

CITY OF LOS FRESNOS, TEXAS

520 East Ocean Boulevard – Los Fresnos, Texas 78566



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended September 30, 2021

CITY OF LOS FRESNOS, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2021

Prepared by:

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

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April 27, 2022

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

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of the City of Los Fresnos, Texas, for the fiscal year ended September 30, 2021. 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 2021 was required under the provisions of the Single Act of 1996.

This report contains management's representations concerning the finances of the City. As a result, 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 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, Los Fresnos currently serves an estimated population of 8,114. 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 Members, nominated and 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.

The 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.

Annual Budget Process

The budget process is designed to identify and plan the functions, activities, and accomplishments of the City as well as a plan for its financial needs. As required by the Charter of the City, the City Manager submits to the City Council the proposed budget for the fiscal year prior to the beginning of the fiscal year. Several public hearings are conducted to obtain taxpayer comments. The annual budget and the City's ad valorem tax rate are adopted through a tax ordinance by the City Council prior to the beginning of the fiscal year as required by state law. The City Manager or the Finance Director are authorized to transfer budget amounts between departments under the same fund, the City Council must approve all budget amendments that alter the overall fund total of appropriated expenditures/expenses of any fund.

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 57.4% of 16 years or older population were in the civilian labor force in Los Fresnos compared to 55.7% in Cameron County. At the end of the year, the unemployment rate for Cameron County was 7.3%, which is higher than the 5.6% 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 increase from 6.5% reported in 2017, to 7.3% as of September 30, 2021. This increase is mainly due to the economic effects of the COVID-19 pandemic.

Long-term Financial Planning

Unassigned fund balance in the general fund at year end was 54.7% percent of total general fund expenditures and equivalent to 199 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, approximately 25%).

Economic Growth and 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 businesses. Many of the City's accomplishments in 2021 assisted in the achievement of the vision of being a community with opportunity.

There was a steady growth in revenues, an increase of 16.21% on sales taxes throughout the fiscal year compared to the previous year.

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.

City parks, such as the Nature Park, have seen continuous development. The City's Community Development Corporation has invested \$122,492 on a new completed Birding Center. In addition, the new Hike and Bike Trail is currently on its way with a current \$529,950 investment and is expected to be completed by June 2022.

Drainage projects, the rehabilitation of lift stations and the installation of 712 feet of sewer lines, manholes, and pavement repairs, were also projects that were completed during the year. All of these projects were funded by the Texas CDGB in addition to current pavement repairs on 10th Street and Whipple Road which is complete.

Funding requests through the Texas Water Development Board were completed during the year. A \$3.6 million request will be used to increase the City's water treatment plant capacity from 1.0 to 1.5 million gallons per day (MGD) to meet future water demands. The project will also rehabilitate and upgrade a large portion of the plant's equipment and treatment facilities to meet new regulatory requirements. Part of the request was also a \$1.6 million proposed project that will rehabilitate one lift stations, add a new lift station and three grinder pumps. Future projects funded through the Texas Water Development Board for \$1,696,950 will address storm water and drainage problems within City limits, Valle Alto drainage improvements, Whipple Road drainage improvements, and Resaca Escondida drainage improvements.

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. Los Fresnos continually lobbies for funds for small cities that are available but usually go to larger cities. The Police Department was awarded several grants including Operation Stone Garden Grant and Border Star Grant for drug interdiction along the major roadways throughout the City. During 2021 the department acquired a live scan finger print system. In addition, the department oversees the Code and Health Department which inspects all restaurants and food serving facilities throughout the City. This ensures that Citizens and visitors consume safe food products within our City Limits.

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 Library serves a population area of over 32,000. The Library circulated over 5,500 print and non-print materials. It has a collection of 28,231 physical items and an Electronic book collection of 26,328. Due to the COVID-19 pandemic many of the programs were suspended. The 2021 Summer Reading program was cancelled and 285 home packages were distributed instead. During the pandemic the Library continued to offer access to the Wi-Fi connection in the park so that the community has an open access for internet in a safe environment. The Library served as a Site Coordinator for Volunteer Income Tax Assistance collaborating with Cameron County United Way for tax return preparation. The program included 5 volunteers which prepared income taxes virtually. A total of 251 tax returns were filed through this program with refunds totaling over \$593,513. The Library was also the recipient of the E-Rate Grant Federal funding program in the amount of \$25,579. These funds provide internet connectivity at a high speed fiber connection and maintenance of our networking equipment.

The Public Works Department is always working in the background. The department works daily to maintain our city parks, city buildings and facilities including the water treatment plant and distribution system, sewer plant and collections system, streets and alleys. The Wastewater Treatment Plant Headworks Improvements and Chlorine Contact Basin and Chemical Feed System Improvements have been recently completed. The expansion and improvements of the water treatment plant are currently underway. In addition, the City invested \$49,715 on two portable diesel pumps to be used during flooding situations.

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. Los Fresnos is fortunate to have individuals dedicated to planning and training to meet different kinds of emergencies. 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. Emergency Management was very critical during the COVID-19 pandemic. It is an area no one thinks about until times of need. In conjunction with Cameron County and Los Fresnos Fire Department, several mobile COVID-19 testing events were held in Los Fresnos. The City also partnered with Cameron County Public Health and Los Fresnos C.I.S.D. to host drive-thru vaccination clinics to administer approximately 32,000 COVID-19 vaccines at the Los Fresnos Fire Department. As part of the national emergency, the City was awarded \$441,800 in grant funds through the Coronavirus Relief Funds which were mainly used for supplies, equipment and employee salaries. In addition, the department acquired an enclosed trailer, two all-terrain vehicles, and a radio system that were used during the vaccination clinics.

Information Technology (IT) is what keeps all the vital services we depend on running and current. Our City runs primarily on technology so this department plays a vital role in maintaining communication and access throughout the City during daily activities and especially during emergencies. The 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 completed implementation of new servers and begin the installation for Incode 10 which is still under progress.

The City of Los Fresnos is a strong advocate for creating a healthy environment that enhances the quality of life for its citizens. The City is focused on providing environmental changes that encourage active lifestyles including but not limited to the most recent trail in Los Fresnos, the Caracara Trail. This trail is located near the Palo Alto Battlefield, it'll connect Los Fresnos to its neighboring communities allowing individuals to travel by way of walking, jogging, cycling, skating or strolling all while staying on trails.

The City of Los Fresnos continues to offer the free wellness program, Diabetes Prevention Class, and Your Health Matters. These programs provide a Community Health Worker, SNAP Exercise Instructors and Nutrition Coaches to assist in implementing the free year-around program. The funding for this program includes additional employees' salaries, trainings, supplies, and equipment. Program participants have access to health screenings, follow up, referrals, flu vaccines, exercise classes, nutrition classes, diabetes prevention classes, children's summer programs, incentives and much more. Program participants are provided with information on COVID-19 testing and vaccine events hosted by the City of Los Fresnos. Through the program, Los Fresnos citizens are encouraged to participate in the annual, statewide "It's Time Texas Community Challenge" healthy living competition. The City of Los Fresnos has participated for 5 years and has been awarded 1st place in the Small Communities Category for several years in a row. The City's program currently has 1,873 participants enrolled. In 2021, the program offered 1,401 exercise classes to the public.

The CDC has continued the Business Incentive Grants program to assist local businesses in paying for signs, landscaping and storefront improvements. The CDC also supports several of the City events throughout the year such as the Los Fresnos PRCA Rodeo, Cameron County Fair and Livestock Show, Halloween Festival, Christmas Festival in the Park with Santa Clause, 4th of July Celebration, Narciso Martinez Conjunto Festival, and Smoking Highway 100 BBQ Cook-off.

In keeping with improving the quality of life, the City supports many annual events such as the Los Fresnos PRCA Rodeo, Los Fresnos Rodeo Parade, Cameron County Fair and Livestock Show, Boys and Girls Club, Halloween Festival, Homecoming Parade, Christmas Parade, Christmas Festival in the Park with Santa Claus, 4th of July Celebration, Narciso Martinez Conjunto Festival, Smoking Highway 100 BBQ Cook-off, Annual Leo Aguilar 5K Walk/Run and Health Fair, and the 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2020. This was the thirteenth 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 ACFR that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

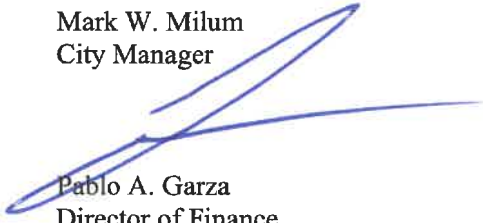
The preparation of this report would not be possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

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**

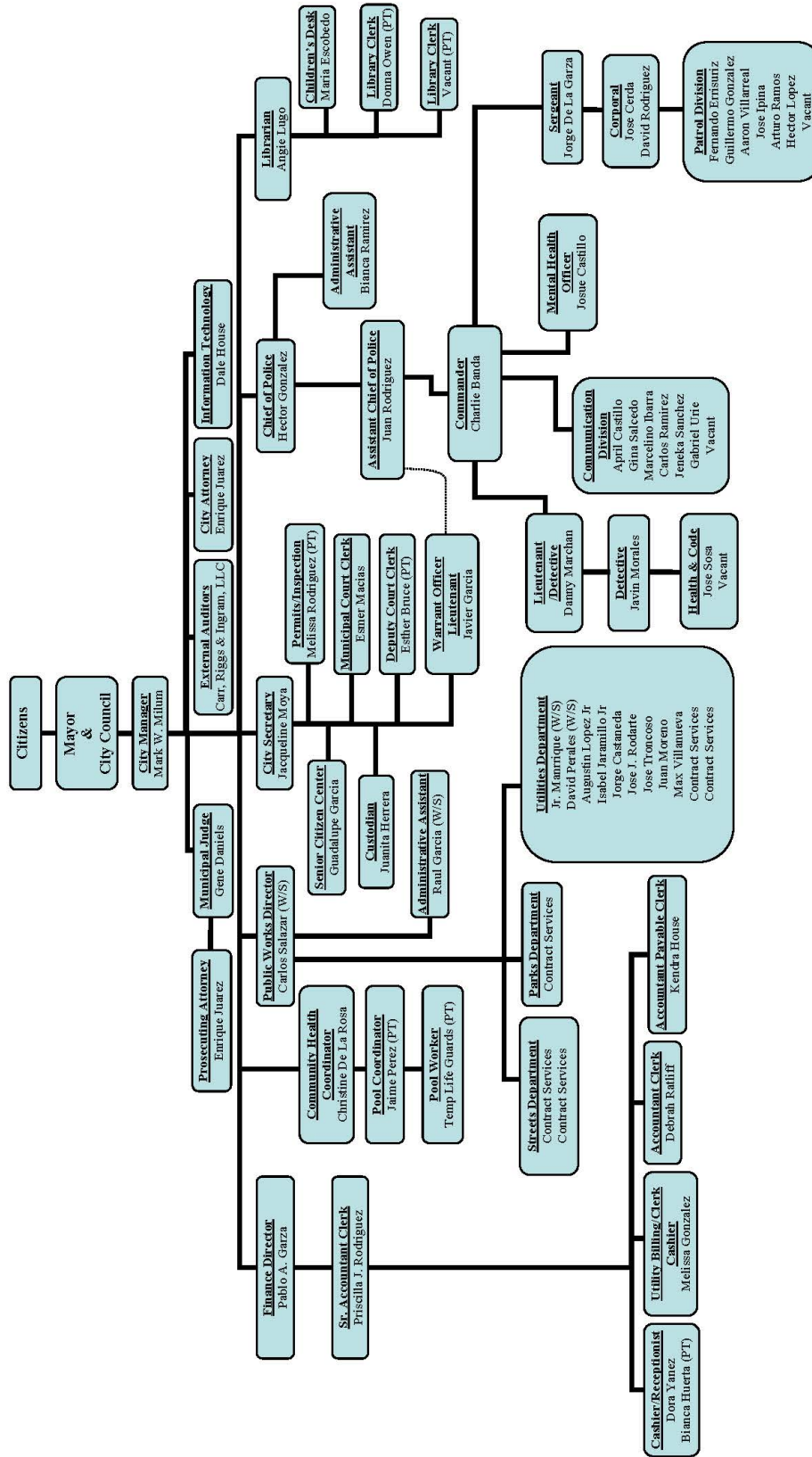
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

City of Los Fresnos Organizational Chart



City of Los Fresnos, Texas
City Officials
September 30, 2021

Mayor

Alejandro Flores

Council Members

Polo Narvaez
Andres Lopez
Gabriela Fernandez
Luiz Gonzalez
Juan Munoz

City Manager

Mark W. Milum

Director of Finance

Pablo A. Garza

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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, 2021, 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, 2021, 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 17-28, the budgetary comparison information on pages 71-73 and pension supplementary information on pages 74-77 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary section and the schedule of expenditures of federal awards as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary section and schedule of federal awards as listed in the table of contents are 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 April 27, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of 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
April 27, 2022

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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, 2021. 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 \$33,191,799 (*net position*). Of this amount, \$2,305,994 (*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 \$1,798,525.
- At the close of the current fiscal year, the City of Los Fresnos' governmental funds reported combined ending fund balances of \$2,696,411, a decrease of \$98,394 in comparison with the prior year due to capital outlay expenditures incurred. Approximately 90.2% of this amount, \$2,431,826 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 \$2,399,421, or approximately 54.7% of total general fund expenditures.
- The City of Los Fresnos' total outstanding long-term debt increased by \$4,121,000 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 and deferred outflows or resources, and liabilities and deferred inflows of resources, 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, health and welfare, 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 41-70 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 \$33,191,799 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, 2021**

