	3.6%	\$ 945,000	\$ -	\$ 115,000	\$ 830,000	\$ 120,000
Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation	\$3,045,000	2.75%	2,835,000	-	145,000	2,690,000	130,000
Series 2017 Combination Tax and Limited Pledge Revenue Certificates of Obligation	\$4,800,000	2.84%	4,800,000	-	80,000	4,720,000	115,000
Texas Tax Note Series 2018	\$1,000,000	2.93%	<u>1,000,000</u>	<u>-</u>	<u>135,000</u>	<u>865,000</u>	<u>135,000</u>
			<u>\$9,580,000</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$9,105,000</u>	<u>\$ 500,000</u>

The annual debt service requirements to maturity for Certificates of obligation, including interest of \$2,151,358 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 500,000	\$ 295,065	\$ 795,065
2021	560,000	277,089	837,089
2022	615,000	257,316	872,316
2023	675,000	235,727	910,727
2024	745,000	212,158	957,158
2025-2029	3,555,000	699,164	4,254,164
2030-2034	<u>2,455,000</u>	<u>174,840</u>	<u>2,629,840</u>
	<u>\$9,105,000</u>	<u>\$2,151,359</u>	<u>\$11,256,359</u>

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT (Continued)**

**Business-Type Activities**

**Revenue Bonds**

Series	Original Balance	Interest Rate(s)	Balance at October 1, 2018	Additions	Reductions	Balance at September 30, 2019	Amounts Due Within One Year
Series 1984 Waterworks and Sewer System Revenue Bonds	\$ 590,000	5.0%	\$ 147,000	\$ -	\$ 27,000	\$ 120,000	\$ 27,000
Series 1984A Waterworks and Sewer System Revenue Bonds	\$ 40,000	9.5%	5,850	-	1,000	4,850	1,000
Series 1985 Waterworks and Sewer System Revenue Bonds	\$ 82,000	10.0%	29,192	-	5,000	24,192	5,000
Series 2002 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$ 360,000	3.81% - 5.76%	110,000	-	25,000	85,000	25,000
Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$2,200,000	2.75%	1,845,000	-	40,000	1,805,000	40,000
Series 2009 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$4,975,000	0.00%	4,215,000	-	190,000	4,025,000	190,000
Series 2009 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$ 391,000	5.11%	260,000	-	18,000	242,000	19,000
Series 2015 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$1,000,000	0.36%-1.68%	850,000	-	75,000	775,000	125,000
Series 2015A Combination Tax and Subordinate Lien Revenue Certificates of Obligation	\$ 820,000	0.34%-1.38%	<u>670,000</u>	<u>-</u>	<u>95,000</u>	<u>575,000</u>	<u>95,000</u>
			<u>\$8,132,042</u>	<u>\$ -</u>	<u>\$ 476,000</u>	<u>\$7,656,042</u>	<u>\$ 527,000</u>

The annual debt service requirements to maturity for Revenue Bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 527,000	\$ 117,672	\$ 644,672
2021	543,000	109,734	652,734
2022	550,000	100,695	650,695
2023	521,042	91,755	612,797
2024	483,000	83,283	566,283
2025-2029	1,602,000	342,038	1,944,038
2030-2034	1,310,000	266,050	1,576,050
2035-2039	1,400,000	202,938	1,602,938
2040-2044	380,000	129,625	509,625
2045-2049	<u>340,000</u>	<u>45,688</u>	<u>385,688</u>
	<u>\$7,656,042</u>	<u>\$1,489,478</u>	<u>\$9,145,520</u>



**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 8: LONG-TERM DEBT (Continued)**

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. Proceeds from the revenue bonds were used for the construction of improvements and extensions to the City's combined water and sewer system.

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least equal to the annual debt service requirements.

In October 2009, the City Council authorized the issuance of the City of Los Fresnos, Texas Combination Tax and Subordinate Lien and Revenue Certificates of Obligation, Series 2009 in the amount of \$391,000. The certificates were issued for the purpose of funding EDAP projects for first-time wastewater services. The certificates bear interest of between 4.21% and 5.31% and interest is payable annually on February and August 15 of each year. The certificates mature on August 15, 2029.

**Capital Lease Obligation**

In June 2012, the City entered into a lease-purchase agreement with Suntrust Equipment Finance & Leasing Corp. for the purchase of Water Meters. The cost of equipment totaled \$786,524 and has been included as property and equipment. There was \$39,326 of amortization expense on the leased equipment for the year ended September 30, 2019 which is included in depreciation expense. Lease payments are due annually beginning June 22, 2013.

In August 2012, the City entered into a lease-purchase agreement with Suntrust Equipment Finance & Leasing Corp. for the purchase of Motorola radio communications equipment. The cost of equipment totaled \$307,502 and has been included as property and equipment. Lease payments are due annually beginning August 31, 2013.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the next minimum lease payments as of September 30, 2019.

	<u>Governmental Activities</u>	<u>Business-Type</u>
	<u>Radio Equipment</u>	<u>Activities</u>
	<u>Lease</u>	<u>Water Meter</u>
	<u>Lease</u>	<u>Lease</u>
Year ending September 30,		
2020	\$ 49,525	\$ 83,672
2021	-	83,672
2022	-	83,672
2023	-	83,672
2024	-	83,672
Total minimum lease payments	49,525	418,360
Less the amount representing interest	<u>(1,090)</u>	<u>(68,856)</u>
Present value of net minimum lease payments	<u>\$ 48,435</u>	<u>\$349,504</u>

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 9: OPERATING LEASES**

In July 2017, the City entered into an operating lease agreement with Xerox Corporation for a copier. Lease payments are due monthly beginning August 2017. The following is a schedule of the future minimum lease payments on noncancellable operating leases. Operating expenses recognized from this lease totaled \$3,494 for the year ending September 30, 2019.

Year ending September 30,	
2020	\$ 3,363
2021	3,363
2022	<u>2,802</u>
Total minimum future rentals	<u>\$ 9,528</u>

**NOTE 10: INTERFUND ASSETS/LIABILITIES**

Due/to from within the primary government:

	Governmental Activities			Total	Business-type Activities	Primary Government
	General Fund	CO Series 2017 Fund	Other Governmental Funds		Water Sewer Fund	Total
<u>Interfund Payable/Receivable</u>						
<i>Governmental Activities</i>						
General Fund (including payroll fund)	\$ 108,703	\$ -	\$235,677	\$ 344,380	\$ 5,046	\$ 349,426
Other Governmental Funds	<u>158,176</u>	<u>-</u>	<u>-</u>	<u>158,176</u>	<u>199,504</u>	<u>357,680</u>
	266,879	-	235,677	502,556	204,550	707,106
<i>Business-type Activities</i>						
Water/Sewer Fund	<u>834,872</u>	<u>23,457</u>	<u>-</u>	<u>858,329</u>	<u>-</u>	<u>858,329</u>
	<u>\$1,101,751</u>	<u>\$ 23,457</u>	<u>\$235,677</u>	<u>\$1,360,885</u>	<u>\$ 204,550</u>	<u>\$1,156,435</u>

Due/to from primary government/component unit:

<u>Payable Fund</u>	<u>Receivable Fund</u>
Community Development Corporation	<u>General</u>
	<u>\$628</u>

**NOTE 11: COMMITMENTS AND CONTINGENT LIABILITIES**

The City participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

Audits of all of these programs including the year ended September 30, 2019 have not been conducted. Accordingly, the City’s compliance with applicable grant requirements will be established at some future date. The amount, if any, of 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.

The City was assessed the 2018-2019 operations and maintenance and debt service requirement by the Southmost Regional Water Authority under the terms of its contract. The City’s share of the operations and maintenance and debt service assessment was \$105,102 and \$52,390, respectively.

For the year ending September 30, 2019, the City did not use any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes in accordance with Texas Water Code, Chapter 16, Section 16.356(a).

***Construction Commitments***

	<u>Original Amount</u>	<u>Expensed</u>	<u>Balance</u>	<u>Retainage</u>	<u>Commitment</u>
TWDB – CWSRF Loan - Wastewater Treatment Plant	\$4,975,000	\$3,695,279	\$1,279,721	\$ -	\$1,279,721

**NOTE 12: TRANSFERS**

Transfers are used to 1) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, and 2) move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

**NOTE 13: RISK MANAGEMENT**

The City of Los Fresnos 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 has been no significant reductions in insurance coverage from the previous year. No negotiated settlements or jury awards have exceeded policy limits in any of the past three years. The City is a member of an intergovernmental risk pool.

The risk pool is an interlocal non-assessable agency with present unreserved resources in excess of \$312,000,000 (as of September 30, 2018, the most recently audited financial statements completed for the risk pool). Reinsurance is provided by several A and A++ rated companies in amounts ranging from \$10,000,000 to \$100,000,000 depending on type of insurance coverage. City management is not aware of any pending or alleged claims that could exceed the policy limits of the present insurance coverage.

**NOTE 14: PENSION PLANS**

**A. Plan Description**

The City of Los Fresnos, Texas participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**B. Benefits Provided**

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

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

***Employees covered by benefit terms***

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	39
Active employees	<u>54</u> 109

**C. Contributions**

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

**NOTE 14: PENSION PLANS (Continued)**

Employees for the City of Los Fresnos, Texas were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Los Fresnos, Texas were 1.51% and 3.21% in calendar year 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$123,426, and were equal to the required contributions.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 14: PENSION PLANS (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	<u>5.0%</u>	7.75%
Total	<u>100.0%</u>	

***Discount Rate***

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

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 14: PENSION PLANS (Continued)**

***Net Pension Liability***

	Increase (Decrease)		
	(a)	(b)	(a) – (b)
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2017	\$3,621,243	\$3,933,362	\$ (312,119)
Changes for the year			
Service cost	197,995	-	197,995
Interest	302,095	-	302,095
Change in benefit terms	821,574	-	821,574
Difference between expected/actual experience	(221)	-	(221)
Changes of assumptions	-	-	-
Contributions – employer	-	61,823	(61,823)
Contributions – employee	-	99,395	(99,395)
Net investment income	-	(117,848)	117,848
Benefit payments, including refunds of employee contributions	(132,664)	(132,664)	-
Administrative expenses	-	(2,277)	2,277
Other charges	-	(119)	119
Net changes	<u>1,188,779</u>	<u>(91,690)</u>	<u>1,280,469</u>
Balance at December 31, 2018	<u>\$4,810,022</u>	<u>\$3,841,672</u>	<u>\$ 968,350</u>

Net pension liability amounts are allocated between the governmental and business-type activities on the Statement of Net Position. The governmental activities portion of the liability is \$635,145 and the business-type portion is \$333,205.

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

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

	1% Decrease in Discount Rate <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
City's net pension liability	\$1,676,798	\$968,350	\$392,724

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 14: PENSION PLANS (Continued)**

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

For the year ended September 30, 2019 the City recognized pension expense in the amount of \$1,047,512. At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ 3,354	\$ 10,722
Changes in actuarial assumptions	15,111	-
Differences between projected and actual investment earnings (net of current year amortization)	202,770	-
Contributions subsequent to the measurement date	<u>106,721</u>	<u>-</u>
Total	<u>\$327,956</u>	<u>\$ 10,722</u>

\$106,721 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Deferred outflows of resources and deferred inflows of resources are allocated between the governmental and business-type activities on the Statement of Net Position. The governmental activities portion of deferred outflows of resources is \$214,358 and the business-type portion is \$113,598. The governmental activities portion of deferred inflows of resources is \$7,030 and the business-type portion is \$3,692. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ 82,101
2021	23,587
2022	28,134
2023	76,688
2024	(1)
Thereafter	-



**NOTE 15: OTHER POST EMPLOYMENT BENEFITS**

***Plan Description and Benefits***

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

***Employees covered by benefit terms***

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>54</u>
	81

***Contributions***

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

Employees for the City of Los Fresnos, Texas were required to contribute 0.03% of their annual gross earnings during the fiscal year. The contribution rates for the City of Los Fresnos, Texas were 0.17% and 0.17% in calendar year 2018 and 2019, respectively. The City’s contributions to SDBF for the year ended September 30, 2019 were \$3,501, and were equal to the required contributions.

**NOTE 15: OTHER POST EMPLOYMENT BENEFITS (Continued)**

***Actuarial assumptions:***

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/2018
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates- disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*The discount rate was based on the Fidelity Index's "20-year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014.

***Total OPEB Liability***

The City's Total OPEB Liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 15: OTHER POST EMPLOYMENT BENEFITS (Continued)**

The following presents a summary of the changes in Total OPEB liability:

	Increase <u>(Decrease)</u> Total OPEB Liability <u>(a)</u>
Balance at December 31, 2017	\$119,604
Changes for the year:	
Service cost	6,361
Interest	4,058
Change in benefit terms	-
Difference between expected/actual experience	2,543
Changes of assumptions	(10,237)
Contributions – employer	-
Contributions – employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(398)
Administrative expenses	-
Other charges	-
Net changes	<u>2,327</u>
Balance at December 31, 2018	<u>\$121,931</u>

OPEB liability amounts are allocated between the governmental and business-type activities on the Statement of Net Position. The governmental activities portion of the liability is \$79,974 and the business-type portion is \$41,957.

***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 3.71%, 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 (2.71%) or 1 percentage point higher (4.71%) than the current rate.

	1% Decrease in Discount Rate <u>(2.71%)</u>	Discount Rate <u>(3.71%)</u>	1% Increase in Discount Rate <u>(4.71%)</u>
City's total OPEB liability	\$149,834	\$121,931	\$100,835

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 15: OTHER POST EMPLOYMENT BENEFITS (Continued)**

***OPEB Expense and Deferred Outflows of Resources Related to OPEB***

For the year ended September 30, 2019 the City recognized combined OPEB expense in the amount of \$10,836. At September 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience (net of current year amortization)	\$ 2,160	\$ -
Changes in actuarial assumptions	7,318	8,698
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	<u>2,588</u>	<u>-</u>
Total	<u>\$ 12,066</u>	<u>\$ 8,698</u>

\$2,588 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Deferred outflows of resources and deferred inflows of resources are allocated between the governmental and business-type activities on the Statement of Net Position. The governmental activities portion of deferred outflows of resources is \$7,914 and the business-type portion is \$4,152. The governmental activities portion of deferred inflows of resources is \$5,705 and the business-type portion is \$2,993. 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,

2020	\$ 417
2021	417
2022	417
2023	417
2024	(135)
Thereafter	(752)

**City of Los Fresnos, Texas**  
**Notes to Financial Statements**

**NOTE 16: FUND BALANCE**

Restricted – External parties have restricted these funds to be used for their intended purpose.

Unassigned – The unassigned fund balance has no constraints.

	<u>General Fund</u>	<u>CO Series 2017 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance				
Restricted				
Debt service	\$ -	\$ -	\$ 16,214	\$ 16,214
Hike and Bike Project	-	-	5,601	5,601
TIFRZ	-	-	616,141	616,141
Capital projects	-	1,477,093	744,048	2,221,141
Unassigned	<u>1,534,267</u>	<u>-</u>	<u>-</u>	<u>1,534,267</u>
	<u>\$1,534,267</u>	<u>\$1,477,093</u>	<u>\$1,382,004</u>	<u>\$4,393,364</u>

**NOTE 17: NET POSITION**

Net position is composed of three categories: Net investment in capital assets, Restricted and Unrestricted.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$12,803,773	\$26,851,067
Less related liabilities (bonds and capital leases)	(9,153,435)	(8,005,546)
Restricted cash (unexpended bond proceeds)	<u>2,180,590</u>	<u>2,592,689</u>
Net investment in capital assets – total	5,830,928	21,438,210
Restricted net position consists of the following:		
Restricted for debt service	35,391	527,000
Restricted for Hike and Bike project	5,601	-
Restricted for TIFRZ	<u>616,141</u>	<u>-</u>
Restricted net position – total	657,133	527,000
Unrestricted net position	<u>979,036</u>	<u>(23,266)</u>
Total net position	<u>\$7,467,097</u>	<u>\$21,941,944</u>

**NOTE 18: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after September 30, 2019 through March 24, 2020, the date the current year's financial statements were available to be issued. The following events occurred:

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



**REQUIRED SUPPLEMENTARY INFORMATION**

City of Los Fresnos, Texas  
**SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND**

*For the fiscal year ended September 30, 2019*

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 1,490,326	\$ 1,290,000	\$ 1,290,539	\$ 539
Nonproperty taxes	1,439,093	1,617,093	1,636,652	19,559
Charges for services	270,020	304,404	300,482	(3,922)
Fines and forfeitures	552,800	510,550	570,557	60,007
Intergovernmental	148,025	230,288	223,313	(6,975)
Grant income	-	-	33,260	33,260
Licenses and permits	99,500	124,500	134,227	9,727
Miscellaneous and program revenues	82,682	87,952	95,332	7,380
Interest and investment income	15,150	22,150	22,116	(34)
<b>Total revenues</b>	<b>4,097,596</b>	<b>4,186,937</b>	<b>4,306,478</b>	<b>119,541</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	536,213	536,104	542,217	(6,113)
Public safety	1,974,884	1,962,550	1,917,867	44,683
Highways and streets	260,184	277,734	353,648	(75,914)
Health and welfare	294,996	262,396	319,648	(57,252)
Culture and recreation	665,939	580,510	496,942	83,568
Capital outlay	212,998	431,833	309,720	122,113
<b>Debt service</b>				
Principal retirement	138,396	138,396	205,895	(67,499)
Interest and fiscal agent fees	14,001	14,110	14,109	1
<b>Total expenditures</b>	<b>4,097,611</b>	<b>4,203,633</b>	<b>4,160,046</b>	<b>43,587</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(15)	(16,696)	146,432	163,128
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	-	-	67,500	67,500
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>67,500</b>	<b>67,500</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (15)</b>	<b>\$ (16,696)</b>	<b>213,932</b>	<b>\$ 230,628</b>
Fund balance, beginning of year			1,320,335	
Fund balance, end of year			\$ 1,534,267	



## City of Los Fresnos, Texas

### Notes to Required Supplementary Information

#### 1. *Budgetary Information*

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds which 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.

Accounting principles generally accepted in the United States of America require that budgetary schedules be reported for the General Fund and all funds with a legally adopted budget. The City prepares legally adopted annual budgets for the General Fund, Debt Service Fund, Tax Increment Financing Reinvestment Zone Fund and Water and Sewer Fund.

Unused appropriations for all of the above annually budgeted funds lapse at the end of each year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Budgetary data for Capital Project Funds are 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 appropriations must be approved by the City Council. Therefore, the legal level of budgetary responsibility is at the total expenditures 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 Council 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 Council.

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

#### 2. *Expenditures Over Appropriations*

At September 30, 2019, expenditures exceeded appropriations by the following amounts:

General government	\$ (6,113)
Highways and streets	(75,914)
Health and welfare	(57,252)
Debt service – principal retirement	(67,499)

Total expenditures were less than appropriations in the amount of \$43,587, which is the legal level of budgetary control for the City.

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

	Plan Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 197,995	\$ 139,534	\$ 135,370	\$ 132,364	\$ 113,965
Interest (on the total pension liability)	302,095	228,134	206,454	189,750	176,304
Changes of benefit terms	821,574	112,157	-	-	-
Difference between expected and actual experience	(221)	3,108	(28,718)	9,172	(46,512)
Changes of assumptions	-	-	-	94,635	-
Benefit payments, including refunds of employee contributions	<u>(132,664)</u>	<u>(119,048)</u>	<u>(93,273)</u>	<u>(65,845)</u>	<u>(55,907)</u>
Net change in total pension liability	1,188,779	363,885	219,833	360,076	187,850
Total pension liability – beginning	<u>3,621,243</u>	<u>3,257,358</u>	<u>3,037,525</u>	<u>2,677,449</u>	<u>2,489,599</u>
Total pension liability – ending (a)	<u>\$4,810,022</u>	<u>\$3,621,243</u>	<u>\$3,257,358</u>	<u>\$3,037,525</u>	<u>\$2,677,449</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	\$ 61,823	\$ 29,085	\$ 15,266	\$ 19,310	\$ 18,441
Contributions – employee	99,395	95,050	91,964	92,822	83,081
Net investment income	(117,848)	478,542	217,879	4,685	169,445
Benefit payments, including refunds of employee contributions	(132,664)	(119,048)	(93,273)	(65,845)	(55,907)
Administrative expense	(2,277)	(2,480)	(2,460)	(2,854)	(1,769)
Other	<u>(119)</u>	<u>(118)</u>	<u>(134)</u>	<u>(141)</u>	<u>(145)</u>
Net change in plan fiduciary net position	(91,690)	481,031	229,242	47,977	213,146
Plan fiduciary net position – beginning	<u>3,933,362</u>	<u>3,452,331</u>	<u>3,223,089</u>	<u>3,175,112</u>	<u>2,961,966</u>
Plan fiduciary net position – ending (b)	<u>\$3,841,672</u>	<u>\$3,933,362</u>	<u>\$3,452,331</u>	<u>\$3,223,089</u>	<u>\$3,175,112</u>
Net pension liability (asset) – ending (a) – (b)	<u>\$ 968,350</u>	<u>\$ (312,119)</u>	<u>\$ (194,973)</u>	<u>\$ (185,564)</u>	<u>\$ (497,663)</u>
Plan fiduciary net position as a percentage of total pension liability	79.87%	108.62%	105.99%	106.11%	118.59%
Covered payroll	\$1,987,906	\$1,901,009	\$1,839,272	\$1,856,439	\$1,661,620
Net pension liability as a percentage of covered payroll	48.71%	(16.42)%	(10.60)%	(10.00)%	(29.95)%

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

**City of Los Fresnos, Texas**  
**Schedule of Contributions**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 123,426	\$ 53,440	\$ 28,098	\$ 19,327	\$ 21,264
Contributions in relation to actuarially determined contribution	<u>(123,426)</u>	<u>(53,440)</u>	<u>(28,098)</u>	<u>(19,327)</u>	<u>(21,264)</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
Covered payroll	\$2,059,564	\$1,994,672	\$1,747,441	\$1,831,044	\$1,748,798
Contributions as a percentage of covered payroll	5.99%	2.68%	1.61%	1.06%	1.22%

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

**City of Los Fresnos, Texas**  
**Notes to Schedule of Contributions**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table of rates that are specific to the City’s plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:** 1) Added transfer provision to repeating USC. 2) Adopted 30% repeating COLA. 3) Increased repeating USC from 10% to 50%.