(With Comparative Totals as of September 30, 2020)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total			
	2021	2020	2021	2020	2021	2020	2021	2020
ASSETS								
Current and other assets	\$ 4,484,404	\$ 3,816,458	\$ 7,933,132	\$ 4,129,143	\$ 12,417,536	\$ 7,945,601	\$ 401,875	\$ 246,438
Capital assets	16,946,922	15,569,652	27,305,630	26,273,215	44,252,552	41,842,867	-	-
Total assets	21,431,326	19,386,110	35,238,762	30,402,358	56,670,088	49,788,468	401,875	246,438
DEFERRED OUTFLOWS OF RESOURCES								
Pension Related	94,682	88,443	49,672	47,536	144,354	135,979	-	-
OPEB Related	31,944	21,248	16,759	11,147	48,703	32,395	-	-
Total deferred outflow of resources	126,626	109,691	66,431	58,683	193,057	168,374	-	-
Total Assets and Deferred Outflows	\$ 21,557,952	\$ 19,495,801	\$ 35,305,193	\$ 30,461,041	\$ 56,863,145	\$ 49,956,842	\$ 401,875	\$ 246,438
LIABILITIES								
Long-term liabilities outstanding	\$ 7,430,000	\$ 8,605,000	\$ 11,584,959	\$ 7,644,730	\$ 19,014,959	\$ 16,249,730	\$ -	\$ -
Net pension liability	432,958	450,762	227,140	236,494	660,098	687,256	-	-
OPEB liability	121,179	98,265	63,574	51,553	184,753	149,818	-	-
Other liabilities	2,423,891	1,038,430	1,246,853	284,247	3,670,744	1,322,677	21,166	32,913
Total liabilities	10,408,028	10,192,457	13,122,526	8,217,024	23,530,554	18,409,481	21,166	32,913
DEFERRED INFLOWS OF RESOURCES								
Pension related	83,792	92,309	43,959	48,428	127,751	140,737	-	-
OPEB related	8,553	8,756	4,488	4,594	13,041	13,350	-	-
Total deferred inflow of resources	92,345	101,065	48,447	53,022	140,792	154,087	-	-
NET POSITION								
Net investment in capital assets	9,004,102	7,176,870	21,217,848	21,469,158	30,221,950	28,646,028	-	-
Restricted	78,855	947,609	585,000	543,000	663,855	1,490,609	-	-
Unrestricted	1,974,622	1,077,800	331,372	178,837	2,305,994	1,256,637	380,709	213,525
Total Net Position	11,057,579	9,202,279	22,134,220	22,190,995	33,191,799	31,393,274	380,709	213,525
Total Liabilities, Deferred Inflows and Net Position	\$ 21,557,952	\$ 19,495,801	\$ 35,305,193	\$ 30,461,041	\$ 56,863,145	\$ 49,956,842	\$ 401,875	\$ 246,438

By far the largest portion of the City of Los Fresnos' net position (92.0% 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.

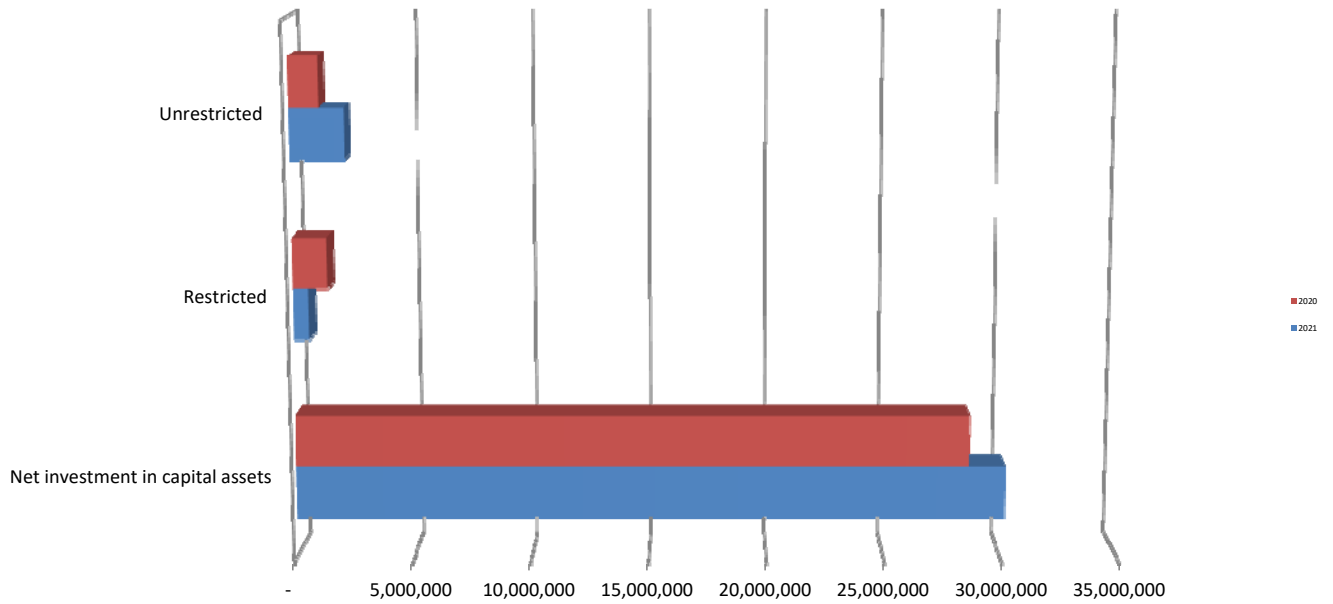
An additional portion of the City of Los Fresnos' net position (2.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,305,994 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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 \$1,798,525 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, 2021 and 2020



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

CITY OF LOS FRESNOS, TEXAS CHANGES IN NET POSITION SEPTEMBER 30, 2021

(With Comparative Totals as of September 30, 2020)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 1,360,836	\$ 1,000,622	\$ 3,197,298	\$ 2,839,132	\$ 4,558,134	\$ 3,839,754
Operating grants and contributions	462,343	263,898	-	-	462,343	263,898
Capital grants and contributions	511,442	1,031,597	-	-	511,442	1,031,597
General Revenues:						
Property taxes, levied for general purposes	2,287,585	2,130,003	-	-	2,287,585	2,130,003
Sales Taxes	1,571,784	1,352,897	-	-	1,571,784	1,352,897
Franchise Taxes	397,155	396,346	-	-	397,155	396,346
Miscellaneous	184,232	201,579	44,958	73,615	229,190	275,194
Total Revenues	6,775,377	6,376,942	3,242,256	2,912,747	10,017,633	9,289,689
Expenses:						
General government	937,247	603,007	-	-	937,247	603,007
Public safety	2,280,504	2,137,303	-	-	2,280,504	2,137,303
Highways and streets	462,291	482,769	-	-	462,291	482,769
Health and welfare	458,356	380,257	-	-	458,356	380,257
Culture and Recreation	745,110	739,322	-	-	745,110	739,322
Interest on long-term debt	280,779	299,102	-	-	280,779	299,102
Water	-	-	1,598,835	1,302,642	1,598,835	1,302,642
Sewer	-	-	1,455,986	1,361,054	1,455,986	1,361,054
Total Expenses	5,164,287	4,641,760	3,054,821	2,663,696	8,219,108	7,305,456
Increase/(decrease) in net position before transfers	1,611,090	1,735,182	187,435	249,051	1,798,525	1,984,233
Transfers	244,210	-	(244,210)	-	-	-
Increase in net position	1,855,300	1,735,182	(56,775)	249,051	1,798,525	1,984,233
Net position--beginning	9,202,279	7,467,097	22,190,995	21,941,944	31,393,274	29,409,041
Net position--ending	\$ 11,057,579	\$ 9,202,279	\$ 22,134,220	\$ 22,190,995	\$ 33,191,799	\$ 31,393,274

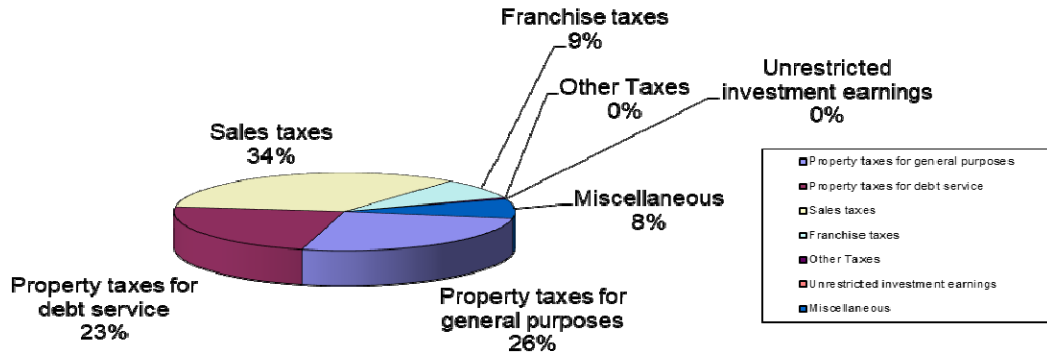
Governmental Activities. During the current fiscal year, revenues increased by \$398,435. The main reason for the increase in revenue was due to an increase in grant funds received. During the current fiscal year, expenses increased by \$522,527.

Business Type Activities. For the City of Los Fresnos' business-type activities, the results for the current fiscal year were an increase to overall net position with an ending balance of \$22,134,220. The total decrease in net position for business-type activities was \$56,775 or 0.28% from the prior fiscal year. The main reason for the decrease is due to an increase in water and sewer expenses compared to the prior year.

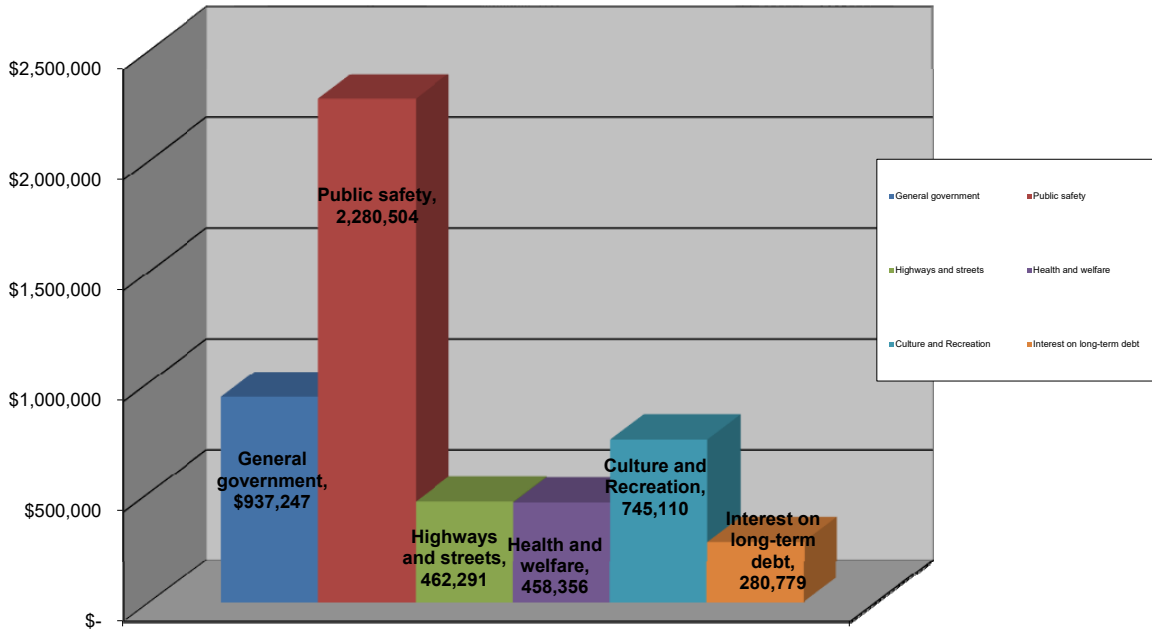
Component Unit. Net position increased by \$167,184.