**City of Los Fresnos, Texas**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**For Agent Multiple Employer Pension Plan –**  
**Texas Municipal Retirement System**

	<b>Plan Year Ended December 31,</b>	
	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 6,361	\$ 5,323
Interest (on the total OPEB liability)	4,058	3,889
Changes of benefit terms	-	-
Difference between expected and actual experience	2,543	-
Change of assumptions	(10,237)	10,466
Benefit payments, including refunds of employee contributions	<u>(398)</u>	<u>(570)</u>
<b>Net change in total OPEB liability</b>	2,327	19,108
<b>Total OPEB liability, beginning</b>	<u>119,604</u>	<u>100,496</u>
<b>Total OPEB liability, ending (a)</b>	<u>\$ 121,931</u>	<u>\$ 119,604</u>
<b>Covered payroll</b>	<u>\$1,987,906</u>	<u>\$1,901,009</u>
<b>Total OPEB liability as a percentage of covered payroll</b>	6.13%	6.29%

***GASB 75 requires 10 fiscal years of data to be provided in this schedule. However, until a full 10-year trend is compiled, this schedule provides the information of those years for which information is available.***



**OTHER SUPPLEMENTARY INFORMATION**

City of Los Fresnos, Texas  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
September 30, 2019

	Special Revenue Fund		Capital Projects Funds				Debt Service Fund	Total Non Major Governmental Funds
	Tax Increment Financing Reinvestment Zone	Tax Note Series 2018 Fund	CO Series 2014	Community Development Block Grants	Grant Group Fund	Hike and Bike Fund		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 436,508	\$ -	\$ -	\$ -	\$ 166,013	\$ -	\$ 106,447	\$ 708,968
Restricted cash	-	962,007	187,860	-	-	5,601	-	1,155,468
Receivables (net of allowance for uncollectibles)								
Property taxes receivable	-	-	-	-	-	-	20,237	20,237
Due from other governments	-	-	-	3,025	-	-	-	3,025
Due from other funds	225,383	-	-	-	-	-	10,294	235,677
<b>TOTAL ASSETS</b>	<b>\$ 661,891</b>	<b>\$ 962,007</b>	<b>\$ 187,860</b>	<b>\$ 3,025</b>	<b>\$ 166,013</b>	<b>\$ 5,601</b>	<b>\$ 136,978</b>	<b>\$ 2,123,375</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ 360,690	\$ -	\$ 3,025	\$ -	\$ -	\$ -	\$ 363,715
Due to other funds	45,750	-	85,680	-	125,462	-	101,587	358,479
<b>TOTAL LIABILITIES</b>	<b>45,750</b>	<b>360,690</b>	<b>85,680</b>	<b>3,025</b>	<b>125,462</b>	<b>-</b>	<b>101,587</b>	<b>722,194</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - property taxes	-	-	-	-	-	-	19,177	19,177
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,177</b>	<b>19,177</b>
<b>FUND BALANCE</b>								
Restricted								
Debt service	-	-	-	-	-	-	16,214	16,214
Hike and Bike project	-	-	-	-	-	5,601	-	5,601
TIFRZ	616,141	-	-	-	-	-	-	616,141
Capital projects	-	601,317	102,180	-	40,551	-	-	744,048
Total fund balance	616,141	601,317	102,180	-	40,551	5,601	16,214	1,382,004
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 661,891</b>	<b>\$ 962,007</b>	<b>\$ 187,860</b>	<b>\$ 3,025</b>	<b>\$ 166,013</b>	<b>\$ 5,601</b>	<b>\$ 136,978</b>	<b>\$ 2,123,375</b>

City of Los Fresnos, Texas  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
For the fiscal year ended September 30, 2019

	Special Revenue Fund		Capital Projects Funds				Debt Service Fund	Total Non Major Governmental Funds
	Tax Increment Financing Reinvestment Zone	Tax Note Series 2018 Fund	CO Series 2014	Community Development Block Grants	Grant Group Fund	Hike and Bike Fund		
<b>Revenues</b>								
Property taxes	\$331,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$407,430	\$ 738,721
Intergovernmental	-	-	-	224,545	74,729	-	-	299,274
Miscellaneous and program revenues	-	-	-	-	-	-	45,000	45,000
Interest and investment income	1,977	26,005	-	-	-	67	974	29,023
<b>Total revenues</b>	<b>333,268</b>	<b>26,005</b>	<b>-</b>	<b>224,545</b>	<b>74,729</b>	<b>67</b>	<b>453,404</b>	<b>1,112,018</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	10,000	-	-	-	-	-	-	10,000
Capital outlay	-	360,690	6,101	224,545	84,703	-	-	676,039
<b>Debt service</b>								
Principal	-	-	-	-	-	-	340,000	340,000
Interest	-	-	-	-	-	-	261,842	261,842
Administrative charges	-	-	-	-	-	-	4,074	4,074
<b>Total expenditures</b>	<b>10,000</b>	<b>360,690</b>	<b>6,101</b>	<b>224,545</b>	<b>84,703</b>	<b>-</b>	<b>605,916</b>	<b>1,291,955</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>323,268</b>	<b>(334,685)</b>	<b>(6,101)</b>	<b>-</b>	<b>(9,974)</b>	<b>67</b>	<b>(152,512)</b>	<b>(179,937)</b>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	141,344	141,344
Transfers out	(141,344)	-	-	-	-	-	-	(141,344)
<b>Total other financing sources (uses)</b>	<b>(141,344)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,344</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>181,924</b>	<b>(334,685)</b>	<b>(6,101)</b>	<b>-</b>	<b>(9,974)</b>	<b>67</b>	<b>(11,168)</b>	<b>(179,937)</b>
<b>Fund balance, beginning of year</b>	<b>434,217</b>	<b>936,002</b>	<b>108,281</b>	<b>-</b>	<b>50,525</b>	<b>5,534</b>	<b>27,382</b>	<b>1,561,941</b>
<b>Fund balance, end of year</b>	<b>\$616,141</b>	<b>\$ 601,317</b>	<b>\$ 102,180</b>	<b>\$ -</b>	<b>\$ 40,551</b>	<b>\$ 5,601</b>	<b>\$ 16,214</b>	<b>\$ 1,382,004</b>



City of Los Fresnos, Texas  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,071,411	\$ 691,407
Receivables (net of allowance for uncollectibles)		
Property taxes	87,255	100,984
Nonproperty taxes	106,903	107,696
Due from other governments	25,464	110,816
Service	142,556	122,566
Other	37,184	3,801
Prepaid expenses	-	1,568
Due from other funds	1,101,751	1,147,509
Due from component unit	628	174
<b>TOTAL ASSETS</b>	<b>\$ 2,573,152</b>	<b>\$ 2,286,521</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 556,505	\$ 463,425
Accrued expenditures	56,579	32,989
Due to other funds	349,426	381,969
<b>TOTAL LIABILITIES</b>	<b>962,510</b>	<b>878,383</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	76,375	87,803
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>76,375</b>	<b>87,803</b>
<b>FUND BALANCE</b>		
Nonspendable	-	1,568
Unassigned	1,534,267	1,318,767
<b>Total fund balance</b>	<b>1,534,267</b>	<b>1,320,335</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,573,152</b>	<b>\$ 2,286,521</b>

**GENERAL FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Property taxes	\$ 1,290,539	\$ 1,347,115
Nonproperty taxes	1,636,652	1,462,497
Charges for services	300,482	282,460
Fines and forfeitures	570,557	569,683
Intergovernmental	223,313	262,679
Grant income	33,260	-
Licenses and permits	134,227	109,991
Contributions and donations	-	6,250
Miscellaneous and program revenues	95,332	84,446
Interest and investment income	22,116	20,078
<b>Total revenues</b>	<b>4,306,478</b>	<b>4,145,199</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	542,217	584,825
Public safety	1,917,867	1,755,205
Highways and streets	353,648	271,273
Health and welfare	319,648	287,430
Culture and recreation	496,942	478,571
Capital outlay	309,720	419,577
<b>Debt service</b>		
Principal retirement	205,895	69,399
Interest and fiscal agent fees	14,109	4,115
<b>Total expenditures</b>	<b>4,160,046</b>	<b>3,870,395</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>		
<b>OVER (UNDER) EXPENDITURES</b>	<b>146,432</b>	<b>274,804</b>
<b>Other financing sources (uses)</b>		
Transfers in	67,500	-
Transfer out	-	(75,740)
<b>Total other financing sources (uses)</b>	<b>67,500</b>	<b>(75,740)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>213,932</b>	<b>199,064</b>
Fund balance, beginning of year	1,320,335	1,121,271
Fund balance, end of year	\$ 1,534,267	\$ 1,320,335

City of Los Fresnos, Texas  
**SPECIAL REVENUE FUND**  
**TAX INCREMENT FINANCING REINVESTMENT ZONE**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 436,508	\$ 125,322
Receivables		
Due from other governments	-	89,961
Due from other funds	<b>225,383</b>	254,684
<hr/>		
TOTAL ASSETS	<b>\$ 661,891</b>	\$ 469,967
<hr/>		
<b>LIABILITIES</b>		
Due to other funds	\$ 45,750	\$ 35,750
Total liabilities	<b>45,750</b>	35,750
<hr/>		
<b>FUND BALANCE</b>		
Restricted		
TIFRZ	<b>616,141</b>	434,217
<hr/>		
Total fund balance	<b>616,141</b>	434,217
<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	<b>\$ 661,891</b>	\$ 469,967
<hr/>		

City of Los Fresnos, Texas  
**SPECIAL REVENUE FUND**  
**TAX INCREMENT FINANCING REINVESTMENT ZONE**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
Revenues		
Property taxes	<b>\$ 331,291</b>	\$ 290,358
Interest and investment income	<b>1,977</b>	800
Total revenues	<b>333,268</b>	291,158
Expenditures		
General government	<b>10,000</b>	10,000
Total expenditures	<b>10,000</b>	10,000
Excess (deficiency) of revenues over (under) expenditures	<b>323,268</b>	281,158
Other financing sources (uses)		
Transfers out	<b>(141,344)</b>	(187,499)
Total other financing sources (uses)	<b>(141,344)</b>	(187,499)
NET CHANGE IN FUND BALANCES	<b>181,924</b>	93,659
Fund balance, beginning of year	<b>434,217</b>	340,558
Fund balance, end of year	<b>\$ 616,141</b>	\$ 434,217

City of Los Fresnos, Texas  
**SPECIAL REVENUE FUND**  
**TAX INCREMENT FINANCING REINVESTMENT ZONE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the fiscal year ended September 30, 2019

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 337,576	\$ 337,576	\$ 331,291	\$ (6,285)
Interest and investment income	250	250	1,977	1,727
<b>Total revenues</b>	<b>337,826</b>	<b>337,826</b>	<b>333,268</b>	<b>(4,558)</b>
<b>Expenditures</b>				
General government	10,000	10,000	10,000	-
<b>Total expenditures</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>327,826</b>	<b>327,826</b>	<b>323,268</b>	<b>(4,558)</b>
<b>Other financing sources (uses)</b>				
Transfers out	(141,344)	(141,344)	(141,344)	-
<b>Total other financing sources (uses)</b>	<b>(141,344)</b>	<b>(141,344)</b>	<b>(141,344)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 186,482</b>	<b>\$ 186,482</b>	<b>181,924</b>	<b>\$ (4,558)</b>
<b>Fund balance, beginning of year</b>			<b>434,217</b>	
<b>Fund balance, end of year</b>			<b>\$ 616,141</b>	

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**TAX NOTE SERIES 2018**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Restricted cash	\$ 962,007	\$ 936,002
TOTAL ASSETS	<b>\$ 962,007</b>	<b>\$ 936,002</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 360,690	\$ -
Total liabilities	<b>360,690</b>	-
 <b>FUND BALANCE</b>		
Restricted Capital projects	<b>601,317</b>	936,002
Total fund balance	<b>601,317</b>	936,002
TOTAL LIABILITIES AND FUND BALANCE	<b>\$ 962,007</b>	<b>\$ 936,002</b>

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**TAX NOTE SERIES 2018**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
<b>Revenues</b>		
Interest and investment income	\$ 26,005	\$ 2
Total revenues	<b>26,005</b>	2
<b>Expenditures</b>		
Current		
Bond issuance costs	-	64,000
Capital outlay	<b>360,690</b>	-
Total expenditures	<b>360,690</b>	64,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<b>(334,685)</b>	(63,998)
Other financing sources (uses)		
Bond issuance	-	1,000,000
Total other financing sources (uses)	-	1,000,000
NET CHANGE IN FUND BALANCES	<b>(334,685)</b>	936,002
Fund balance, beginning of year	<b>936,002</b>	-
Fund balance, end of year	<b>\$ 601,317</b>	\$ 936,002

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**CO SERIES 2014**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Restricted cash	\$ 187,860	\$ 193,961
TOTAL ASSETS	\$ 187,860	\$ 193,961
 <b>LIABILITIES</b>		
Due to other funds	\$ 85,680	\$ 85,680
TOTAL LIABILITIES	85,680	85,680
 <b>FUND BALANCE</b>		
Restricted Capital projects	102,180	108,281
Total fund balance	102,180	108,281
TOTAL LIABILITIES AND FUND BALANCE	\$ 187,860	\$ 193,961



City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**CO SERIES 2014**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
<hr/>		
Revenues		
Interest and investment income	\$ -	\$ -
<hr/>		
Total revenues	-	-
Expenditures		
Capital outlay	<b>6,101</b>	-
<hr/>		
Total expenditures	<b>6,101</b>	-
<hr/>		
NET CHANGE IN FUND BALANCES	<b>(6,101)</b>	-
Fund balance, beginning of year	<b>108,281</b>	108,281
<hr/>		
Fund balance, end of year	<b>\$ 102,180</b>	\$ 108,281
<hr/> <hr/>		

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**CO SERIES 2017**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Restricted cash	<b>\$ 1,453,636</b>	\$ 4,175,964
Due from other funds	<b>23,457</b>	23,457
<b>TOTAL ASSETS</b>	<b>\$ 1,477,093</b>	\$ 4,199,421
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	-	-
<b>FUND BALANCE</b>		
Restricted		
Capital projects	<b>1,477,093</b>	4,199,421
<b>Total fund balance</b>	<b>1,477,093</b>	4,199,421
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,477,093</b>	\$ 4,199,421

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**CO SERIES 2017**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
Revenues		
Interest and investment income	\$ 76,280	\$ 78,485
Total revenues	<b>76,280</b>	78,485
Expenditures		
Capital outlay	<b>2,798,608</b>	471,728
Total expenditures	<b>2,798,608</b>	471,728
NET CHANGE IN FUND BALANCES	<b>(2,722,328)</b>	(393,243)
Fund balance, beginning of year	<b>4,199,421</b>	4,592,664
Fund balance, end of year	<b>\$ 1,477,093</b>	\$ 4,199,421

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**COMMUNITY DEVELOPMENT BLOCK GRANTS**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Due from other governments	<b>\$ 3,025</b>	\$ 9,365
<b>TOTAL ASSETS</b>	<b>\$ 3,025</b>	\$ 9,365
<b>LIABILITIES</b>		
Accounts payable	<b>\$ 3,025</b>	\$ 9,365
<b>TOTAL LIABILITIES</b>	<b>3,025</b>	9,365
<b>FUND BALANCE</b>		
Restricted		
Capital projects	-	-
<b>Total fund balance</b>	-	-
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,025</b>	\$ 9,365

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUND**  
**COMMUNITY DEVELOPMENT BLOCK GRANTS**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
Revenues		
Intergovernmental	<b>\$ 224,545</b>	\$ 83,206
Total revenues	<b>224,545</b>	83,206
Expenditures		
Capital outlay	<b>224,545</b>	118,103
Total expenditures	<b>224,545</b>	118,103
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(34,897)
Other financing sources (uses)		
Transfers out	-	(13,086)
Total other financing sources (uses)	-	(13,086)
NET CHANGE IN FUND BALANCES	-	(47,983)
Fund balance, beginning of year	-	47,983
Fund balance, end of year	<b>\$ -</b>	<b>\$ -</b>

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUNDS**  
**GRANT GROUP FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 166,013	\$ 8,588
Due from other governments	-	167,399
<hr/>		
TOTAL ASSETS	<b>\$ 166,013</b>	<b>\$ 175,987</b>
<hr/> <hr/>		
<b>LIABILITIES</b>		
Due to other funds	\$ 125,462	\$ 125,462
<hr/>		
TOTAL LIABILITIES	<b>125,462</b>	125,462
 <b>FUND BALANCE</b>		
Restricted		
Capital projects	<b>40,551</b>	50,525
<hr/>		
Total fund balance	<b>40,551</b>	50,525
<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	<b>\$ 166,013</b>	<b>\$ 175,987</b>
<hr/> <hr/>		

City of Los Fresnos, Texas  
**CAPITAL PROJECTS FUND**  
**GRANT GROUP FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	<b>2018</b>
Revenues		
Intergovernmental	<b>\$ 74,729</b>	\$ 167,400
Total revenues	<b>74,729</b>	167,400
Expenditures		
Capital outlay	<b>84,703</b>	314,522
Total expenditures	<b>84,703</b>	314,522
<b>NET CHANGE IN FUND BALANCES</b>	<b>(9,974)</b>	(147,122)
Fund balance, beginning of year	<b>50,525</b>	197,647
Fund balance, end of year	<b>\$ 40,551</b>	\$ 50,525

City of Los Fresnos, Texas  
**CAPITAL PROJECT FUNDS**  
**HIKE AND BIKE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Restricted cash	\$ 5,601	\$ 5,534
TOTAL ASSETS	<b>\$ 5,601</b>	<b>\$ 5,534</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ -
TOTAL LIABILITIES	-	-
Fund balance		
Restricted for:		
Hike and Bike project	5,601	5,534
Total fund balance	<b>5,601</b>	<b>5,534</b>
TOTAL LIABILITIES AND FUND BALANCE	<b>\$ 5,601</b>	<b>\$ 5,534</b>



City of Los Fresnos, Texas  
**CAPITAL PROJECT FUNDS**  
**HIKE AND BIKE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
<hr/>		
Revenues		
Interest and investment income	\$ 67	\$ 3,309
<hr/>		
Total revenues	<b>67</b>	3,309
Expenditures		
Capital outlay	-	-
<hr/>		
Total expenditures	-	-
<hr/>		
NET CHANGE IN FUND BALANCES	<b>67</b>	3,309
Fund balance, beginning of year	<b>5,534</b>	2,225
<hr/>		
Fund balance, end of year	<b>\$ 5,601</b>	\$ 5,534
<hr/> <hr/>		

City of Los Fresnos, Texas  
**DEBT SERVICE FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Cash and cash equivalents	<b>\$ 106,447</b>	\$ 60,472
Receivables (net of allowance for uncollectibles)		
Property taxes receivable	<b>20,237</b>	18,346
Due from other funds	<b>10,294</b>	10,850
<b>TOTAL ASSETS</b>	<b>\$ 136,978</b>	\$ 89,668
<b>LIABILITIES</b>		
Due to other funds	<b>\$ 101,587</b>	\$ 45,000
<b>TOTAL LIABILITIES</b>	<b>101,587</b>	45,000
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	<b>19,177</b>	17,286
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>19,177</b>	17,286
<b>FUND BALANCE</b>		
Restricted		
Debt service	<b>16,214</b>	27,382
<b>Total fund balance</b>	<b>16,214</b>	27,382
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 136,978</b>	\$ 89,668

City of Los Fresnos, Texas  
**DEBT SERVICE FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
<b>Revenues</b>		
Property taxes	<b>\$ 407,430</b>	\$ 236,911
Miscellaneous and program revenues	<b>45,000</b>	45,000
Interest and investment income	<b>974</b>	331
<b>Total revenues</b>	<b>453,404</b>	282,242
<b>Expenditures</b>		
Debt service		
Principal	<b>340,000</b>	270,000
Interest	<b>261,842</b>	282,601
Administrative charges	<b>4,074</b>	2,369
<b>Total expenditures</b>	<b>605,916</b>	554,970
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(152,512)</b>	(272,728)
<b>Other financing sources (uses)</b>		
Transfers in	<b>141,344</b>	276,324
<b>Total other financing sources (uses)</b>	<b>141,344</b>	276,324
<b>NET CHANGE IN FUND BALANCES</b>	<b>(11,168)</b>	3,596
<b>Fund balance, beginning of year</b>	<b>27,382</b>	23,786
<b>Fund balance, end of year</b>	<b>\$ 16,214</b>	\$ 27,382

City of Los Fresnos, Texas  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the fiscal year ended September 30, 2019

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 406,048	\$ 406,048	\$ 407,430	\$ 1,382
Miscellaneous and program revenues	45,000	45,000	45,000	-
Interest and investment income	100	100	974	874
<b>Total revenues</b>	<b>451,148</b>	<b>451,148</b>	<b>453,404</b>	<b>2,256</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	340,000	340,000	340,000	-
Interest	263,278	263,278	261,842	1,436
Administrative charges	5,500	5,500	4,074	1,426
<b>Total expenditures</b>	<b>608,778</b>	<b>608,778</b>	<b>605,916</b>	<b>2,862</b>
Excess (deficiency) of revenues over (under) expenditures	(157,630)	(157,630)	(152,512)	5,118
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	140,000	140,000	141,344	1,344
<b>Total other financing sources (uses)</b>	<b>140,000</b>	<b>140,000</b>	<b>141,344</b>	<b>1,344</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (17,630)</b>	<b>\$ (17,630)</b>	<b>(11,168)</b>	<b>\$ 6,462</b>
Fund balance, beginning of year			27,382	
Fund balance, end of year			\$ 16,214	