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

Revenues by Source Governmental Activities

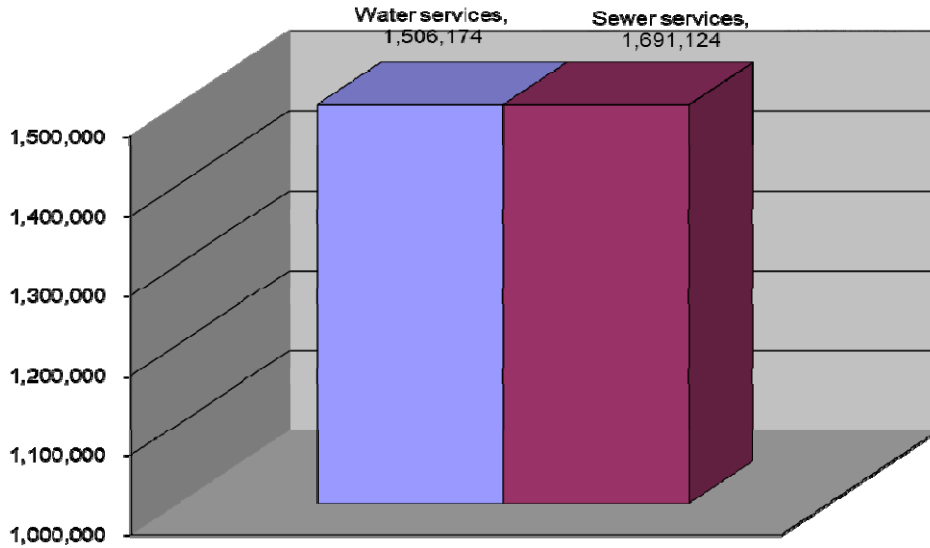


Expenses-Governmental Activities

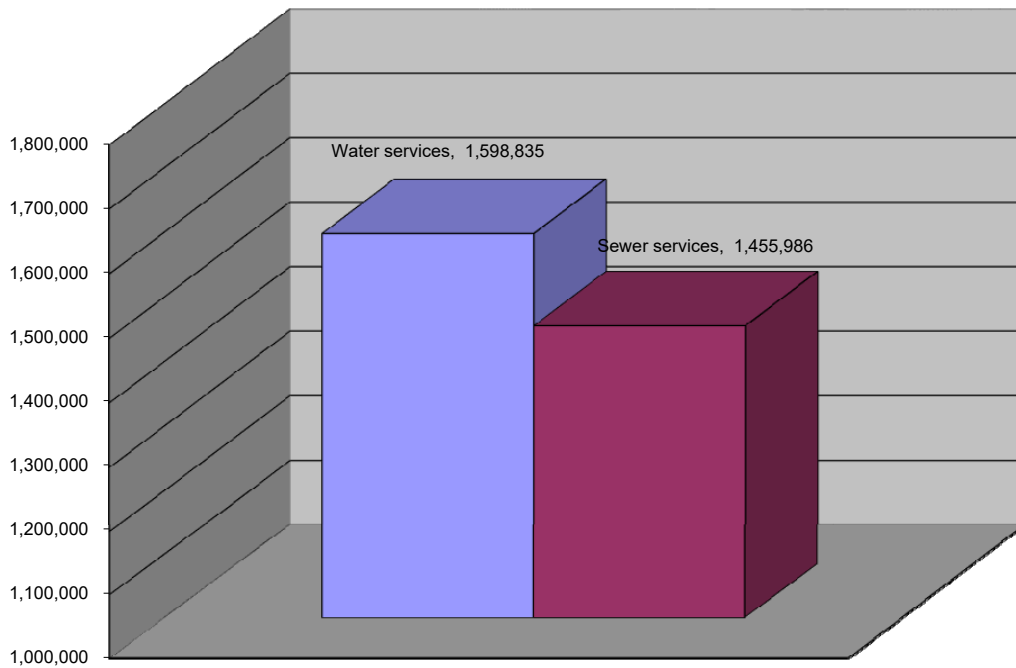


City of Los Fresnos, Texas Management's Discussion and Analysis

Program Revenues-Business-type Activities

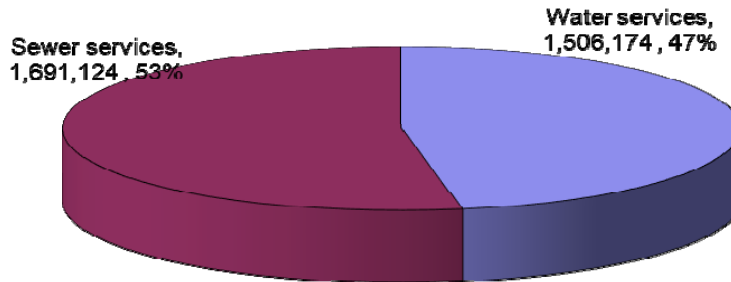


Expenses-Business-type Activities



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 \$2,696,411, a decrease of \$98,394 in comparison with the prior year. Approximately 90.0% of this amount, \$2,431,826 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 \$2,399,421. 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, \$717,534, during the current fiscal year. Key factors in this increase are as follows:

- Sales tax and franchise tax revenue increased by \$219,696 during the year.
- Capital outlay decreased by \$1,068,215 during the year.

The debt service fund has a total fund balance of \$26,488. The net increase in fund balance during the current year in the debt service fund was \$39,068.

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 Water and Sewer Fund at the end of the year amounted to \$331,372 out of a total net position balance of \$22,134,220, which represents a decrease from the prior year of \$56,775 (net income).

General Fund Budgetary Highlights

Final budget compared to actual results.

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

<u>Revenue Resource</u>	Estimated <u>Revenues</u>	Actual <u>Revenues</u>	<u>Difference</u>
Fines and forfeitures	\$442,631	\$901,204	\$458,573
Intergovernmental	128,460	528,007	399,547

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>
Public safety	\$2,071,881	\$2,183,008	\$(111,127)

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

<u>Expenditure Resource</u>	Original <u>Budget</u>	Final Amended <u>Budget</u>	<u>Difference</u>
Capital outlay	\$31,490	\$370,795	\$(339,305)

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, 2021, amounts to \$44,252,452 (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, 2020**

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
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	2,874,318	1,558,161	2,811,973	1,179,690	5,686,291	2,737,851
Capital assets, being depreciated:						
Buildings and system	5,163,170	5,138,902	-	-	5,163,170	5,138,902
Improvements other than buildings	-	-	123,053	123,053	123,053	123,053
Machinery and equipment	2,602,664	2,391,526	2,902,354	2,902,354	5,505,018	5,293,880
Infrastructure	10,330,091	9,847,865	30,673,576	30,547,035	41,003,667	40,394,900
Accumulated depreciation	(5,214,047)	(4,557,528)	(9,724,835)	(8,998,326)	(14,938,882)	(13,555,854)
Total capital assets	<u>\$ 16,946,922</u>	<u>\$ 15,569,652</u>	<u>\$ 27,305,530</u>	<u>\$ 26,273,215</u>	<u>\$ 44,252,452</u>	<u>\$ 41,842,867</u>

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

- Construction on Henderson Road Improvements \$822,119
- Construction on Los Fresnos Hike and Bike Trail \$410,450
- Construction on Wastewater Treatment Plant \$1,435,555
- Nature Park Birding Center \$122,492
- Drainage Project \$356,710

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 \$19,856,042, 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, 2020

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 8,045,000	\$ 8,605,000	\$ -	\$ -	\$ 8,045,000	\$ 8,605,000
Revenue bonds	-	-	11,810,042	7,129,042	11,810,042	7,129,042
Total	\$ 8,045,000	\$ 8,605,000	\$11,810,042	\$ 7,129,042	\$ 19,855,042	\$ 15,734,042

The City of Los Fresnos' General Obligation and Revenue Bonds increased by \$4,121,000 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 2021-2022 fiscal year budget:

- The City anticipates an increase in property tax values and kept its current property tax rate consistent with the previous year.
- Based on historical trends, the City projected a 4% increase in sales tax revenue.
- The unemployment rate for Cameron County is currently 6.8 percent at the end of 2021. The rate represents a decrease compared to 10.9 percent in 2020. This compares unfavorably to the state's average unemployment rate of 4.4 percent and unfavorably to the national average rate of 3.6 percent.
- The City has kept a conservative attitude towards the budget preparation and was able to present and approve a balance budget for the General Fund.

During the current fiscal year, the unassigned fund balance in the general fund increased to \$2,399,421. The City of Los Fresnos has appropriated \$4,388,333 for spending in the 2021-2022 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 Director of Finance, 520 East Ocean Boulevard, Los Fresnos, Texas 78566.



FINANCIAL STATEMENTS



City of Los Fresnos, Texas
STATEMENT OF NET POSITION

September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business - type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,213,367	\$ 2,100,302	\$ 5,313,669	\$ 357,129
Restricted cash	154,569	6,236,502	6,391,071	-
Receivables, net	388,837	239,665	628,502	44,746
Due from other governments	72,628	-	72,628	-
Internal balances	643,337	(643,337)	-	-
Due from component unit/primary government	189	-	189	-
Capital assets, net				
Capital assets not being depreciated	4,065,045	3,331,382	7,396,427	-
Capital assets, net of accumulated depreciation	12,881,877	23,974,248	36,856,125	-
Total assets	21,431,326	35,238,762	56,670,088	401,875
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	94,682	49,672	144,354	-
Deferred outflows related to OPEB	31,944	16,759	48,703	-
Total deferred outflows of resources	126,626	66,431	193,057	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	\$ 21,557,952	\$ 35,305,193	\$ 56,863,145	\$ 401,875
LIABILITIES				
Accounts payable	\$ 438,453	\$ 281,159	\$ 719,612	\$ 10,823
Accrued expenses	399,489	283,223	682,712	10,154
Unearned revenues	970,949	-	970,949	-
Due to component unit/primary government	-	-	-	189
Non-current liabilities				
Due within one year	615,000	682,471	1,297,471	-
Due in more than one year	7,430,000	11,584,959	19,014,959	-
Net pension liability	432,958	227,140	660,098	-
OPEB liability	121,179	63,574	184,753	-
Total liabilities	10,408,028	13,122,526	23,530,554	21,166
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	83,792	43,959	127,751	-
Deferred inflows related to OPEB	8,553	4,488	13,041	-
Total deferred inflows of resources	92,345	48,447	140,792	-
NET POSITION				
Net investment in capital assets	9,004,102	21,217,848	30,221,950	-
Restricted for debt service	26,488	585,000	611,488	-
Restricted for Hike and Bike project	52,367	-	52,367	-
Unrestricted	1,974,622	331,372	2,305,994	380,709
Total net position	11,057,579	22,134,220	33,191,799	380,709
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
	\$ 21,557,952	\$ 35,305,193	\$ 56,863,145	\$ 401,875

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, 2021

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities:				
General government	\$ 937,247	\$ 414,460	\$ -	\$ 250,498
Public safety	2,280,504	923,108	45,000	-
Highways and streets	462,291	-	-	-
Health and welfare	458,356	4,845	417,343	140,664
Culture and recreation	745,110	18,423	-	120,280
Interest and other issuance fees	280,779	-	-	-
Total governmental activities	5,164,287	1,360,836	462,343	511,442
Business - type activities:				
Water services	1,598,835	1,506,174	-	-
Sewer services	1,455,986	1,691,124	-	-
Total business-type activities	3,054,821	3,197,298	-	-
Total primary government	\$ 8,219,108	\$ 4,558,134	\$ 462,343	\$ 511,442
Component Unit				
Community development services	\$ 353,603	\$ -	\$ -	\$ -

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

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	
\$ (272,289)	\$ -	\$ (272,289)	\$ -
(1,312,396)	-	(1,312,396)	-
(462,291)	-	(462,291)	-
104,496	-	104,496	-
(606,407)	-	(606,407)	-
(280,779)	-	(280,779)	-
(2,829,666)	-	(2,829,666)	-
-	-	-	-
-	(92,661)	(92,661)	-
-	235,138	235,138	-
-	142,477	142,477	-
(2,829,666)	142,477	(2,687,189)	-
-	-	-	(353,603)
1,222,630	-	1,222,630	-
1,064,955	-	1,064,955	-
1,571,784	-	1,571,784	518,584
397,155	-	397,155	-
23,915	-	23,915	-
3,233	2,730	5,963	381
157,084	42,228	199,312	1,822
244,210	(244,210)	-	-
4,684,966	(199,252)	4,485,714	520,787
1,855,300	(56,775)	1,798,525	167,184
9,202,279	22,190,995	31,393,274	213,525
\$ 11,057,579	\$ 22,134,220	\$ 33,191,799	\$ 380,709

City of Los Fresnos, Texas
GOVERNMENTAL FUNDS
BALANCE SHEET

September 30, 2021

	General Fund	Tax Increment Financing Reinvestment Zone	Coronavirus Relief Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,896,048	\$ 146,170	\$ 970,949	\$ 66,501	\$ 133,699	\$ 3,213,367
Restricted cash	-	-	-	-	154,569	154,569
Receivables (net of allowance for uncollectibles)						
Taxes	210,509	-	-	23,279	-	233,788
Accounts	155,049	-	-	-	-	155,049
Due from other governments	18,583	26,545	-	-	27,500	72,628
Other	11,477	-	-	-	-	11,477
Due from other funds	1,125,486	-	-	3,927	110,016	1,239,429
Due from component unit	189	-	-	-	-	189
TOTAL ASSETS	\$ 3,417,341	\$ 172,715	\$ 970,949	\$ 93,707	\$ 425,784	\$ 5,080,496
LIABILITIES						
Accounts payable	\$ 413,555	\$ 423	\$ -	\$ -	\$ 24,475	\$ 438,453
Accrued expenditures	271,628	-	-	-	3,025	274,653
Due to other funds	251,018	174,613	-	\$ 45,000	125,461	596,092
Unearned revenues	-	-	970,949	-	-	970,949
TOTAL LIABILITIES	936,201	175,036	970,949	45,000	152,961	2,280,147
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	81,719	-	-	22,219	-	103,938
TOTAL DEFERRED INFLOWS OF RESOURCES	81,719	-	-	22,219	-	103,938
FUND BALANCES						
Restricted						
Hike and Bike project	-	-	-	-	52,367	52,367
TIRZ	-	-	-	-	-	-
Capital projects	-	-	-	-	212,218	212,218
Unassigned	2,399,421	(2,321)	-	26,488	8,238	2,431,826
Total fund balances	2,399,421	(2,321)	-	26,488	272,823	2,696,411
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,417,341	\$ 172,715	\$ 970,949	\$ 93,707	\$ 425,784	\$ 5,080,496

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

City of Los Fresnos, Texas

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

<u>September 30, 2021</u>	<u>Governmental Activities</u>
Total fund balances	\$ 2,696,411
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.	16,946,922
Property tax revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.	103,938
Some liabilities, including bonds and capital leases payable, are not due in the current period and therefore are not reported in the funds.	(8,045,000)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$(432,958), a deferred resource inflow in the amount of \$(83,792), and a deferred resource outflow in the amount of \$94,682. This resulted in an decrease in net position of \$(422,068).	(422,068)
Included in the noncurrent liabilities is the recognition of the City's OPEB liability required by GASB 75 in the amount of \$(121,179), a deferred resource inflow in the amount of \$(8,553), and a deferred resource outflow in the amount of \$31,944. This resulted in a decrease in net position of \$(97,788).	(97,788)
Interest on long-term debt (\$59,146) and compensated absences (\$65,690) are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(124,836)
<u>Net position of governmental activities</u>	<u>\$ 11,057,579</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, 2021