City of Los Fresnos, Texas  
**ENTERPRISE FUND**  
**WATER AND SEWER FUND**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,346,089	\$ 1,598,574
Restricted cash and cash equivalents	2,888,967	3,546,191
Service receivables, net	313,511	202,243
Due from other funds	204,550	199,503
Total current assets	<b>4,753,117</b>	5,546,511
Other noncurrent assets		
Net pension asset	-	107,404
Capital assets		
Land	105,759	105,759
Vehicles	247,956	247,956
Warehouse lot improvements	123,053	37,293
Furniture and equipment	117,646	59,834
Water treatment and distribution	7,090,698	7,090,698
Elevated storage tank	1,533,233	1,533,233
Water treatment equipment	67,039	67,039
Water meters	840,031	840,031
Water rights	413,650	413,650
Sanitary sewer system	23,411,875	23,339,945
Sewer system equipment	79,992	79,992
Construction in progress	1,084,813	402,526
	<b>35,115,745</b>	34,217,956
Accumulated depreciation	<b>(8,264,678)</b>	(7,540,234)
Total capital assets	<b>26,851,067</b>	26,677,722
Deferred outflows of resources		
Deferred outflows related to pension liabilities	113,598	30,340
Deferred outflows related to OPEB	4,152	3,908
Total deferred outflows of resources	<b>117,750</b>	34,248
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 31,721,934</b>	<b>\$ 32,365,885</b>

City of Los Fresnos, Texas  
**ENTERPRISE FUND**  
**WATER AND SEWER FUND**  
**COMPARATIVE BALANCE SHEETS - CONTINUED**

<i>September 30,</i>	<b>2019</b>	<b>2018</b>
<b>LIABILITIES</b>		
Current liabilities		
Current maturities of long-term debt	\$ 620,594	\$ 567,729
Accounts payable	151,102	98,742
Accrued expenses and other liabilities	116,541	128,662
Accrued interest on revenue bonds	43,191	43,191
Due to other funds	857,530	962,142
Total current liabilities	<b>1,788,958</b>	1,800,466
Long-term liabilities		
Meter deposits	204,233	196,072
Net pension liability	333,205	-
OPEB liability	41,957	41,156
Capital lease payable	275,910	342,452
Revenue bonds payable	7,129,042	7,656,042
Total long-term liabilities	<b>7,984,347</b>	8,235,722
Total liabilities	<b>9,773,305</b>	10,036,188
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources		
Pension related	3,692	43,065
OPEB related	2,993	-
Total deferred inflows of resources	<b>6,685</b>	43,065
<b>NET POSITION</b>		
Net investment in capital assets	21,438,210	21,457,949
Restricted for debt service	527,000	476,000
Unrestricted	(23,266)	352,683
Total net position	<b>21,941,944</b>	22,286,632
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
	<b>\$ 31,721,934</b>	<b>\$ 32,365,885</b>

City of Los Fresnos, Texas  
**ENTERPRISE FUND**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
For the fiscal years ended September 30,

	Water	Sewer	2019	2018
Operating revenues				
Current user charges	\$ 1,302,739	\$ 1,372,416	\$ 2,675,155	\$ 2,699,035
Penalties	60,239	-	60,239	73,700
Total operating revenues	1,362,978	1,372,416	2,735,394	2,772,735
Operating expenses				
Administration	418,768	491,166	909,934	906,804
Employee benefits	276,533	276,529	553,062	251,126
Materials and supplies	136,753	77,118	213,871	206,838
Repairs and maintenance	138,550	112,809	251,359	202,140
Water purchases	35,885	-	35,885	34,517
Other operating expenses	198,708	59,483	258,191	221,797
Depreciation	207,720	516,725	724,445	730,089
Total operating expenses	1,412,917	1,533,830	2,946,747	2,553,311
Operating income (loss)	(49,939)	(161,414)	(211,353)	219,424
Nonoperating revenues (expenses)				
Interest income	81,807	-	81,807	51,816
Interest expense	(129,170)	(18,472)	(147,642)	(144,085)
Total nonoperating revenues (expenses)	(47,363)	(18,472)	(65,835)	(92,269)
Net income (loss) before transfers	(97,302)	(179,886)	(277,188)	127,155
Transfers in	501,969	-	501,969	3,034,893
Transfers out	(569,469)	-	(569,469)	(3,034,893)
Total transfers and capital contributions	(67,500)	-	(67,500)	-
<b>CHANGE IN NET POSITION</b>	<b>\$ (164,802)</b>	<b>\$ (179,886)</b>	<b>(344,688)</b>	127,155
Net position, beginning of year			22,286,632	22,193,311
Prior period adjustment			-	(33,834)
Net position, beginning of year, as restated			22,286,632	22,159,477
Net position, end of year			<b>\$ 21,941,944</b>	<b>\$ 22,286,632</b>

City of Los Fresnos, Texas  
**ENTERPRISE FUND**  
**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
Cash flows from operating activities		
Receipts from customers	\$ 2,627,240	\$ 2,706,088
Payments to suppliers	(1,721,493)	(1,180,000)
Payments to employees	(243,655)	(219,431)
Net cash provided by operating activities	<b>662,092</b>	1,306,657
Cash flows from noncapital financing activities		
Transfers in	<b>501,969</b>	3,034,893
Transfers out	(569,469)	(3,034,893)
Net cash used in noncapital financing activities	<b>(67,500)</b>	-
Cash flows from capital and related financing activities		
Purchase of capital assets	<b>(897,789)</b>	(577,310)
Principal paid on long-term debt	<b>(540,677)</b>	(517,039)
Interest paid on long-term debt	<b>(147,642)</b>	(144,085)
Net cash used in capital and related financing activities	<b>(1,586,108)</b>	(1,238,434)
Cash flows from (to) investing activities		
Interest income received	<b>81,807</b>	51,816
Net cash provided by investing activities	<b>81,807</b>	51,816
Net increase (decrease) in cash and cash equivalents	<b>(909,709)</b>	120,039
Cash and cash equivalents, beginning of year	<b>5,144,765</b>	5,024,726
Cash and cash equivalents, end of year	<b>\$ 4,235,056</b>	\$ 5,144,765
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (211,353)	\$ 219,424
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	<b>724,444</b>	730,090
(Increase) decrease in receivables	<b>(111,268)</b>	43,346
(Increase) decrease in due from other funds	<b>(109,659)</b>	314,516
(Increase) decrease in net pension asset	<b>107,404</b>	(40,307)
(Increase) decrease in deferred outflows	<b>(83,502)</b>	45,239
Increase (decrease) in accounts payable	<b>52,360</b>	(37,044)
Increase (decrease) in accrued expenses and other liabilities	<b>(12,121)</b>	(9,298)
Increase (decrease) in meter deposits	<b>8,161</b>	4,630
Increase (decrease) in net pension liability	<b>333,205</b>	-
Increase (decrease) in OPEB liability	<b>801</b>	6,575
Increase (decrease) in deferred inflows	<b>(36,380)</b>	29,486
Net cash provided by operating activities	<b>\$ 662,092</b>	\$ 1,306,657



City of Los Fresnos, Texas  
**COMPONENT UNIT**  
**COMMUNITY DEVELOPMENT CORPORATION**  
**COMPARATIVE BALANCE SHEETS**

<i>September 30,</i>	<b>2019</b>	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 342,571	\$ 238,344
Sales taxes receivable	34,311	35,659
<b>TOTAL ASSETS</b>	<b>\$ 376,882</b>	<b>\$ 274,003</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 104,468	\$ 41,987
Accrued expenses	3,016	3,016
Due to primary government	628	174
<b>TOTAL LIABILITIES</b>	<b>108,112</b>	<b>45,177</b>
<b>FUND BALANCE</b>		
Unassigned	268,770	228,826
<b>Total fund balance</b>	<b>268,770</b>	<b>228,826</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 376,882</b>	<b>\$ 274,003</b>

City of Los Fresnos, Texas  
**COMPONENT UNIT**  
**COMMUNITY DEVELOPMENT CORPORATION**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

<i>For the fiscal years ended September 30,</i>	<b>2019</b>	2018
Revenues		
Nonproperty taxes	<b>\$ 404,766</b>	\$ 358,576
Interest and investment income	<b>3,890</b>	1,752
Total revenues	<b>408,656</b>	360,328
Expenditures		
Current		
Community development services	<b>368,712</b>	331,995
Total expenditures	<b>368,712</b>	331,995
NET CHANGE IN FUND BALANCES	<b>39,944</b>	28,333
Fund balance, beginning of year	<b>228,826</b>	200,493
Fund balance, end of year	<b>\$ 268,770</b>	\$ 228,826

This part of the City of Los Fresnos comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	104
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	110
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	115
These schedules present information to help the reader assess the affordability of government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	120
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	123
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial report for the relevant year.

City of Los Fresnos, Texas  
**Net Position by Component**  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ 1,129,784	\$ 1,493,721	\$ 2,242,878	\$ 2,676,014	\$ 2,996,954	\$ 4,100,397	\$ 3,214,184	\$ 3,863,287	\$ 4,940,324	\$ 5,830,928
Restricted	933,844	336,789	432,339	92,941	66,485	279,271	352,678	782,227	467,205	657,133
Unrestricted	432,604	650,140	1,019,815	901,867	671,975	983,606	1,285,467	1,539,239	1,426,892	979,036
Total governmental activities net position	\$ 2,496,232	\$ 2,480,650	\$ 3,695,032	\$ 3,670,822	\$ 3,735,414	\$ 5,363,274	\$ 4,852,329	\$ 6,183,753	\$ 6,834,421	\$ 7,467,097
<b>Business-type activities</b>										
Net investment in capital assets	\$ 18,482,658	\$ 19,963,370	\$ 19,678,813	\$ 19,760,998	\$ 19,801,155	\$ 20,765,369	\$ 21,681,981	\$ 21,506,517	\$ 21,457,949	\$ 21,438,210
Restricted	70,454	337,862	342,978	168,000	172,000	338,000	395,000	454,000	476,000	527,000
Unrestricted	854,377	681,874	461,843	217,533	86,732	416,911	407,723	232,794	352,684	(23,266)
Total business-type activities net position	\$ 19,407,489	\$ 20,983,106	\$ 20,483,634	\$ 20,146,531	\$ 20,059,887	\$ 21,520,280	\$ 22,484,704	\$ 22,193,311	\$ 22,286,633	\$ 21,941,944
<b>Primary government</b>										
Net investment in capital assets	\$ 19,612,442	\$ 21,457,091	\$ 21,921,691	\$ 22,437,012	\$ 22,798,109	\$ 24,865,766	\$ 24,896,165	\$ 25,368,804	\$ 26,398,273	\$ 27,269,138
Restricted	1,004,298	674,651	775,317	260,941	238,485	617,271	747,678	1,236,227	943,205	1,184,133
Unrestricted	1,286,981	1,332,014	1,481,658	1,119,400	758,707	1,400,517	1,693,190	1,772,033	1,779,576	955,770
Total primary government net position	\$ 21,903,721	\$ 23,463,756	\$ 24,178,666	\$ 23,817,353	\$ 23,795,301	\$ 26,883,554	\$ 27,337,033	\$ 28,377,064	\$ 29,121,054	\$ 29,409,041

City of Los Fresnos, Texas  
Change in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 10,495,184	\$ 1,896,765	\$ 681,293	\$ 675,100	\$ 512,546	\$ 1,621,198	\$ 1,342,259	\$ 1,563,899	\$ 448,561	\$ 650,365
Public safety	1,292,155	1,362,538	1,450,846	1,553,419	1,633,022	1,645,834	1,796,144	1,761,395	1,880,517	2,455,871
Highways and streets	105,723	164,359	157,108	144,210	176,592	295,225	317,637	380,922	403,361	472,102
Health and Welfare	192,090	224,834	237,116	235,256	266,243	264,572	269,470	311,236	296,807	357,380
Culture and recreation	600,289	331,923	330,498	426,260	402,598	483,805	484,490	595,951	688,405	807,260
Interest and long-term debt	97,948	84,700	78,558	75,175	128,426	88,107	178,048	234,405	353,085	280,025
Total governmental activities expenses	<u>12,783,389</u>	<u>4,065,119</u>	<u>2,935,419</u>	<u>3,109,420</u>	<u>3,119,427</u>	<u>4,398,741</u>	<u>4,388,048</u>	<u>4,847,808</u>	<u>4,070,736</u>	<u>5,023,003</u>
Business-type activities										
Water	996,015	881,249	1,008,652	1,279,059	1,245,462	1,347,153	1,285,170	1,594,457	1,301,036	1,542,087
Sewer	749,357	774,184	846,072	1,236,877	1,278,324	1,251,956	1,415,866	1,426,348	1,396,360	1,552,302
Total business-type activities expenses	<u>1,745,372</u>	<u>1,655,433</u>	<u>1,854,724</u>	<u>2,515,936</u>	<u>2,523,786</u>	<u>2,599,109</u>	<u>2,701,036</u>	<u>3,020,805</u>	<u>2,697,396</u>	<u>3,094,389</u>
Total primary government expenses	<u>\$ 14,528,761</u>	<u>\$ 5,720,552</u>	<u>\$ 4,790,143</u>	<u>\$ 5,625,356</u>	<u>\$ 5,643,213</u>	<u>\$ 6,997,850</u>	<u>\$ 7,089,084</u>	<u>\$ 7,868,613</u>	<u>\$ 6,768,132</u>	<u>\$ 8,117,392</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 84,380	\$ 192,784	\$ 240,290	\$ 231,718	\$ 275,417	\$ 260,910	\$ 328,614	\$ 316,532	\$ 338,432	\$ 373,119
Public safety	517,434	480,459	559,735	557,445	459,351	477,787	517,311	567,424	590,366	586,375
Culture and recreation	24,211	13,105	28,162	27,757	34,973	53,280	42,399	46,030	27,768	34,947
Other activities	88,827	2,600	4,106	5,511	4,253	9,037	11,357	16,635	5,568	10,825
Operating grants and contributions	207,611	11,301	-	100,000	58,383	1,302,610	727,577	1,069,130	124,429	163,313
Capital grants and contribution	10,448,386	1,599,951	776,809	392,065	212,254	705,920	389,225	1,157,528	543,798	495,474
Total governmental activities program revenues	<u>11,370,849</u>	<u>2,300,200</u>	<u>1,609,102</u>	<u>1,314,496</u>	<u>1,044,631</u>	<u>2,809,544</u>	<u>2,016,483</u>	<u>3,173,279</u>	<u>1,630,361</u>	<u>1,664,053</u>
Business-type activities										
Charges for services:										
Water	848,258	979,037	1,010,947	1,008,116	1,121,371	1,070,905	1,170,969	1,305,184	1,336,923	1,362,978
Sewer	631,575	674,978	919,598	1,053,168	1,177,412	1,152,722	1,339,446	1,377,768	1,435,812	1,372,416
Capital grants and contribution	10,127,731	1,560,205	-	-	132,317	-	1,148,253	-	-	-
Total business-type activities program revenues	<u>11,607,564</u>	<u>3,214,220</u>	<u>1,930,545</u>	<u>2,061,284</u>	<u>2,431,100</u>	<u>2,223,627</u>	<u>3,658,668</u>	<u>2,682,952</u>	<u>2,772,735</u>	<u>2,735,394</u>
Total primary government revenues	<u>\$ 22,978,413</u>	<u>\$ 5,514,420</u>	<u>\$ 3,539,647</u>	<u>\$ 3,375,780</u>	<u>\$ 3,475,731</u>	<u>\$ 5,033,171</u>	<u>\$ 5,675,151</u>	<u>\$ 5,856,231</u>	<u>\$ 4,403,096</u>	<u>\$ 4,399,447</u>

City of Los Fresnos, Texas  
Change in Net Position (continued)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expenses)/revenues										
Governmental activities	\$ (1,412,540)	\$ (1,764,919)	\$ (1,326,317)	\$ (1,794,924)	\$ (2,074,796)	\$ (1,589,197)	\$ (2,371,565)	\$ (1,674,529)	\$ (2,440,375)	\$ (3,358,950)
Business-type activities	9,862,192	1,558,787	75,821	(454,652)	(92,686)	(375,482)	957,632	(337,853)	75,339	(358,995)
Total primary government net expense	\$ 8,449,652	\$ (206,132)	\$ (1,250,496)	\$ (2,249,576)	\$ (2,167,482)	\$ (1,964,679)	\$ (1,413,933)	\$ (2,012,382)	\$ (2,365,036)	\$ (3,717,945)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 1,018,940	\$ 1,047,260	\$ 1,062,125	\$ 1,070,694	\$ 1,141,686	\$ 1,200,838	\$ 1,385,907	\$ 1,521,673	\$ 1,877,846	\$ 2,019,723
Sales taxes	348,388	384,472	444,467	454,883	557,523	800,365	1,068,769	1,011,779	1,103,146	1,246,579
Franchise taxes	179,192	205,747	228,463	234,556	321,753	303,738	314,239	334,031	359,351	390,073
Alcoholic beverage taxes	2,235	2,041	-	-	-	49	1,653	-	-	-
Investment earnings	47,231	30,452	20,348	2,218	1,028	1,253	3,937	32,402	103,005	127,419
Miscellaneous	57,220	79,365	37,844	51,300	117,398	79,032	115,342	130,768	129,446	140,332
Transfers	313,233	-	594,703	-	-	511,529	(1,029,227)	(24,700)	-	67,500
Total governmental activities	1,966,439	1,749,337	2,387,950	1,813,651	2,139,388	2,896,804	1,860,620	3,005,953	3,572,794	3,991,626
Business-type activities:										
Investment earnings	14,513	16,104	19,410	2,124	1,647	1,559	6,792	21,760	51,816	81,807
Miscellaneous	-	725	-	660	4,395	951	-	-	-	-
Contributed Capital	-	-	-	-	-	2,176,874	-	-	-	-
Transfers	(313,233)	-	(594,703)	-	-	(511,529)	-	24,700	-	(67,500)
Total business-type activities	(298,720)	16,829	(575,293)	2,784	6,042	1,667,855	6,792	46,460	51,816	14,307
Total primary government	\$ 1,667,719	\$ 1,766,166	\$ 1,812,657	\$ 1,816,435	\$ 2,145,430	\$ 4,564,659	\$ 1,867,412	\$ 3,052,413	\$ 3,624,610	\$ 4,005,933
<b>Changes in Net Position</b>										
Governmental activities	\$ 553,899	\$ (15,582)	\$ 1,061,633	\$ 18,727	\$ 64,592	\$ 1,307,607	\$ (510,945)	\$ 1,331,424	\$ 1,132,419	\$ 632,676
Business-type activities	9,563,472	1,575,616	(499,472)	(451,868)	(86,644)	1,292,373	964,424	(291,393)	127,155	(344,688)
Total primary government	\$ 10,117,371	\$ 1,560,034	\$ 562,161	\$ (433,141)	\$ (22,052)	\$ 2,599,980	\$ 453,479	\$ 1,040,031	\$ 1,259,574	\$ 287,988

City of Los Fresnos, Texas  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,568	\$ -
Unassigned	582,262	553,886	682,171	719,437	769,094	1,034,558	986,415	1,121,271	1,318,767	1,534,267
Total General Fund	\$ 582,262	\$ 553,886	\$ 682,171	\$ 719,437	\$ 769,094	\$ 1,034,558	\$ 986,415	\$ 1,121,271	\$ 1,320,335	\$ 1,534,267
All other governmental funds										
Restricted	\$ 571,285	\$ 191,194	\$ 135,041	\$ 87,042	\$ 39,754	\$ 260,409	\$ 333,862	\$ 783,829	\$ 467,133	\$ 637,956
Special revenue funds	98,220	123,391	148,949	5,899	(4,840)	-	-	-	-	-
Capital projects funds	21,922	-	-	-	2,718,799	1,928,023	333,377	4,946,575	5,294,229	2,221,141
Total all other governmental funds	\$ 691,427	\$ 314,585	\$ 283,990	\$ 92,941	\$ 2,753,713	\$ 2,188,432	\$ 667,239	\$ 5,730,404	\$ 5,761,362	\$ 2,859,097

City of Los Fresnos, Texas  
**Changes in Fund Balances of Governmental Funds**  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 1,597,842	\$ 1,630,692	\$ 1,749,252	\$ 1,761,864	\$ 2,016,207	\$ 2,318,947	\$ 2,776,854	\$ 2,863,124	\$ 3,336,881	\$ 3,665,912
Licenses and permits	17,567	19,507	32,840	35,141	61,280	56,363	108,775	80,166	109,991	134,227
Intergovernmental	10,632,497	1,611,252	776,809	372,391	270,637	1,841,863	1,116,803	1,725,005	513,285	522,587
Charges for services	162,654	239,960	282,863	272,637	278,595	298,513	314,281	342,083	282,460	300,482
Fines	429,839	429,481	516,590	514,651	434,119	446,137	476,624	524,372	569,683	570,557
Investment Earnings	47,232	30,452	20,348	2,053	1,027	1,253	3,938	32,402	103,005	127,419
Contributions and donations	-	-	-	-	-	-	-	-	6,250	-
Grant Income	-	-	-	-	-	166,667	-	333,333	-	33,260
Miscellaneous	119,438	59,460	61,644	48,368	115,998	205,513	115,341	130,768	129,446	140,332
Total revenues	13,007,069	4,020,804	3,440,346	3,007,105	3,177,863	5,335,256	4,912,616	6,031,253	5,051,001	5,494,776
<b>Expenditures</b>										
General government	10,482,869	1,887,484	667,424	425,189	535,076	1,547,528	1,266,877	1,559,407	594,825	552,217
Public safety	1,210,413	1,289,595	1,353,502	1,415,840	1,520,422	1,507,175	1,639,266	1,640,244	1,755,205	1,917,867
Highways and streets	62,547	121,183	101,335	98,307	174,628	212,456	223,992	258,422	271,273	353,648
Health and Welfare	188,605	220,881	229,361	229,108	260,095	259,032	262,400	302,736	287,430	319,648
Culture and recreation	572,303	301,146	297,258	324,854	362,636	366,486	358,676	444,275	478,571	496,942
Capital outlay	172,080	327,559	1,126,620	469,397	385,119	2,006,911	2,480,218	971,109	1,323,930	3,784,367
Bond Issuance Costs	-	-	-	-	75,703	-	-	104,548	64,000	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal retirement	232,434	195,771	188,907	245,792	252,382	161,670	191,501	197,934	339,399	545,895
Interest and fiscal agent fees	92,835	82,402	74,977	75,175	62,523	88,108	178,048	129,857	286,716	275,951
Administrative costs	-	-	-	-	-	-	-	-	2,369	4,074
Total all other governmental funds	13,014,086	4,426,021	4,039,384	3,283,662	3,628,584	6,149,366	6,600,978	5,608,532	5,403,718	8,250,609
Excess of revenues over (under) expenditures	(7,017)	(405,217)	(599,038)	(276,557)	(450,721)	(814,110)	(1,688,362)	422,721	(352,717)	(2,755,833)