	General Fund	Tax Increment Financing Reinvestment Zone	Coronavirus Relief Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 1,219,134	\$ 447,494	\$ -	\$ 620,104	\$ -	\$ 2,286,732
Nonproperty taxes	1,992,854	-	-	-	-	1,992,854
Fines and forfeitures	901,204	-	-	-	11,521	912,725
Licenses and permits	176,266	-	-	-	-	176,266
Charges for services	271,845	-	-	-	-	271,845
Intergovernmental	528,007	-	-	-	250,499	778,506
Grant income	-	-	-	-	75,000	75,000
Miscellaneous and program revenues	60,434	26,545	-	45,000	25,105	157,084
Interest and investment income	2,497	295	-	73	358	3,223
Total revenues	5,152,241	474,334	-	665,177	362,483	6,654,235
Expenditures						
Current						
General government	702,071	-	-	-	6,092	708,163
Public safety	2,183,008	-	-	-	-	2,183,008
Highways and streets	302,062	-	-	-	-	302,062
Health and welfare	459,794	-	-	-	-	459,794
Culture and recreation	479,241	-	-	-	-	479,241
Capital outlay	471,031	822,118	-	-	730,643	2,023,792
Debt service						
Principal retirement	-	-	-	560,000	-	560,000
Interest and fiscal agent fees	-	-	-	274,578	-	274,578
Administrative costs	-	-	-	6,201	-	6,201
Total expenditures	4,597,207	822,118	-	840,779	736,735	6,996,839
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	555,034	(347,784)	-	(175,602)	(374,252)	(342,604)
Other financing sources (uses)						
Transfers in	162,500	-	-	214,670	81,710	458,880
Transfers out	-	(214,670)	-	-	-	(214,670)
Total other financing sources (uses)	162,500	(214,670)	-	214,670	81,710	244,210
NET CHANGE IN FUND BALANCES	717,534	(562,454)	-	39,068	(292,542)	(98,394)
Fund balances, beginning of year	1,681,887	560,133	-	(12,580)	565,365	2,794,805
Fund balances, end of year	\$ 2,399,421	\$ (2,321)	\$ -	\$ 26,488	\$ 272,823	\$ 2,696,411

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, 2021</i>	Governmental Activities
Net change in fund balances -- total governmental funds	\$ (98,394)
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 (\$656,519) was exceeded by capital outlay of \$1,913,509.	1,256,990
Adjustment to record capital contributions is reflected in the government-wide financial statements which increases net position.	120,280
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.	862
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 \$3,174 and the change in accrued interest of (\$8,157).	(4,983)
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 12/31/20 caused the change in the ending net position to increase in the amount of \$69,380. 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 an decrease in the change in net position totaling \$(75,267). The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by \$38,448. The result of these changes is to increase the change in net position by \$32,561.	32,561
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 12/31/20 caused the change in the ending net position to increase in the amount of \$1,818. 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 \$(1,968). The City's reported net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$(11,866). The result of these changes is to decrease the change in net position by \$(12,016).	(12,016)
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.	560,000
Change in net position of governmental activities	\$ 1,855,300

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, 2021</i>	Enterprise Fund
	Water & Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,100,302
Service receivables, net	239,665
Due from other funds	114,624
Total current assets	2,454,591
Noncurrent assets	
Restricted noncurrent assets	
Cash and cash equivalents	6,236,502
Total restricted assets	6,236,502
Capital assets	
Land	105,759
Vehicles	247,955
Warehouse lot improvements	123,053
Furniture and equipment	134,099
Water treatment and distribution	7,173,027
Elevated storage tank	1,533,233
Water treatment equipment	67,039
Water meters	840,031
Water rights	413,650
Sanitary sewer system	23,500,654
Sewer system equipment	79,992
Construction in progress	2,811,973
	37,030,465
Accumulated depreciation	(9,724,835)
Total capital assets	27,305,630
Total non current assets	33,542,132
Deferred outflows of resources	
Deferred outflows related to pension liabilities	49,672
Deferred outflows related to OPEB	16,759
Total deferred outflows of resources	66,431
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 36,063,154

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, 2021</i>	Enterprise Fund
	Water & Sewer Fund
LIABILITIES	
Current liabilities	
Current maturities of long-term debt	\$ 682,471
Accounts payable	281,159
Accrued expenses and other liabilities	263,245
Accrued interest on revenue bonds	19,978
Due to other funds	757,961
Total current liabilities	2,004,814
Long-term liabilities	
Meter deposits	222,328
Net pension liability	227,140
OPEB liability	63,574
Capital lease payable	137,589
Revenue bonds payable	11,225,042
Total long-term liabilities	11,875,673
Total liabilities	13,880,487
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	
Pension related	43,959
OPEB related	4,488
Total deferred inflows of resources	48,447
NET POSITION	
Net investment in capital assets	21,217,848
Restricted for debt service	585,000
Unrestricted	331,372
Total net position	22,134,220
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 36,063,154

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

<i>For the fiscal year ended September 30, 2021</i>	Enterprise Fund
	Water & Sewer Fund
Operating revenues	
Current user charges	\$ 3,134,362
Penalties	62,936
Total operating revenues	3,197,298
Operating expenses	
Administration	901,616
Employee benefits	183,430
Materials and supplies	233,808
Repairs and maintenance	344,007
Water purchases	39,107
Other operating expenses	479,061
Depreciation	726,509
Total operating expenses	2,907,538
Operating income	289,760
Nonoperating revenues (expenses)	
Miscellaneous income	42,228
Miscellaneous expense	-
Capital outlay	-
Interest income	2,730
Interest expense	(147,283)
Total nonoperating expenses	(102,325)
Net income before transfers	187,435
Transfers	
Transfers in	575,670
Transfers out	(819,880)
Total transfers	(244,210)
CHANGE IN NET POSITION	(56,775)
Net position, beginning of year	22,190,995
Net position, end of year	\$ 22,134,220

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, 2021</i>	Enterprise Fund Water & Sewer Fund
Cash flows from operating activities	
Receipts from customers	\$ 3,293,505
Payments to suppliers	(1,736,559)
Payments to employees	(34,756)
Net cash provided by operating activities	1,522,190
Cash flows from noncapital financing activities	
Transfers in	575,670
Transfers (out)	(819,880)
Net cash used in noncapital financing activities	(244,210)
Cash flows from capital and related financing activities	
Purchase of capital assets	(1,758,924)
Bond proceeds received	5,225,000
Principal paid on long-term debt	(612,085)
Interest paid on long-term debt	(147,283)
Net cash used in capital and related financing activities	2,706,708
Cash flows from (to) investing activities	
Interest income received	2,730
Net cash provided by investing activities	2,730
Net increase in cash and cash equivalents	3,987,418
Cash and cash equivalents, beginning of year	4,349,386
Cash and cash equivalents, end of year	\$ 8,336,804
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 289,760
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation	726,509
Miscellaneous	42,228
(Increase) decrease in receivables	(40,686)
(Increase) decrease in due from other funds	224,115
(Increase) decrease in deferred outflows	(7,748)
Increase (decrease) in accounts payable	121,805
Increase (decrease) in accrued expenses and other liabilities	158,330
Increase (decrease) in meter deposits	9,785
Increase (decrease) in net pension liability	(9,354)
Increase (decrease) in OPEB liability	12,021
Increase (decrease) in deferred inflows	(4,575)
Net cash provided by operating activities	\$ 1,522,190

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

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NOTES TO FINANCIAL STATEMENTS



City of Los Fresnos, Texas Notes to Financial Statements

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 *Tax Increment Financing Reinvestment Zone Fund* is reported as a major fund. It is used to help finance costs of redevelopment and promotion of growth in areas.

The *Coronavirus Relief Fund* is reported as a major fund. It is used to provide funds for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 during the period that begins March 1, 2020 and ends on December 31, 2021.

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.

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.

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 proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. 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, 2022.

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).

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

m. Compensated Absences

The City's policy allows employees to accumulate unused vacation pay up to 120 days. Unused sick leave is not paid upon termination.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. 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.

o. Comparative Data

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

p. 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.

q. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 27, 2022 and determined there were no events that occurred that required disclosure.

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, a major fund, and is presented in the required 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.

City of Los Fresnos, Texas
Notes to 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, 2021 expenditures exceeded appropriations in five departments in the General Fund. These amounts were attributed to underestimation of actual expenditures and unforeseen costs in the overtime, supplies, and purchase of two vehicles. The departments and the excess expenditures over appropriations are as follows:

General government	\$ (24,711)
Public safety	(111,127)
Highways and streets	(4,654)
Health and welfare	(51,608)
Capital outlay	(100,236)

Deficit Fund Equity

At September 30, 2021 the City reported a negative fund balance for the Tax Increment Financing Reinvestment Zone Fund in the amount of (\$2,321) and the Grant Group Fund in the amount of (\$22,313).

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, 2021, 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.

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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.

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 \$1,941,063 are included for financial reporting purposes in cash and cash equivalents on the Statement of Net Position as of September 30, 2021.

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, 2021.

As of September 30, 2021, 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, 2021, consist of the following:

	Primary Government				Component
	General Fund	Water and Sewer Fund	Non-Major and Other	Total	Unit Community Development Corporation
Receivables					
Taxes	\$ 222,019	\$ -	\$ 26,515	\$ 248,534	\$ 44,746
Accounts	155,049	296,044	-	451,093	-
Intergovernmental	18,583	-	54,045	72,628	-
Other	11,477	-	-	11,477	-
Gross receivables	407,128	296,044	80,560	783,732	44,746
Less allowance for uncollectibles	11,510	56,379	3,236	71,125	-
Total receivables, net	\$ 395,618	\$ 239,665	\$ 77,324	\$ 712,607	\$ 44,746

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, 2021 is as follows:

Governmental Activities

	Balance October 1, 2020	Additions	Transfers/ Reclassifications	Retirements/ Disposals	Balance September 30, 2021
Capital assets, not being depreciated					
Land	\$ 1,190,726	\$ -	\$ -	\$ -	\$ 1,190,726
Construction in progress	1,558,161	1,795,360	(479,202)	-	2,874,319
Total capital assets, not being depreciated	2,748,887	1,795,360	(479,202)	-	4,065,045
Capital assets, being depreciated					
Buildings	5,138,902	24,267	-	-	5,163,169
Machinery & equipment	2,391,526	211,137	-	-	2,602,663
Infrastructure	9,847,865	3,025	479,202	-	10,330,092
	17,378,293	238,429	479,202	-	18,095,924
Less accumulated depreciation for:					
Buildings	(744,679)	(101,881)	-	-	(846,560)
Machinery & equipment	(1,751,090)	(142,792)	-	-	(1,893,882)
Infrastructure	(2,061,759)	(411,846)	-	-	(2,473,605)
Total accumulated depreciation	(4,557,528)	(656,519)	-	-	(5,214,047)
Total capital assets, being depreciated, net	12,820,765	(418,090)	479,202	-	12,881,877
Governmental activities, capital assets, net	\$ 15,569,652	\$ 1,377,270	\$ -	\$ -	\$ 16,946,922

Depreciation was charged to government functions as follows:

General government	\$ 115,951
Public safety	112,210
Highways and streets	160,435
Culture and recreation	<u>267,923</u>
Total depreciation - governmental activities	<u>\$656,519</u>

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS – Continued

Business-type Activities

	Beginning Balance October 1, 2020	Additions	Transfers/ Reclassifications	Retirements/ Disposals	Ending Balance September 30, 2021
Capital assets, not being depreciated					
Land	\$ 105,759	\$ -	\$ -	\$ -	\$ 105,759
Water rights	413,650	-	-	-	413,650
Construction in progress	1,179,690	1,632,283	-	-	2,811,973
Total capital assets, not being depreciated	1,699,099	1,632,283	-	-	3,331,382
Capital assets, being depreciated					
Improvements	123,053	-	-	-	123,053
Equipment	2,902,354	-	-	-	2,902,354
Utility systems	30,547,035	126,641	-	-	30,673,676
	33,572,442	126,641	-	-	33,699,083
Less accumulated depreciation for:					
Improvements	(40,087)	(10,001)	-	-	(50,088)
Equipment	(1,491,129)	(95,046)	-	-	(1,586,175)
Utility systems	(7,467,110)	(621,462)	-	-	(8,088,572)
Total accumulated depreciation	(8,998,326)	(726,509)	-	-	(9,724,835)
Total capital assets, being depreciated, net	24,574,116	(599,868)	-	-	23,974,248
Business type activities, capital assets, net	\$ 26,273,215	\$ 1,032,415	\$ -	\$ -	\$ 27,305,630

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

Water	\$211,642
Sewer	514,867
Total depreciation – business-type activities	<u>\$726,509</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 \$970,949 in unearned revenue related to the Coronavirus Relief Fund for revenues not yet utilized.

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, 2021 were \$81,719 and \$22,219, respectively.

In governmental activities, deferred outflows of resources consist of \$74,682 and \$31,944 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$94,682 and \$8,553 at September 30, 2021, respectively.

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 7: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

In governmental activities, deferred outflows of resources consist of \$74,682 and \$31,944 of deferred charges related to pension liabilities and OPEB liabilities, respectively. Deferred inflows related to pension liabilities and OPEB liabilities are \$83,792 and \$8,553 at September 30, 2021, respectively.