City of Los Fresnos, Texas  
 Changes in Fund Balances of Governmental Funds (continued)  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Other financing sources (uses)</b>										
Transfer in	313,308	4,372	677,461	-	8,250	511,529	119,026	47,983	263,238	208,844
Transfer out	(75)	(4,372)	(82,758)	-	(8,250)	-	-	(72,683)	(263,239)	(141,344)
Proceeds of long term debt	-	-	-	-	3,045,000	-	-	4,800,000	1,000,000	-
Capital leases	28,049	-	358,916	-	114,750	-	-	-	-	-
Contributed Capital	-	-	-	119,674	-	-	-	-	-	-
Sale of capital	6,005	-	-	3,100	1,400	2,764	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>347,287</u>	<u>-</u>	<u>953,619</u>	<u>122,774</u>	<u>3,161,150</u>	<u>514,293</u>	<u>119,026</u>	<u>4,775,300</u>	<u>999,999</u>	<u>67,500</u>
<b>Net change in fund balances</b>	<u>\$ 340,270</u>	<u>\$ (405,217)</u>	<u>\$ 354,581</u>	<u>\$ (153,783)</u>	<u>\$ 2,710,429</u>	<u>\$ (299,817)</u>	<u>\$ (1,569,336)</u>	<u>\$ 5,198,021</u>	<u>\$ 647,282</u>	<u>\$ (2,688,333)</u>
<b>Debt service as a percentage of noncapital expenditures</b>	2.5%	6.8%	9.1%	11.4%	10.3%	6.0%	9.0%	7.1%	16.5%	18.4%

City of Los Fresnos, Texas

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	Tax Year	Total Assessed	Less:		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
			Tax Exempt Real Property					
2010	2009	\$ 156,316,040	\$ 12,946,780	\$	143,369,260	0.715	\$ 143,369,260	91.72%
2011	2010	158,887,502	10,636,023		148,251,479	0.715	148,251,479	93.31%
2012	2011	162,833,985	12,432,532		150,401,453	0.715	150,401,453	92.36%
2013	2012	163,640,418	11,825,820		151,814,598	0.715	151,814,598	92.77%
2014	2013	177,036,323	14,555,907		162,480,416	0.715	162,480,416	91.78%
2015	2014	197,741,864	14,369,042		183,372,822	0.715	183,372,822	92.73%
2016	2015	198,891,180	16,102,534		182,788,646	0.715	182,788,646	91.90%
2017	2016	268,872,189	15,895,313		252,976,876	0.715	252,976,876	94.09%
2018	2017	291,304,580	17,267,031		274,037,549	0.715	274,037,549	94.07%
2019	2018	299,189,510	18,460,465		280,729,045	0.715	280,729,045	93.83%

Source: Cameron County Appraisal District

Note: Assessed values are determined annually. Assessed value is equal to 100% of estimated value. All property is assessed the same rate regardless of real or personal property, commercial, residential, or industrial.

**City of Los Fresnos, Texas**  
**Governmental Activities Tax Revenue By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<b>Fiscal</b>	<b>Property</b>	<b>Sales</b>	<b>Franchise</b>	<b>Alcoholic Beverage</b>	<b>Total</b>
<b>Year</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>
2010	\$ 1,018,940	\$ 348,388	\$ 179,192	\$ 2,235	\$ 1,548,755
2011	1,047,260	384,472	205,747	2,041	1,639,520
2012	1,062,125	444,467	228,463	-	1,735,055
2013	1,070,694	454,883	234,556	-	1,760,133
2014	1,141,686	557,523	321,753	-	2,020,962
2015	1,200,838	800,365	303,738	49	2,304,990
2016	1,385,907	1,068,769	314,239	1,653	2,770,568
2017	1,521,673	1,011,779	334,031	-	2,867,483
2018	1,877,846	1,103,146	359,351	-	3,340,343
2019	2,019,723	1,228,539	390,073	-	3,638,335

City of Los Fresnos, Texas

Property Tax Rates

Direct and Overlapping<sup>1</sup> Governments

Last Ten Fiscal Years

Fiscal Year	City of Los Fresnos			Cameron County			Los Fresnos CISD			Overlapping Rates			Total Direct & Overlapping Rates
	Operating	Service	Total	Operating	Service	Total	Operating	Service	Debt	Total	District	Total	
2010	0.544	0.171	0.715	0.322	0.042	0.364	1.040	0.160	0.160	1.200	1.190	1.200	2.279
2011	0.588	0.127	0.715	0.322	0.042	0.364	1.170	0.020	0.020	1.190	1.190	1.190	2.269
2012	0.590	0.125	0.715	0.345	0.039	0.384	1.170	0.020	0.020	1.190	1.190	1.190	2.289
2013	0.587	0.128	0.715	0.345	0.040	0.385	1.170	0.020	0.020	1.190	1.190	1.190	2.290
2014	0.600	0.115	0.715	0.349	0.050	0.399	1.170	0.020	0.020	1.190	1.190	1.190	2.304
2015	0.587	0.128	0.715	0.355	0.044	0.399	1.170	0.020	0.020	1.190	1.190	1.190	2.304
2016	0.596	0.119	0.715	0.360	0.044	0.404	1.170	0.020	0.020	1.190	1.190	1.190	2.309
2017	0.629	0.086	0.715	0.356	0.051	0.407	1.170	0.020	0.020	1.190	1.190	1.190	2.312
2018	0.620	0.095	0.715	0.361	0.056	0.417	1.170	0.020	0.020	1.190	1.190	1.190	2.322
2019	0.562	0.153	0.715	0.381	0.056	0.437	1.068	0.120	0.120	1.188	1.188	1.188	2.340

Source: Cameron County Tax Office and LFCISD

<sup>1</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Los Fresnos. Not all overlapping rates apply to all City of Los Fresnos property owners.

City of Los Fresnos, Texas  
Principal Property Taxpayers  
September 30, 2019

Taxpayer	2019			2010		
	Taxable	Rank	Percentage of	Taxable	Rank	Percentage of
	Assessed		Total Taxable	Assessed		Total Taxable
	Value	Value	Assessed	Value	Value	
Wal-Mart Real Estate Business	\$ 6,759,292	1	2.41%	-	-	-
Wal-Mart Stores Texas LLC	5,913,817	2	2.11%	-	-	-
Casa Cien LP	5,815,177	3	2.07%	-	-	-
VDC Los Fresnos Reserve Homes LP	5,452,425	4	1.94%	-	-	-
AEP Texas Inc.	3,025,780	5	1.08%	-	-	-
Troy Investment Company	2,491,260	6	0.89%	-	-	-
Gethsemane 2 LLC	2,310,737	7	0.82%	-	-	-
Time Warner Cable Texas LLC	1,701,190	8	0.61%	-	-	-
7-Eleven Inc.	1,613,895	9	0.57%	-	-	-
Coltrin Richard L	1,570,387	10	0.56%	-	-	-
Lila Hospitality Inc.	-	-	-	1,165,986	1	0.81%
Vicus Oriens LLC	-	-	-	1,109,908	2	0.77%
First National Bnak	-	-	-	1,020,696	3	0.71%
AEP Texas Central Co	-	-	-	970,340	4	0.68%
Alvarez Investments	-	-	-	913,549	5	0.64%
Hejar LTD	-	-	-	867,330	6	0.60%
Smart Star Properties LTD	-	-	-	836,468	7	0.58%
Southwestern Bell Tele	-	-	-	783,860	8	0.55%
Loehr Roland D	-	-	-	753,091	9	0.53%
Loehr Linda S	-	-	-	745,891	10	0.52%
Totals	<u>\$ 36,653,960</u>		<u>13.06%</u>	<u>\$ 9,167,119</u>		<u>6.39%</u>

Source: Cameron Appraisal District

City of Los Fresnos, Texas

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Total Collections to Date	
		Amount	Percentage of Levy	Amount Collected	Percentage of Levy
2010	\$ 1,007,251	\$ 965,299	95.8%	\$ 31,043	98.9%
2011	1,165,188	987,465	84.7%	164,468	98.9%
2012	1,195,434	1,007,511	84.3%	162,834	97.9%
2013	1,070,759	1,028,813	96.1%	38,792	99.7%
2014	1,146,647	1,097,737	95.7%	39,301	99.2%
2015	1,144,537	1,004,031	87.7%	38,012	91.0%
2016	1,293,400	1,248,033	96.5%	56,240	100.8%
2017	1,449,738	1,404,218	96.9%	42,917	99.8%
2018	1,788,469	1,740,932	97.3%	49,943	100.1%
2019	1,931,143	1,880,485	97.4%	51,149	100.0%

City of Los Fresnos, Texas

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General		Capital		Water		Capital				
	Obligation	Bonds	Leases	Leases	Wastewater	Bonds	Meter Deposits	Leases			
2010	\$ 2,110,000	\$ 2,110,000	\$ 62,335	\$ 62,335	\$ 8,132,042	\$ 8,132,042	\$ 155,485	\$ -	\$ 10,459,862	28.67%	1,887
2011	1,940,000	1,940,000	28,049	28,049	7,447,042	7,447,042	163,650	-	9,578,741	28.36%	1,722
2012	1,760,000	1,760,000	378,059	378,059	7,790,042	7,790,042	170,005	853,111	10,951,217	32.43%	1,939
2013	1,565,000	1,565,000	327,267	327,267	7,720,042	7,720,042	176,315	791,620	10,580,244	27.03%	1,843
2014	4,400,000	4,400,000	389,835	389,835	7,552,042	7,552,042	187,858	663,275	13,193,010	33.70%	2,153
2015	4,305,000	4,305,000	323,164	323,164	9,319,042	9,319,042	193,818	598,545	14,739,569	34.29%	2,286
2016	4,180,000	4,180,000	256,663	256,663	8,981,042	8,981,042	204,505	538,661	14,160,871	27.49%	2,197
2017	8,850,000	8,850,000	188,729	188,729	8,586,042	8,586,042	211,442	477,220	18,313,433	35.41%	2,753
2018	9,580,000	9,580,000	119,330	119,330	8,132,042	8,132,042	216,072	414,181	18,461,625	41.96%	2,358
2019	9,105,000	9,105,000	48,435	48,435	7,656,042	7,656,042	224,233	349,504	17,383,214	38.98%	2,219

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**City of Los Fresnos, Texas**  
**Ratios of General Bonded Debt**  
**Last Ten Fiscal Years**

<b>Fiscal</b>	<b>General</b>	<b>Less: Amounts</b>		<b>Percentage</b>	
		<b>Obligation</b>	<b>Available in Debt</b>		<b>Estimated</b>
<b>Year Ended</b>	<b>Bonds (1)</b>	<b>Service Fund (2)</b>	<b>Total</b>	<b>Value of</b>	<b>Per</b>
<b>September 30</b>				<b>Property (3)</b>	<b>Capita (4)</b>
2010	\$ 2,110,000	\$ 256,536	\$ 1,853,464	1.47%	381
2011	1,940,000	177,301	1,762,699	1.31%	349
2012	1,760,000	135,041	1,624,959	1.17%	312
2013	1,565,000	87,042	1,477,958	1.03%	273
2014	4,400,000	39,754	4,360,246	2.71%	718
2015	4,305,000	73,444	4,231,556	2.35%	668
2016	4,180,000	56,660	4,123,340	2.29%	648
2017	8,850,000	23,786	8,826,214	3.50%	1,331
2018	9,580,000	27,382	9,552,618	3.50%	1,223
2019	9,105,000	16,214	9,088,786	3.24%	1,162

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
- (2) This is the amount restricted for debt service principal payments.
- (3) See the Schedule of Assessed Value and the Estimated Actual Value of Taxable Property for property value data.
- (4) Population data can be found in the Schedule of Demographic and Economic Statistics.



City of Los Fresnos, Texas  
**Direct and Overlapping Governmental Activities Debt**  
As of September 30, 2019

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cameron County	\$ 142,777,655	1.50%	\$ 2,141,665
Los Fresnos CISD	27,980,000	1.50%	<u>419,700</u>
Subtotal, overlapping debt			2,561,365
City of Los Fresnos direct debt	9,153,435	100%	<u>9,153,435</u>
Total direct and overlapping debt			<u><u>\$ 11,714,800</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the most recent data from the Texas State Comptroller website <https://comptroller.texas.gov/transparency> .

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Los Fresnos. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimates by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Los Fresnos, Texas  
Legal Debt Margin Information  
Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debit limit	\$ 15,631,604	\$ 15,888,750	\$ 16,283,399	\$ 16,364,042	\$ 17,703,632	\$ 19,774,186	\$ 19,889,118	\$ 26,887,219	\$ 29,130,458	\$ 29,918,951
Total net debt applicable to limit	<u>2,110,000</u>	<u>1,940,000</u>	<u>1,760,000</u>	<u>1,565,000</u>	<u>4,400,000</u>	<u>4,305,000</u>	<u>4,180,000</u>	<u>8,850,000</u>	<u>9,580,000</u>	<u>9,105,000</u>
Legal debt margin	<u>\$ 13,521,604</u>	<u>\$ 13,948,750</u>	<u>\$ 14,523,399</u>	<u>\$ 14,799,042</u>	<u>\$ 13,303,632</u>	<u>\$ 15,469,186</u>	<u>\$ 15,709,118</u>	<u>\$ 18,037,219</u>	<u>\$ 19,550,458</u>	<u>\$ 20,813,951</u>
Total net debt applicable to the limit as a percentage of debt limit	13.50%	12.21%	10.81%	9.56%	24.85%	21.77%	21.02%	32.92%	32.89%	30.43%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed Value	\$ 299,189,510
Less: Exempt real property	18,460,465
Total assessed value	280,729,045
Debit Limit (10% of total assessed value)	29,918,951
Debt applicable to limit:	
General obligation bonds	
General obligation debt	<u>9,105,000</u>
Total debt applicable to limit	<u>9,105,000</u>
Legal debt margin	<u>\$ 20,813,951</u>

Note: Under state finance law, the City of Los Fresnos' outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**City of Los Fresnos, Texas**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

**Water & Sewer Revenue Bonds**

<b>Fiscal Year</b>	<b>Water &amp; Sewer Charges and Other</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2010	\$ 1,479,833	\$ 1,585,678	\$ (105,845)	\$ 83,000	\$ 116,660	(0.53)
2011	1,654,015	1,220,941	433,074	85,000	116,943	2.14
2012	1,930,545	1,729,791	200,754	101,000	120,022	0.91
2013	2,061,284	1,708,201	353,083	107,000	130,450	1.49
2014	2,431,100	1,751,031	680,069	168,000	148,093	2.15
2015	2,223,627	1,780,601	443,026	172,000	116,277	1.54
2016	3,658,668	2,701,036	957,632	395,000	136,468	1.80
2017	2,682,952	3,020,805	(337,853)	454,000	131,075	(0.58)
2018	2,772,735	2,553,311	219,424	476,000	124,782	0.37
2019	2,735,394	2,946,747	(211,353)	527,000	117,672	(0.33)

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation.

**City of Los Fresnos, Texas**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Median Household Income<sup>1</sup></b>	<b>Per Capita Personal Income<sup>1</sup></b>	<b>Median Age<sup>1</sup></b>	<b>School Enrollment<sup>2</sup></b>	<b>Unemployment Rate<sup>3</sup></b>
2010	5,542	\$ 36,488	\$ 13,156	28	9,996	10.9
2011	5,563	33,770	14,826	28	10,284	12.4
2012	5,647	33,770	14,826	28	10,295	10.3
2013	5,740	39,149	13,399	29	9,913	10.1
2014	6,129	39,149	13,399	29	10,523	8.0
2015	6,447	42,986	15,430	29	10,649	6.6
2016	6,447	51,514	16,576	27	10,649	6.9
2017	6,651	51,719	17,082	27	10,827	6.4
2018	7,830	43,993	16,432	28	10,642	6.0
2019	7,833	44,597	17,113	28	10,789	5.8

Data sources

<sup>1</sup> US Census Bureau

<sup>2</sup> Los Fresnos CISD

<sup>3</sup> Texas EDGE information is for entire Cameron County since no data available for City only.

City of Los Fresnos, Texas  
Principal Employers  
Current Year and Ten Years Ago

Employer	2019			2010		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Comprehensive Health Services	1,792	1	46.46%			
Los Fresnos CISD	1,610	2	41.74%	1,691	1	79.76%
Walmart	193	3	5.00%			
City of Los Fresnos	59	4	1.53%	49	5	2.31%
7-Eleven, Inc.	54	5	1.40%			
McDonalds	50	6	1.30%			
Pederson Construction	39	7	1.01%	65	3	3.07%
Julia's Restaurant	22	8	0.57%	24	10	1.13%
Dairy Queen	20	9	0.52%			
Dr. Julian Alvarez Pediatric	18	10	0.47%			
Lopez Supermarket				30	7	1.42%
Pallet Pro				49	4	2.31%
Elite PHC Corporation				30	6	1.42%
International Educational Services				130	2	6.13%
Los Fresnos Construction				25	9	1.18%
Little Light House Children				27	8	1.27%
Total	<u>3,857</u>		<u>100.00%</u>	<u>2,120</u>		<u>100.00%</u>

City of Los Fresnos, Texas  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>General Fund</b>									
Administration	7	8	7	8	9	9	9	12	14
Municipal Court	3	3	3	3	3	3	3	3	3
Police Department	20	20	20	21	22	22	22	23	23
Library	3	3	3	3	3	3	3	3	3
Senior Citizen	1	1	1	1	1	1	1	1	1
Code Enforcement	1	1	1	1	1	1	2	2	2
Parks	-	-	-	1	-	1	2	2	2
Streets	-	-	-	-	-	-	2	3	1
<b>Water and Sewer Fund</b>									
Water	7	7	7	6	6	6	4	6	5
Sewer	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>4</u>	<u>5</u>	<u>6</u>
<b>Total</b>	<b>49</b>	<b>50</b>	<b>49</b>	<b>51</b>	<b>52</b>	<b>53</b>	<b>52</b>	<b>60</b>	<b>60</b>

Source: City of Los Fresnos Budget Reports

City of Los Fresnos, Texas

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Physical Arrests	423	675	652	677	668	589	728	527	460	505
Parking Violations	2	7	5	10	7	5	2	-	-	-
Traffic Violations	5,697	6,297	7,984	7,662	7,314	7,375	5,815	5,426	5,974	7,665
Fire										
Number of calls answered	311	437	347	341	298	349	381	436	411	350
Inspections	120	120	120	120	120	135	130	120	120	119
Highways and Streets										
Street resurfacing (miles)	-	-	-	0.1	0.1	-	-	-	1.0	1.6
Potholes repaired	unknown	unknown	64	150	205	776	686	554	1,318	1,727
Culture and recreation										
Other Community Center Events	32	32	60	48	62	77	78	79	166	69
Water										
New Connections	32	35	52	26	43	34	43	24	18	16
Water mains breaks	76	35	47	46	54	26	41	190	28	32
Average daily consumption (thousands of gallons)	401	512	501	519	477	507	519	534	516	539
Wastewater										
Average Daily sewage treatment (thousands of gallons)	398	406	498	498	542	596	534	494	530	533

Source: Various City Departments

City of Los Fresnos, Texas

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	8	8	8	8	8	7	6	6	6	6
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	21	21	21	21	21	21	23	23	24	24
Street Lights	329	329	333	351	371	482	565	565	576	576
Culture and recreation										
Parks acreage	23	23	23	23	43	43	43	43	43	45
Parks acreage (Developed)	15	15	15	15	15	15	16	16	17	45
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis/Basketball Courts	1	1	1	1	1	2	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	11.99	11.99	12.10	12.10	12.85	13.40	13.40	13.40	14.15	14.15
Fire Hydrants	165	200	200	200	206	213	213	225	234	234
Maximum daily capacity (thousands of gallons)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Sewer										
Sanitary sewers (miles)	11.99	11.99	30.36	30.36	30.36	30.36	30.86	30.86	31.40	31.40
Storm Sewers (miles)	23	23	23	23	23	23	23	23	32	32
Maximum daily treatment capacity (thousand of gallons)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Source: Various City Departments





**COMPLIANCE SECTION**

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

To the Honorable Mayor and Members of the City Council  
City of Los Fresnos, 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 unit, each major fund, and the aggregate remaining fund information of the City of Los Fresnos, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Los Fresnos, Texas' basic financial statements, and have issued our report thereon dated March 24, 2020.

**Internal Control Over Financial Reporting**

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

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

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

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Casey Riggs & Ingram, L.L.C.*

Harlingen, Texas  
March 24, 2020