NOTE 8: LONG-TERM DEBT

Changes in Long-term Liabilities

During the year ended September 30, 2021, the following changes occurred in liabilities reported in the long-term debt in governmental activities:

	Balance at October 1, 2020	Additions	Reductions	Balance at September 30, 2021	Amounts Due Within One Year
General obligation debt	\$ 8,605,000	\$ -	\$ (560,000)	\$ 8,045,000	\$ 615,000
	<u>\$ 8,605,000</u>	<u>\$ -</u>	<u>\$ (560,000)</u>	<u>\$ 8,045,000</u>	<u>\$ 615,000</u>

During the year ended September 30, 2021, the following changes occurred in liabilities reported in the long-term debt in business-type activities:

	Balance at October 1, 2020	Additions	Reductions	Balance at September 30, 2021	Amounts Due Within One Year
Water Meter Deposits	\$ 232,543	\$ 40,750	\$ (30,965)	\$ 242,328	\$ 20,000
Capital lease obligation	283,145	-	(68,085)	215,060	77,471
Revenue Bonds	7,129,042	5,225,000	(544,000)	11,810,042	585,000
	<u>\$ 7,644,729</u>	<u>\$ 5,265,750</u>	<u>\$ (643,050)</u>	<u>\$ 12,267,430</u>	<u>\$ 682,471</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 1st 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

	Original Balance	Interest Rate(s)	Balance at October 1, 2020	Additions	Reductions	Balance at September 30, 2021	Amounts Due Within One Year
Series 2005 Combination Tax and Limited Pledge Revenue Certificates of Obligation	\$ 2,100,000	3.6%	\$ 710,000	\$ -	\$ 125,000	\$ 585,000	\$ 135,000
Series 2014 Combination Tax and Limited Pledge Revenue Certificates of Obligation	3,045,000	2.75%	2,560,000	-	135,000	2,425,000	145,000
Series 2017 Combination Tax and Limited Pledge Revenue Certificate of Obligation	4,800,000	2.84%	4,605,000	-	160,000	4,445,000	195,000
Texas Tax Note Series 2018	1,000,000	2.93%	730,000	-	140,000	590,000	140,000
			\$ 8,605,000	\$ -	\$ 560,000	\$ 8,045,000	\$ 615,000

The annual debt service requirements to maturity for Certificates of obligation, including interest of \$1,579,205 are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2022	\$ 615,000	\$ 257,316	\$ 872,316
2023	675,000	235,727	910,727
2024	745,000	212,158	957,158
2025	815,000	186,490	1,001,490
2026	710,000	161,849	871,849
2027-2031	3,430,000	476,104	3,906,104
2032-2035	1,055,000	49,561	1,104,561
	\$ 8,045,000	\$ 1,579,205	\$ 9,624,205

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 8: LONG-TERM DEBT (Continued)

Business-Type Activities

Revenue Bonds

	Original Balance	Interest Rate(s)	Balance at October 1, 2020	Additions	Reductions	Balance at September 30, 2021	Amounts Due Within One Year
Series 1984 Waterworks and Sewer System Revenue Bonds	\$ 590,000	5.0%	\$ 93,000	\$ -	\$ 31,000	\$ 62,000	\$ 31,000
Series 1984A Waterworks and Sewer System Revenue Bonds	40,000	9.5%	3,850	-	1,000	2,850	1,000
Series 1985 Waterworks and Sewer System Revenue Bonds	82,000	8.375%	19,192	-	7,000	12,192	7,000
Series 2002 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	360,000	3.81% - 5.76%	60,000	-	30,000	30,000	30,000
Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	2,200,000	4.25%	1,765,000	-	45,000	1,720,000	45,000
Series 2009 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	4,975,000	0.00%	3,835,000	-	190,000	3,645,000	190,000
Series 2009 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	391,000	5.11%	223,000	-	20,000	203,000	21,000
Series 2015 Combination Tax and Subordinate Lien Revenue Certificates of Obligation	1,000,000	0.36% - 1.68%	650,000	-	125,000	525,000	130,000
Series 2015A Combination Tax and Subordinate Lien Revenue Certificates of Obligation	820,000	0.34% - 1.38%	480,000	-	95,000	385,000	95,000
Series 2020A Combination Tax and Subordinate Lien Revenue Certificates of Obligation	3,625,000	2.92%	-	3,625,000	-	3,625,000	25,000
Series 2020B Combination Tax and Subordinate Lien Revenue Certificates of Obligation	1,600,000	2.92%	-	1,600,000	-	1,600,000	10,000
			\$ 7,129,042	\$ 5,225,000	\$ 544,000	\$ 11,810,042	\$ 585,000

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

Year Ending September 30,	Principal	Interest	Total Requirements
2022	\$ 585,000	\$ 142,309	\$ 727,309
2023	555,042	133,369	688,411
2024	603,000	124,897	727,897
2025	620,000	118,281	738,281
2026	561,000	113,137	674,137
2027-2031	2,921,000	499,681	3,420,681
2032-2036	2,980,000	371,618	3,351,618
2037-2041	2,410,000	210,141	2,620,141
2042-2046	400,000	97,325	497,325
2047-2050	175,000	16,787	191,787
	\$ 11,810,042	\$ 1,827,545	\$ 13,637,587

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, 2021 which is included in depreciation expense. Lease payments are due annually beginning June 22, 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, 2021.

	Business-Type Activities
Year Ending September 30,	Water Meter Lease
2022	\$ 83,672
2023	83,672
2024	83,672
Total minimum lease payments	251,016
Less the amount representing interest	(35,956)
Present value of net minimum lease payments	\$ 215,060

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 \$3,363 for the year ending September 30, 2021.

Year ending September 30, 2022	<u>\$ 2,802</u>
Total minimum future rentals	<u>\$ 2,802</u>

NOTE 10: OTHER LIABILITIES

The City has the following change in other liabilities for the year ending September 30, 2021:

	Balance at October 1, 2020	Additions	Reductions	Balance at September 30, 2021
Governmental Activities				
Compensated absences	\$ 68,864	\$ 5,931	\$ (9,105)	\$ 65,690
	<u>\$ 68,864</u>	<u>\$ 5,931</u>	<u>\$ (9,105)</u>	<u>\$ 65,690</u>

	Balance at October 1, 2020	Additions	Reductions	Balance at September 30, 2021
Business-type Activities				
Compensated absences	\$ 19,475	\$ 4,038	\$ -	\$ 23,513
	<u>\$ 19,475</u>	<u>\$ 4,038</u>	<u>\$ -</u>	<u>\$ 23,513</u>

NOTE 11: INTERFUND ASSETS/LIABILITIES

Due/to from within the primary government:

Interfund Payable/Receivable	Governmental activities				Business-type activities	Primary Government
	General	Debt Service Fund	Other Governmental Funds	Total	Water and Sewer Fund	Total
<i>Governmental activities</i>						
General Fund (including payroll fund)	\$ 160,531	\$ 3,927	\$ 86,560	\$ 251,018	\$ -	\$ 251,018
Debt Service Fund	45,000	-	-	45,000	-	45,000
TIRZ Fund	174,613	-	-	174,613	-	174,613
Other governmental funds	10,838	-	-	10,838	114,624	125,462
	<u>390,982</u>	<u>3,927</u>	<u>86,560</u>	<u>481,469</u>	<u>114,624</u>	<u>596,093</u>
<i>Business-type activities</i>						
Water and sewer fund	734,504	-	23,457	757,961	-	757,961
	<u>\$ 1,125,486</u>	<u>\$ 3,927</u>	<u>\$ 110,017</u>	<u>\$ 1,239,430</u>	<u>\$ 114,624</u>	<u>\$ 1,354,054</u>

Due/to from primary government/component unit:

<u>Payable Fund</u> Community Development Corporation	<u>Receivable Fund</u> <u>General</u> <u>\$189</u>
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City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 12: 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, 2021 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 2020-2021 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 \$100,289 and \$105,441, respectively.

For the year ending September 30, 2021, 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	\$3,842,440	\$1,132,560	\$ -	\$1,132,560
TWDB – DWSRF Loan – Water Treatment Plant Expansion	3,625,000	203,728	3,421,272	11,698	3,409,574
TWDB – CWSRF Loan – Sewer Extension and Lift Station Improvements	1,600,000	7,000	1,593,000	-	1,593,000

NOTE 13: 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 14: 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.

NOTE 14: RISK MANAGEMENT (Continued)

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 15: 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.tMrs.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, **2020** valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>57</u> 108

NOTE 15: PENSION PLANS (Continued)

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.

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 7.25% and 7.34% in calendar year 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$161,107, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 15: PENSION PLANS (Continued)

The actuarial assumptions used in the December 31, 2020 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of 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 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.0%	11.98%
Core Fixed Income	10.0%	4.80%
Non-Core Fixed Income	20.0%	5.44%
Real Return	10.0%	5.33%
Real Estate	10.0%	7.99%
Absolute Return	10.0%	5.38%
Private Equity	<u>10.0%</u>	13.76%
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 15: PENSION PLANS (Continued)

Net Pension Liability

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/19	\$5,268,611	\$4,581,355	\$ 687,256
Changes for the year:			
Service cost	213,382	-	213,382
Interest	357,459	-	357,459
Diff between expected/actual experience	15,266	-	15,266
Contributions - employer	-	159,169	(159,169)
Contributions - employee	-	108,426	(108,426)
Net investment income	-	347,994	(347,994)
Benefit payments, including refunds of employee contributions	(159,221)	(159,221)	-
Administrative expenses	-	(2,250)	2,250
Other charges	-	(74)	74
Net changes	426,886	454,044	(27,158)
Balance at 12/31/20	\$5,695,497	\$5,035,399	\$ 660,098

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 \$432,958 and the business-type portion is \$227,140.

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	\$1,518,777	\$660,098	\$(36,821)

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.

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 15: PENSION PLANS (Continued)

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

For the year ended September 30, 2021 the City recognized pension expense in the amount of \$112,596. At September 30, 2021 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)	\$ 22,781	\$ 89
Changes in actuarial assumptions	3,743	-
Differences between projected and actual investment earnings (net of current year amortization)	-	127,662
Contributions subsequent to the measurement date	<u>117,830</u>	<u>-</u>
Total	<u>\$144,354</u>	<u>\$127,751</u>

\$117,830 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, 2022. 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 \$94,682 and the business-type portion is \$49,672. The governmental activities portion of deferred inflows of resources is \$83,792 and the business-type portion is \$43,959. 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>
2022	\$(38,368)
2023	10,186
2024	(68,250)
2025	(4,795)
2026	-
Thereafter	-

NOTE 16: 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>57</u>
	85

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 0.19% and 0.19% in calendar year **2020** and **2021**, respectively. The City’s contributions to SDBF for the year ended September 30, 2021 were \$4,208, and were equal to the required contributions.

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial assumptions:

The Total OPEB Liability in the December 31, **2020** actuarial valuation was determined using the following actuarial assumptions:

Valuation date:	12/31/ 2020
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates- service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates- disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The actuarial assumptions used in the December 31, **2020** valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

Total OPEB Liability

The City's Total OPEB Liability was measured as of December 31, **2020**, and was determined by an actuarial valuation as of that date.

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

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

	Increase (Decrease) Total OPEB Liability <u>(a)</u>
Balance at December 31, 2019	\$149,818
Changes for the year:	
Service cost	7,805
Interest	4,218
Change in benefit terms	-
Difference between expected/actual experience	(2,845)
Changes of assumptions	26,408
Contributions – employer	-
Contributions – employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(651)
Administrative expenses	-
Other charges	-
Net changes	<u>34,935</u>
Balance at December 31, 2020	<u>\$184,753</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 \$121,179 and the business-type portion is \$63,574.

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 2.00%, 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 (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease in Discount Rate <u>(1.00%)</u>	Discount Rate <u>(2.00%)</u>	1% Increase in Discount Rate <u>(3.00%)</u>
City’s total OPEB liability	\$230,286	\$184,753	\$150,617

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 16: OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2021 the City recognized combined OPEB expense in the amount of \$19,059. At September 30, 2021 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)	\$ 1,397	\$ 7,421
Changes in actuarial assumptions	44,218	5,620
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	<u>3,088</u>	<u>-</u>
Total	<u>\$ 48,703</u>	<u>\$ 13,041</u>

\$3,000 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, 2022. 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 \$31,944 and the business-type portion is \$16,759. The governmental activities portion of deferred inflows of resources is \$8,553 and the business-type portion is \$4,488. 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,

2022	\$ 7,034
2023	7,034
2024	6,482
2025	5,865
2026	4,488
Thereafter	1,671

City of Los Fresnos, Texas
Notes to Financial Statements

NOTE 17: FUND BALANCE

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

Unassigned – The unassigned fund balance has no constraints.

	General Fund	TIFRZ Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balance					
Restricted					
Hike and Bike project	\$ -	\$ -	\$ -	\$ 52,367	\$ 52,367
Capital projects	-	-	-	212,218	212,218
Unassigned	2,399,421	(2,321)	26,488	8,238	2,431,826
	<u>\$ 2,399,421</u>	<u>\$ (2,321)</u>	<u>\$ 26,488</u>	<u>\$ 272,823</u>	<u>\$ 2,696,411</u>

NOTE 18: NET POSITION

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

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$ 16,946,922	\$ 27,305,630
Less related liabilities (bonds and capital leases)	(8,045,000)	(12,025,102)
Restricted cash (unexpended bond proceeds)	102,180	5,937,320
Net investment in capital assets - total	9,004,102	21,217,848
Restricted net position consists of the following:		
Restricted for debt service	26,488	585,000
Restricted for Hike and Bike project	52,367	-
Restricted net position - total	78,855	585,000
Unrestricted net position	1,974,622	331,372
Total net position	<u>\$ 11,057,579</u>	<u>\$ 22,134,220</u>

NOTE 19: UNCERTAINTIES

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, 2021

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 1,294,148	\$ 1,318,148	\$ 1,219,134	\$ (99,014)
Nonproperty taxes	1,667,718	1,628,404	1,992,854	364,450
Charges for services	212,100	212,100	271,845	59,745
Fines and forfeitures	556,300	442,631	901,204	458,573
Intergovernmental	105,000	128,460	528,007	399,547
Licenses and permits	134,000	134,000	176,266	42,266
Miscellaneous and program revenues	21,600	21,600	60,434	38,834
Interest and investment income	6,000	6,000	2,497	(3,503)
Total revenues	3,996,866	3,891,343	5,152,241	1,260,898
Expenditures				
Current				
General government	651,444	677,300	702,071	(24,771)
Public safety	2,051,078	2,071,881	2,183,008	(111,127)
Highways and streets	274,759	297,408	302,062	(4,654)
Health and welfare	395,450	408,186	459,794	(51,608)
Culture and recreation	530,435	531,235	479,241	51,994
Capital outlay	31,490	370,795	471,031	(100,236)
Total expenditures	3,934,656	4,356,805	4,597,207	(240,402)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,210	(465,462)	555,034	1,020,496
Other financing sources (uses)				
Operating transfers in (out)	-	-	162,500	162,500
Total other financing sources (uses)	-	-	162,500	162,500
NET CHANGE IN FUND BALANCES	\$ 62,210	\$ (465,462)	717,534	\$ 1,182,996
Fund balance, beginning of year			1,681,887	
Fund balance, end of year			\$ 2,399,421	

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, 2021

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 436,536	\$ 436,536	\$ 447,494	\$ 10,958
Miscellaneous income	-	-	26,545	26,545
Interest and investment income	360	360	295	(65)
Total revenues	436,896	436,896	474,334	37,438
Expenditures				
General government	10,000	10,000	-	10,000
Capital outlay	-	-	822,118	(822,118)
Total expenditures	10,000	10,000	822,118	(812,118)
Excess (deficiency) of revenues over (under) expenditures	426,896	426,896	(347,784)	(774,680)
Other financing sources (uses)				
Transfers out	(214,670)	(214,670)	(214,670)	-
Total other financing sources (uses)	(214,670)	(214,670)	(214,670)	-
NET CHANGE IN FUND BALANCES	\$ 212,226	\$ 212,226	(562,454)	\$ (774,680)
Fund balance, beginning of year			560,133	
Fund balance, end of year			\$ (2,321)	

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, 2021, expenditures exceeded appropriations by the following amounts:

General Fund:

General government	\$ (24,771)
Public Safety	(111,127)
Highways and streets	(4,654)
Health and welfare	(51,608)
Capital outlay	(100,236)

Tax Increment Financing Reinvestment Zone Fund:

Capital outlay	\$ (822,118)
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Total expenditures were greater than appropriations in the amount of \$240,402 in the General Fund and \$812,118 in the Tax Increment Financing Reinvestment Zone Fund, 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,						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 213,382	\$ 209,596	\$ 197,995	\$ 139,534	\$ 135,370	\$ 132,364	\$ 113,965
Interest (on the total pension liability)	357,459	328,267	302,095	228,134	206,454	189,750	176,304
Changes of benefit terms	-	-	821,574	112,157	-	-	-
Difference between expected and actual experience	15,266	17,379	(221)	3,108	(28,718)	9,172	(46,512)
Change of assumptions	-	6,559	-	-	-	94,635	-
Benefit payments, including refunds of employee contributions	(159,221)	(103,212)	(132,664)	(119,048)	(93,273)	(65,845)	(55,907)
Net Change in Total Pension Liability	426,886	458,589	1,188,779	363,885	219,833	360,076	187,850
Total Pension Liability - Beginning	5,268,611	4,810,022	3,621,243	3,257,358	3,037,525	2,677,449	2,489,599
Total Pension Liability - Ending (a)	\$ 5,695,497	\$ 5,268,611	\$ 4,810,022	\$ 3,621,243	\$ 3,257,358	\$ 3,037,525	\$ 2,677,449
Plan Fiduciary Net Position							
Contributions - employer	\$ 159,169	\$ 147,221	\$ 61,823	\$ 29,085	\$ 15,266	\$ 19,310	\$ 18,441
Contributions - employee	108,426	105,008	99,395	95,050	91,964	92,822	83,081
Net investment income	347,994	594,142	(117,848)	478,542	217,879	4,685	169,445
Benefit payments, including refunds of employee contributions	(159,221)	(103,212)	(132,664)	(119,048)	(93,273)	(65,845)	(55,907)
Administrative expense	(2,250)	(3,356)	(2,277)	(2,480)	(2,460)	(2,854)	(1,769)
Other	(88)	(120)	(119)	(118)	(134)	(141)	(145)
Net Change in Plan Fiduciary Net Position	454,030	739,683	(91,690)	481,031	229,242	47,977	213,146
Plan Fiduciary Net Position - Beginning	4,581,369	3,841,672	3,933,362	3,452,331	3,223,089	3,175,112	2,961,966
Plan Fiduciary Net Position - Ending (b)	\$ 5,035,399	\$ 4,581,355	\$ 3,841,672	\$ 3,933,362	\$ 3,452,331	\$ 3,223,089	\$ 3,175,112
Net Pension Liability - Ending (a) - (b)	\$ 660,098	\$ 687,256	\$ 968,350	\$ (312,119)	\$ (194,973)	\$ (185,564)	\$ (497,663)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.41%	86.96%	79.87%	108.62%	105.99%	106.11%	118.59%
Covered Payroll	\$ 2,168,514	\$ 2,100,161	\$ 1,987,906	\$ 1,901,009	\$ 1,839,272	\$ 1,856,439	\$ 1,661,620
Net Pension Liability as a Percentage of Covered Payroll	30.44%	32.72%	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

	Fiscal Year Ended September 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 161,107	\$ 156,391	\$ 123,426	\$ 53,440	\$ 28,098	\$ 19,327	\$ 21,264
Contributions in relation to actuarially determined contribution	<u>(161,107)</u>	<u>(156,391)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,214,844	\$ 2,156,641	\$ 2,059,564	\$ 1,994,672	\$ 1,747,441	\$ 1,831,044	\$ 1,748,798
Contributions as a percentage of covered payroll	7.27%	7.25%	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	14 Years
Asset Valuation Method	10 Year Smoothed Market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience – based table of rates that are specific to the City’s plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(1) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information: There were no benefit changes during the year.

City of Los Fresnos, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System

	Plan Year Ended December 31,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 7,807	\$ 5,250	\$ 6,361	\$ 5,323
Interest (on the total OPEB liability)	4,218	4,609	4,058	3,889
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(2,845)	(7,366)	2,543	-
Change of assumptions	26,408	26,022	(10,237)	10,466
Benefit payments, including refunds of employee contributions	(651)	(630)	(398)	(570)
Net Change in Total OPEB Liability	<u>34,937</u>	<u>27,885</u>	<u>2,327</u>	<u>19,108</u>
Total OPEB Liability - Beginning	<u>149,816</u>	<u>121,931</u>	<u>119,604</u>	<u>100,496</u>
Total OPEB Liability - Ending	<u>\$ 184,753</u>	<u>\$ 149,816</u>	<u>\$ 121,931</u>	<u>\$ 119,604</u>
Covered Payroll	\$ 2,168,514	\$ 2,100,161	\$ 1,987,906	\$ 1,901,009
Total OPEB Liability as a Percentage of Covered Payroll	8.52%	7.13%	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.

No assets are accumulated in a trust that meets the criteria in of GASB Cod. Sec. P52.101 to pay related benefits.

Due to the Retiree Health OPEB being considered an unfunded OPEB plan under GASB Cod. Sec. P52, benefit payments are treated as being equal to the employer's yearly contribution for retirees.

Changes of assumptions reflect the effects of changes in the discount rate for the valuation period. The discount rate changed from 2.75% to 2.00% at the December 31, 2020 measurement date.

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OTHER SUPPLEMENTARY INFORMATION



City of Los Fresnos, Texas
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
September 30, 2021

	Special Revenue Fund		Capital Projects Funds					Total Non Major Governmental Funds
	Child Safety Fee Credit Fund	Park Dedication Fund	CO Series 2017	CO Series 2014	Community Development Block Grants	Grant Group Fund	Hike and Bike Fund	
ASSETS								
Cash and cash equivalents	\$ 5,749	\$ 24,802	\$ -	\$ -	\$ -	\$ 103,148	\$ -	\$ 133,699
Restricted cash	-	-	22	102,180	-	-	52,367	154,569
Receivables (net of allowance for uncollectibles)								
Due from other governments	-	-	-	-	27,500	-	-	27,500
Due from other funds	-	-	110,016	-	-	-	-	110,016
TOTAL ASSETS	\$ 5,749	\$ 24,802	\$ 110,038	\$ 102,180	\$ 27,500	\$ 103,148	\$ 52,367	\$ 425,784
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 24,475	\$ -	\$ -	\$ 24,475
Accrued expenses	-	-	-	-	3,025	-	-	3,025
Due to other funds	-	-	-	-	-	125,461	-	125,461
TOTAL LIABILITIES	-	-	-	-	27,500	125,461	-	152,961
FUND BALANCE								
Restricted								
Hike and Bike project	-	-	-	-	-	-	52,367	52,367
TIFRZ	-	-	-	-	-	-	-	-
Capital projects	-	-	110,038	102,180	-	-	-	212,218
Unassigned	5,749	24,802	-	-	-	(22,313)	-	8,238
Total fund balance	5,749	24,802	110,038	102,180	-	(22,313)	52,367	272,823
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 5,749	\$ 24,802	\$ 110,038	\$ 102,180	\$ 27,500	\$ 103,148	\$ 52,367	\$ 425,784

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, 2021

	Special Revenue Fund		Capital Projects Funds					Total
	Child Safety Fee Credit Fund	Park Dedication Fund	CO Series 2017	CO Series 2014	Community Development Block Grants	Grant Group Fund	Hike and Bike Fund	Non Major Governmental Funds
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	11,521	-	-	-	-	-	-	11,521
Intergovernmental	-	-	-	-	250,499	-	-	250,499
Grant income	-	-	-	-	-	-	75,000	75,000
Miscellaneous	315	24,790	-	-	-	-	-	25,105
Interest and investment income	5	12	-	-	-	-	341	358
Total revenues	11,841	24,802	-	-	250,499	-	75,341	362,483
Expenditures								
Current								
Public Safety	6,092	-	-	-	-	-	-	6,092
Capital outlay	-	-	-	-	319,807	386	410,450	730,643
Total expenditures	6,092	-	-	-	319,807	386	410,450	736,735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,749	24,802	-	-	(69,308)	(386)	(335,109)	(374,252)
Other financing sources (uses)								
Transfers in	-	-	-	-	81,710	-	-	81,710
Total other financing sources (uses)	-	-	-	-	81,710	-	-	81,710
NET CHANGE IN FUND BALANCES	5,749	24,802	-	-	12,402	(386)	(335,109)	(292,542)
Fund balance, beginning of year	-	-	110,038	102,180	(12,402)	(21,927)	387,476	565,365
Fund balance, end of year	\$ 5,749	\$ 24,802	\$ 110,038	\$ 102,180	\$ -	\$ (22,313)	\$ 52,367	\$ 272,823

City of Los Fresnos, Texas
GENERAL FUND
COMPARATIVE BALANCE SHEETS

<i>September 30,</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,896,048	\$ 1,327,053
Receivables (net of allowance for uncollectibles)		
Property taxes	76,270	89,103
Nonproperty taxes	134,239	116,772
Due from other governments	18,583	19,426
Service	155,049	177,793
Other	11,477	20,236
Due from other funds	1,125,486	783,037
Due from component unit	189	787
TOTAL ASSETS	\$ 3,417,341	\$ 2,534,207
LIABILITIES		
Accounts payable	\$ 413,555	\$ 535,452
Accrued expenditures	271,628	67,255
Due to other funds	251,018	171,390
TOTAL LIABILITIES	936,201	774,097
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	81,719	78,223
TOTAL DEFERRED INFLOWS OF RESOURCES	81,719	78,223
FUND BALANCE		
Unassigned	2,399,421	1,681,887
Total fund balance	2,399,421	1,681,887
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,417,341	\$ 2,534,207

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

<i>For the fiscal years ended September 30,</i>	2021	2020
Revenues		
Property taxes	\$ 1,219,134	\$ 1,187,036
Nonproperty taxes	1,992,854	1,766,733
Charges for services	271,845	260,202
Fines and forfeitures	901,204	597,048
Intergovernmental	528,007	323,898
Licenses and permits	176,266	143,372
Miscellaneous and program revenues	60,434	104,199
Interest and investment income	2,497	12,206
Total revenues	5,152,241	4,394,694
Expenditures		
Current		
General government	702,071	673,708
Public safety	2,183,008	2,004,472
Highways and streets	302,062	357,064
Health and welfare	459,794	377,945
Culture and recreation	479,241	476,266
Capital outlay	471,031	221,534
Debt service		
Principal retirement	-	48,435
Interest and fiscal agent fees	-	1,090
Total expenditures	4,597,207	4,160,514
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	555,034	234,180
Other financing sources (uses)		
Transfers in	162,500	-
Transfer out	-	(86,560)
Total other financing sources (uses)	162,500	(86,560)
NET CHANGE IN FUND BALANCES	717,534	147,620
Fund balance, beginning of year	1,681,887	1,534,267
Fund balance, end of year	\$ 2,399,421	\$ 1,681,887

City of Los Fresnos, Texas
SPECIAL REVENUE FUND
CHILD SAFETY CREDIT FUND
COMPARATIVE BALANCE SHEETS

<i>September 30,</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,749	\$ -
<hr/>		
TOTAL ASSETS	\$ 5,749	\$ -
<hr/>		
LIABILITIES		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
<hr/>		
TOTAL LIABILITIES	-	-
 FUND BALANCE		
Restricted		
Capital projects	-	-
Unassigned	5,749	-
<hr/>		
Total fund balance	5,749	-
<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,749	\$ -
<hr/>		

City of Los Fresnos, Texas
SPECIAL REVENUE FUND
CHILD SAFETY CREDIT FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

<i>For the fiscal years ended September 30,</i>	2021	2020
Revenues		
Fines and forfeitures	\$ 11,521	\$ -
Miscellaneous income	315	-
Interest and investment income	5	-
Total revenues	11,841	-
Expenditures		
Public Safety	6,092	-
Total expenditures	6,092	-
NET CHANGE IN FUND BALANCES	5,749	-
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ 5,749	\$ -

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

<i>September 30,</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 146,170	\$ 613,736
Due from other governments	26,545	-
TOTAL ASSETS	\$ 172,715	\$ 613,736
LIABILITIES		
Accounts payable	\$ 423	\$ 7,853
Due to other funds	174,613	45,750
Total liabilities	175,036	53,603
FUND BALANCE		
Restricted		
TIFRZ	-	560,133
Unassigned	(2,321)	-
Total fund balance	(2,321)	560,133
TOTAL LIABILITIES AND FUND BALANCE	\$ 172,715	\$ 613,736

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>	2021	2020
Revenues		
Property taxes	\$ 447,494	\$ 385,330
Miscellaneous	26,545	-
Interest and investment income	295	1,914
Total revenues	474,334	387,244
Expenditures		
General government	-	1,000
Capital outlay	822,118	268,677
Total expenditures	822,118	269,677
Excess (deficiency) of revenues over (under) expenditures	(347,784)	117,567
Other financing sources (uses)		
Transfers out	(214,670)	(173,575)
Total other financing sources (uses)	(214,670)	(173,575)
NET CHANGE IN FUND BALANCES	(562,454)	(56,008)
Fund balance, beginning of year	560,133	616,141
Fund balance, end of year	\$ (2,321)	\$ 560,133

City of Los Fresnos, Texas
SPECIAL REVENUE FUNDS
CORONAVIRUS RELIEF FUND
COMPARATIVE BALANCE SHEETS

<i>September 30,</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 970,949	\$ -
TOTAL ASSETS	\$ 970,949	\$ -
LIABILITIES		
Unearned revenue	\$ 970,949	\$ -
TOTAL LIABILITIES	970,949	-
FUND BALANCE		
Unassigned	-	-
Total fund balance	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 970,949	\$ -

City of Los Fresnos, Texas
SPECIAL REVENUE FUNDS
CORONAVIRUS RELIEF FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

<i>For the fiscal years ended September 30,</i>	2021	2020
Revenues		
Grants	\$ -	\$ -
Total revenues	-	-
 NET CHANGE IN FUND BALANCES	 -	 -
Fund balance, beginning of year	-	-
Fund balance, end of year	\$ -	\$ -

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

<i>September 30,</i>	2021	2020
ASSETS		
Restricted cash	\$ 102,180	\$ 187,860
TOTAL ASSETS	\$ 102,180	\$ 187,860
 LIABILITIES		
Due to other funds	\$ -	\$ 85,680
TOTAL LIABILITIES	-	85,680
 FUND BALANCE		
Restricted Capital projects	102,180	102,180
Total fund balance	102,180	102,180
TOTAL LIABILITIES AND FUND BALANCE	\$ 102,180	\$ 187,860

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>	2021	2020
Revenues		
Interest and investment income	\$ -	\$ -
Total revenues	-	-
Expenditures		
Capital outlay	-	-
Total expenditures	-	-
NET CHANGE IN FUND BALANCES	-	-
Fund balance, beginning of year	102,180	102,180
Fund balance, end of year	\$ 102,180	\$ 102,180

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

<i>September 30,</i>	2021	2020
ASSETS		
Restricted cash	\$ 22	\$ 22
Due from other funds	110,016	110,016
<hr/>		
TOTAL ASSETS	\$ 110,038	\$ 110,038
<hr/> <hr/>		
LIABILITIES		
Due to other funds	\$ -	\$ -
<hr/>		
TOTAL LIABILITIES	-	-
FUND BALANCE		
Restricted		
Capital projects	110,038	110,038
<hr/>		
Total fund balance	110,038	110,038
<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 110,038	\$ 110,038
<hr/> <hr/>		

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>	2021	2020
Revenues		
Interest and investment income	\$ -	\$ 14,197
Total revenues	-	14,197
Expenditures		
Capital outlay	-	1,467,812
Total expenditures	-	1,467,812
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,453,615)
Other financing sources (uses)		
Transfers in	-	86,560
Total other financing sources (uses)	-	86,560
NET CHANGE IN FUND BALANCES	-	(1,367,055)
Fund balance, beginning of year	110,038	1,477,093
Fund balance, end of year	\$ 110,038	\$ 1,110,038

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

<i>September 30,</i>	2021	2020
ASSETS		
Due from other governments	\$ 27,500	\$ 282,284
TOTAL ASSETS	\$ 27,500	\$ 282,284
LIABILITIES		
Accounts payable	\$ 24,475	\$ 282,284
Accrued expenses	3,025	12,402
TOTAL LIABILITIES	27,500	294,686
FUND BALANCE		
Unassigned	-	(12,402)
Total fund balance	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 27,500	\$ 282,284

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>	2021	2020
Revenues		
Intergovernmental	\$ 250,499	\$ 339,337
Total revenues	250,499	339,337
Expenditures		
Capital outlay	319,807	351,739
Total expenditures	319,807	351,739
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(69,308)	(12,402)
Other financing sources (uses)		
Transfers out	81,710	-
Total other financing sources (uses)	81,710	-
NET CHANGE IN FUND BALANCES	12,402	(12,402)
Fund balance, beginning of year	(12,402)	-
Fund balance, end of year	\$ -	\$ (12,402)

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

<i>September 30,</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 103,148	\$ 113,366
TOTAL ASSETS	\$ 103,148	\$ 113,366
LIABILITIES		
Accounts payable	\$ -	\$ 9,831
Due to other funds	125,461	125,462
TOTAL LIABILITIES	125,461	135,293
FUND BALANCE		
Restricted		
Unassigned	(22,313)	(21,927)
Total fund balance	(22,313)	(21,927)
TOTAL LIABILITIES AND FUND BALANCE	\$ 103,148	\$ 113,366

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>	2021	2020
Revenues		
Intergovernmental	\$ -	\$ -
Total revenues	-	-
Expenditures		
Capital outlay	386	62,478
Total expenditures	386	62,478
NET CHANGE IN FUND BALANCES	(386)	(62,478)
Fund balance, beginning of year	(21,927)	40,551
Fund balance, end of year	\$ (22,313)	\$ (21,927)

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

<i>September 30,</i>	2021	2020
ASSETS		
Restricted cash	\$ 52,367	\$ 390,976
TOTAL ASSETS	\$ 52,367	\$ 390,976
LIABILITIES		
Accounts payable	\$ -	\$ 3,500
TOTAL LIABILITIES	-	3,500
Fund balance		
Restricted for:		
Hike and Bike project	52,367	387,476
Total fund balance	52,367	387,476
TOTAL LIABILITIES AND FUND BALANCE	\$ 52,367	\$ 390,976

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>	2021	2020
Revenues		
Grant income	\$ 75,000	\$ 384,000
Interest and investment income	341	1,375
Total revenues	75,341	385,375
Expenditures		
Capital outlay	410,450	3,500
Total expenditures	410,450	3,500
NET CHANGE IN FUND BALANCES	(335,109)	381,875
Fund balance, beginning of year	387,476	5,601
Fund balance, end of year	\$ 52,367	\$ 387,476

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

<i>September 30,</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 66,501	\$ 31,909
Receivables (net of allowance for uncollectibles)		
Property taxes receivable	23,279	25,913
Due from other funds	3,927	-
TOTAL ASSETS	\$ 93,707	\$ 57,822
LIABILITIES		
Due to other funds	\$ 45,000	\$ 45,549
TOTAL LIABILITIES	45,000	45,549
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	22,219	24,853
TOTAL DEFERRED INFLOWS OF RESOURCES	22,219	24,853
FUND BALANCE		
Restricted		
Debt service	-	-
Unassigned	26,488	(12,580)
Total fund balance	26,488	(12,580)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 93,707	\$ 57,822

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>	2021	2020
Revenues		
Property taxes	\$ 620,104	\$ 550,113
Miscellaneous and program revenues	45,000	45,000
Interest and investment income	73	530
Total revenues	665,177	595,643
Expenditures		
Debt service		
Principal	560,000	500,000
Interest	274,578	292,511
Administrative charges	6,201	5,501
Total expenditures	840,779	798,012
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(175,602)	(202,369)
Other financing sources (uses)		
Transfers in	214,670	173,575
Total other financing sources (uses)	214,670	173,575
NET CHANGE IN FUND BALANCES	39,068	(28,794)
Fund balance, beginning of year	(12,580)	16,214
Fund balance, end of year	\$ 26,488	\$ (12,580)

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, 2021

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 582,000	\$ 582,000	\$ 620,104	\$ 38,104
Miscellaneous and program revenues	-	-	45,000	45,000
Interest and investment income	60	60	73	13
Total revenues	582,060	582,060	665,177	83,117
Expenditures				
Debt service				
Principal	560,000	560,000	560,000	-
Interest	277,089	277,089	274,578	2,511
Administrative charges	4,500	4,500	6,201	(1,701)
Total expenditures	841,589	841,589	840,779	810
Excess (deficiency) of revenues over (under) expenditures	(259,529)	(259,529)	(175,602)	83,927
Other financing sources (uses)				
Operating transfers in (out)	259,670	259,670	214,670	(45,000)
Total other financing sources (uses)	259,670	259,670	214,670	(45,000)
NET CHANGE IN FUND BALANCES	\$ 141	\$ 141	39,068	\$ 38,927
Fund balance, beginning of year			(12,580)	
Fund balance, end of year			\$ 26,488	

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

<i>September 30,</i>	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,100,302	\$ 1,443,446
Service receivables, net	239,665	198,979
Due from other funds	114,624	199,504
Total current assets	2,454,591	1,841,929
Noncurrent assets		
Restricted noncurrent assets		
Cash and cash equivalents	6,236,502	2,905,940
Total restricted assets	6,236,502	2,905,940
Capital assets		
Land	105,759	105,759
Vehicles	247,955	247,956
Warehouse lot improvements	123,053	123,053
1,081,695	134,099	134,099
Water treatment and distribution	7,173,027	7,100,664
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	23,500,654	23,446,375
Sewer system equipment	79,992	79,992
Construction in progress	2,811,973	1,179,690
	37,030,465	35,271,541
Accumulated depreciation	(9,724,835)	(8,998,326)
Total capital assets	27,305,630	26,273,215
Deferred outflows of resources		
Deferred outflows related to pension liabilities	49,672	47,536
Deferred outflows related to OPEB	16,759	11,147
Total deferred outflows of resources	66,431	58,683
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 36,063,154	\$ 31,079,767

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

<i>September 30,</i>	2021	2020
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	682,471	\$ 638,507
Accounts payable	281,159	159,354
Accrued expenses and other liabilities	263,245	104,915
Accrued interest on revenue bonds	19,978	19,978
Due to other funds	757,961	618,726
Total current liabilities	2,004,814	1,541,480
Long-term liabilities		
Meter deposits	222,328	212,543
Net pension liability	227,140	236,494
OPEB liability	63,574	51,553
Capital lease payable	137,589	207,638
Revenue bonds payable	11,225,042	6,586,042
Total long-term liabilities	11,875,673	7,294,270
Total liabilities	13,880,487	8,835,750
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources		
Pension related	43,959	48,428
OPEB related	4,488	4,594
Total deferred inflows of resources	48,447	53,022
NET POSITION		
Net investment in capital assets	21,217,848	21,469,158
Restricted for debt service	585,000	543,000
Unrestricted	331,372	178,837
Total net position	22,134,220	22,190,995
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 36,063,154	\$ 31,079,767

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	2021	2020
Operating revenues				
Current user charges	\$ 1,443,238	\$ 1,691,124	\$ 3,134,362	\$ 2,769,773
Penalties	62,936	-	62,936	69,359
Total operating revenues	1,506,174	1,691,124	3,197,298	2,839,132
Operating expenses				
Administration	404,004	497,612	901,616	904,012
Employee benefits	86,887	96,543	183,430	221,217
Materials and supplies	156,686	77,122	233,808	271,336
Repairs and maintenance	111,814	232,193	344,007	165,189
Water purchases	39,107	-	39,107	40,701
Other operating expenses	455,008	24,053	479,061	224,195
Depreciation	211,642	514,867	726,509	733,648
Total operating expenses	1,465,148	1,442,390	2,907,538	2,560,298
Operating income (loss)	41,026	248,734	289,760	278,834
Nonoperating revenues (expenses)				
Miscellaneous income	42,228	-	42,228	38,489
Miscellaneous expense	-	-	-	-
Capital outlay	-	-	-	-
Interest income	2,730	-	2,730	35,126
Interest expense	(133,687)	(13,596)	(147,283)	(103,398)
Total nonoperating revenues (expenses)	(88,729)	(13,596)	(102,325)	(29,783)
Net income (loss) before transfers	(47,703)	235,138	187,435	249,051
Transfers in	575,670	-	575,670	542,871
Transfers out	(819,880)	-	(819,880)	(542,871)
Total transfers and capital contributions	(244,210)	-	(244,210)	-
CHANGE IN NET POSITION	\$ (291,913)	\$ 235,138	(56,775)	249,051
Net position, beginning of year			22,190,995	21,941,944
Net position, end of year			\$ 22,134,220	\$ 22,190,995

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>	2021	2020
Cash flows from operating activities		
Receipts from customers	\$ 3,293,505	\$ 3,005,509
Payments to suppliers	(1,736,559)	(1,835,985)
Payments to employees	(34,756)	(214,554)
Net cash provided by operating activities	1,522,190	954,970
Cash flows from noncapital financing activities		
Transfers in	575,670	542,871
Transfers out	(819,880)	(542,871)
Net cash used in noncapital financing activities	(244,210)	-
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,758,924)	(155,796)
Bond proceeds received	5,225,000	-
Principal paid on long-term debt	(612,085)	(593,359)
Interest paid on long-term debt	(147,283)	(126,611)
Net cash used in capital and related financing activities	2,706,708	(875,766)
Cash flows from (to) investing activities		
Interest income received	2,730	35,126
Net cash provided by investing activities	2,730	35,126
Net increase (decrease) in cash and cash equivalents	3,987,418	114,330
Cash and cash equivalents, beginning of year	4,349,386	4,235,056
Cash and cash equivalents, end of year	\$ 8,336,804	\$ 4,349,386
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 289,760	\$ 278,834
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	726,509	733,648
Miscellaneous	42,228	38,489
(Increase) decrease in receivables	(40,686)	114,532
(Increase) decrease in due from other funds	224,115	(233,758)
(Increase) decrease in deferred outflows	(7,748)	59,067
Increase (decrease) in accounts payable	121,805	8,252
Increase (decrease) in accrued expenses and other liabilities	158,330	(11,626)
Increase (decrease) in meter deposits	9,785	8,310
Increase (decrease) in net pension liability	(9,354)	(96,711)
Increase (decrease) in OPEB liability	12,021	9,596
Increase (decrease) in deferred inflows	(4,575)	46,337
Net cash provided by operating activities	\$ 1,522,190	\$ 954,970

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

<i>September 30,</i>	2021	2020
ASSETS		
Cash and cash equivalents	\$ 357,129	\$ 207,514
Sales taxes receivable	44,746	38,924
TOTAL ASSETS	\$ 401,875	\$ 246,438
 LIABILITIES		
Accounts payable	\$ 10,823	\$ 12,880
Accrued expenses	10,154	19,246
Due to primary government	189	787
TOTAL LIABILITIES	21,166	32,913
 FUND BALANCE		
Unassigned	380,709	213,525
Total fund balance	380,709	213,525
TOTAL LIABILITIES AND FUND BALANCE	\$ 401,875	\$ 246,438

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>	2021	2020
Revenues		
Nonproperty taxes	\$ 518,584	\$ 445,965
Miscellaneous income	1,822	-
Interest and investment income	381	1,542
Total revenues	520,787	447,507
Expenditures		
Current		
Community development services	353,603	502,752
Total expenditures	353,603	502,752
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	167,184	(55,245)
NET CHANGE IN FUND BALANCES	167,184	(55,245)
Fund balance, beginning of year	213,525	268,770
Fund balance, end of year	\$ 380,709	\$ 213,525

City of Los Fresnos, Texas
Statistical Section

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.

Contents	Page
<p>Financial Trends</p> <p style="padding-left: 40px;">These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</p>	<p>109</p>
<p>Revenue Capacity</p> <p style="padding-left: 40px;">These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</p>	<p>115</p>
<p>Debt Capacity</p> <p style="padding-left: 40px;">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.</p>	<p>120</p>
<p>Demographic and Economic Information</p> <p style="padding-left: 40px;">These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</p>	<p>125</p>
<p>Operating Information</p> <p style="padding-left: 40px;">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.</p>	<p>128</p>

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 2,242,878	\$ 2,676,014	\$ 2,996,954	\$ 4,100,397	\$ 3,214,184	\$ 3,862,287	\$ 4,940,324	\$ 5,830,928	\$ 7,176,870	\$ 9,004,102
Restricted	432,339	92,941	66,485	279,271	352,678	782,227	467,205	657,133	947,609	78,855
Unrestricted	<u>1,019,815</u>	<u>901,867</u>	<u>671,975</u>	<u>983,606</u>	<u>1,285,467</u>	<u>1,539,239</u>	<u>1,426,892</u>	<u>979,036</u>	<u>1,077,800</u>	<u>1,974,622</u>
Total governmental activities net position	<u>\$ 3,695,032</u>	<u>\$ 3,670,822</u>	<u>\$ 3,735,414</u>	<u>\$ 5,363,274</u>	<u>\$ 4,852,329</u>	<u>\$ 6,183,753</u>	<u>\$ 6,834,421</u>	<u>\$ 7,467,097</u>	<u>\$ 9,202,279</u>	<u>\$ 11,057,579</u>
Business-type activities										
Net investment in capital assets	\$ 19,678,813	\$ 19,760,998	\$ 19,801,155	\$ 20,765,369	\$ 21,681,981	\$ 21,506,517	\$ 21,457,949	\$ 21,438,210	\$ 21,469,158	\$ 21,217,848
Restricted	342,978	168,000	172,000	338,000	395,000	454,000	476,000	527,000	543,000	585,000
Unrestricted	<u>461,843</u>	<u>217,533</u>	<u>86,732</u>	<u>416,911</u>	<u>407,723</u>	<u>232,794</u>	<u>352,684</u>	<u>(23,266)</u>	<u>178,837</u>	<u>331,372</u>
Total business-type activities net position	<u>\$ 20,483,634</u>	<u>\$ 20,146,531</u>	<u>\$ 20,059,887</u>	<u>\$ 21,520,280</u>	<u>\$ 22,484,704</u>	<u>\$ 22,193,311</u>	<u>\$ 22,286,633</u>	<u>\$ 21,941,944</u>	<u>\$ 22,190,995</u>	<u>\$ 22,134,220</u>
Primary government										
Net investment in capital assets	\$ 21,921,691	\$ 22,437,012	\$ 22,798,109	\$ 24,865,766	\$ 24,896,165	\$ 25,368,804	\$ 26,398,273	\$ 27,269,138	\$ 28,646,028	\$ 30,221,950
Restricted	775,317	260,941	238,485	617,271	747,678	1,236,227	943,205	1,184,133	1,490,609	\$ 663,855
Unrestricted	<u>1,481,658</u>	<u>1,119,400</u>	<u>758,707</u>	<u>1,400,517</u>	<u>1,693,190</u>	<u>1,772,033</u>	<u>1,779,576</u>	<u>955,770</u>	<u>1,256,637</u>	<u>\$ 2,305,994</u>
Total primary government net position	<u>\$ 24,178,666</u>	<u>\$ 23,817,353</u>	<u>\$ 23,795,301</u>	<u>\$ 26,883,554</u>	<u>\$ 27,337,033</u>	<u>\$ 28,377,064</u>	<u>\$ 29,121,054</u>	<u>\$ 29,409,041</u>	<u>\$ 31,393,274</u>	<u>\$ 33,191,799</u>

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

		Fiscal Year									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses											
Governmental activities:											
General government	\$	681,293	\$ 675,100	\$ 512,546	\$ 1,621,198	\$ 1,342,259	\$ 1,563,899	\$ 448,561	\$ 650,365	\$ 603,007	\$ 937,247
Public safety		1,450,846	1,553,419	1,633,022	1,645,834	1,796,144	1,761,395	1,880,517	2,455,871	2,137,303	2,280,504
Highways and streets		157,108	144,210	176,592	295,225	317,637	380,922	403,361	472,102	482,769	462,291
Health and Welfare		237,116	235,256	266,243	264,572	269,470	311,236	296,807	357,380	380,257	458,356
Culture and recreation		330,498	426,260	402,598	483,805	484,490	595,951	688,405	807,260	739,322	745,110
Interest and long-term debt		78,558	75,175	128,426	88,107	178,048	234,405	353,085	280,025	299,102	280,779
Total governmental activities expenses		<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>	<u>4,641,760</u>	<u>5,164,287</u>
Business-type activities											
Water		1,008,652	1,279,059	1,245,462	1,347,153	1,285,170	1,594,457	1,301,036	1,542,087	1,302,642	1,598,835
Sewer		846,072	1,236,877	1,278,324	1,251,956	1,415,866	1,426,348	1,396,360	1,552,302	1,361,054	1,455,986
Total business-type activities expenses		<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>	<u>2,663,696</u>	<u>3,054,821</u>
Total primary government expenses	\$	<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>	<u>7,305,456</u>	<u>8,219,108</u>
Program Revenues											
Governmental activities:											
Charges for services:											
General government	\$	240,290	\$ 231,718	\$ 275,417	\$ 260,910	\$ 328,614	\$ 316,532	\$ 338,432	\$ 373,119	\$ 372,351	\$ 414,460
Public safety		559,735	557,445	459,351	477,787	517,311	567,424	590,366	586,375	617,376	923,108
Culture and recreation		28,162	27,757	34,973	53,280	42,399	46,030	27,768	34,947	6,377	18,423
Other activities		4,106	5,511	4,253	9,037	11,357	16,635	5,568	10,825	4,518	4,845
Operating grants and contributions		-	100,000	58,383	1,302,610	727,577	1,069,130	124,429	163,313	263,898	462,343
Capital grants and contribution		776,809	392,065	212,254	705,920	389,225	1,157,528	543,798	495,474	1,031,597	511,442
Total governmental activities program revenues		<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>	<u>2,296,117</u>	<u>2,334,621</u>
Business-type activities											
Charges for services:											
Water		1,010,947	1,008,116	1,121,371	1,070,905	1,170,969	1,305,184	1,336,923	1,362,978	1,394,839	1,506,174
Sewer		919,598	1,053,168	1,177,412	1,152,722	1,339,446	1,377,768	1,435,812	1,372,416	1,444,293	1,691,124
Capital grants and contribution		-	-	132,317	-	1,148,253	-	-	-	-	-
Total business-type activities program revenues		<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>	<u>2,839,132</u>	<u>3,197,298</u>
Total primary government revenues	\$	<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>	<u>5,135,249</u>	<u>5,531,919</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (expenses)/revenues										
Governmental activities	\$ (1,326,317)	\$ (1,794,924)	\$ (2,074,796)	\$ (1,589,197)	\$ (2,371,565)	\$ (1,674,529)	\$ (2,440,375)	\$ (3,358,950)	\$ (2,345,643)	\$ (2,829,666)
Business-type activities	75,821	(454,652)	(92,686)	(375,482)	957,632	(337,853)	75,339	(358,995)	175,436	142,477
Total primary government net expense	<u>\$ (1,250,496)</u>	<u>\$ (2,249,576)</u>	<u>\$ (2,167,482)</u>	<u>\$ (1,964,679)</u>	<u>\$ (1,413,933)</u>	<u>\$ (2,012,382)</u>	<u>\$ (2,365,036)</u>	<u>\$ (3,717,945)</u>	<u>\$ (2,170,207)</u>	<u>\$ (2,687,189)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 1,062,125	\$ 1,070,694	\$ 1,141,686	\$ 1,200,838	\$ 1,385,907	\$ 1,521,673	\$ 1,877,846	\$ 2,019,723	\$ 2,130,003	\$ 2,287,585
Sales taxes	444,467	454,883	557,523	800,365	1,068,769	1,011,779	1,103,146	1,246,579	1,370,387	1,595,699
Franchise taxes	228,463	234,556	321,753	303,738	314,239	334,031	359,351	390,073	396,346	397,155
Alcoholic beverage taxes	-	-	-	49	1,653	-	-	-	-	-
Investment earnings	20,348	2,218	1,028	1,253	3,937	32,402	103,005	127,419	34,890	3,233
Miscellaneous	37,844	51,300	117,398	79,032	115,342	130,768	129,446	140,332	149,199	157,084
Transfers	594,703	-	-	511,529	(1,029,227)	(24,700)	-	67,500	-	244,210
Total governmental activities	<u>2,387,950</u>	<u>1,813,651</u>	<u>2,139,388</u>	<u>2,896,804</u>	<u>1,860,620</u>	<u>3,005,953</u>	<u>3,572,794</u>	<u>3,991,626</u>	<u>4,080,825</u>	<u>4,684,966</u>
Business-type activities:										
Investment earnings	19,410	2,124	1,647	1,559	6,792	21,760	51,816	81,807	35,126	2,730
Miscellaneous	-	660	4,395	951	-	-	-	-	38,489	42,228
Contributed Capital	-	-	-	2,176,874	-	-	-	-	-	-
Transfers	(594,703)	-	-	(511,529)	-	24,700	-	(67,500)	-	(244,210)
Total business-type activities	<u>(575,293)</u>	<u>2,784</u>	<u>6,042</u>	<u>1,667,855</u>	<u>6,792</u>	<u>46,460</u>	<u>51,816</u>	<u>14,307</u>	<u>73,615</u>	<u>(199,252)</u>
Total primary government	<u>\$ 1,812,657</u>	<u>\$ 1,816,435</u>	<u>\$ 2,145,430</u>	<u>\$ 4,564,659</u>	<u>\$ 1,867,412</u>	<u>\$ 3,052,413</u>	<u>\$ 3,624,610</u>	<u>\$ 4,005,933</u>	<u>\$ 4,154,440</u>	<u>\$ 4,485,714</u>
Changes in Net Position										
Governmental activities	\$ 1,061,633	\$ 18,727	\$ 64,592	\$ 1,307,607	\$ (510,945)	\$ 1,331,424	\$ 1,132,419	\$ 632,676	\$ 1,735,182	\$ 1,855,300
Business-type activities	(499,472)	(451,868)	(86,644)	1,292,373	964,424	(291,393)	127,155	(344,688)	249,051	(56,775)
Total primary government	<u>\$ 562,161</u>	<u>\$ (433,141)</u>	<u>\$ (22,052)</u>	<u>\$ 2,599,980</u>	<u>\$ 453,479</u>	<u>\$ 1,040,031</u>	<u>\$ 1,259,574</u>	<u>\$ 287,988</u>	<u>\$ 1,984,233</u>	<u>\$ 1,798,525</u>

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,568	\$ -	\$ -	\$ -
Unassigned	<u>682,171</u>	<u>719,437</u>	<u>769,094</u>	<u>1,034,558</u>	<u>986,415</u>	<u>1,121,271</u>	<u>1,318,767</u>	<u>1,534,267</u>	<u>1,634,978</u>	<u>2,399,421</u>
Total General Fund	<u>\$ 682,171</u>	<u>\$ 719,437</u>	<u>\$ 769,094</u>	<u>\$ 1,034,558</u>	<u>\$ 986,415</u>	<u>\$ 1,121,271</u>	<u>\$ 1,320,335</u>	<u>\$ 1,534,267</u>	<u>\$ 1,634,978</u>	<u>\$ 2,399,421</u>
All other governmental funds										
Restricted	\$ 135,041	\$ 87,042	\$ 39,754	\$ 260,409	\$ 333,862	\$ 783,829	\$ 467,133	\$ 637,956	\$ 947,609	\$ 52,367
Special revenue funds	148,949	5,899	(4,840)	-	-	-	-	-	-	-
Capital projects funds	-	-	2,718,799	1,928,023	333,377	4,946,575	5,294,229	2,221,141	212,218	212,218
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,405</u>
Total all other governmental funds	<u>\$ 283,990</u>	<u>\$ 92,941</u>	<u>\$ 2,753,713</u>	<u>\$ 2,188,432</u>	<u>\$ 667,239</u>	<u>\$ 5,730,404</u>	<u>\$ 5,761,362</u>	<u>\$ 2,859,097</u>	<u>\$ 1,159,827</u>	<u>\$ 296,990</u>

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 1,749,252	\$ 1,761,864	\$ 2,016,207	\$ 2,318,947	\$ 2,776,854	\$ 2,863,124	\$ 3,336,881	\$ 3,665,912	\$ 3,889,212	\$ 4,279,586
Licenses and permits	32,840	35,141	61,280	56,363	108,775	80,166	109,991	134,227	143,372	176,266
Intergovernmental	776,809	372,391	270,637	1,841,863	1,116,803	1,725,005	513,285	522,587	663,235	778,506
Charges for services	282,863	272,637	278,595	298,513	314,281	342,083	282,460	300,482	260,202	271,845
Fines	516,590	514,651	434,119	446,137	476,624	524,372	569,683	570,557	597,048	912,725
Investment Earnings	20,348	2,053	1,027	1,253	3,938	32,402	103,005	127,419	34,889	3,223
Contributions and donations	-	-	-	-	-	-	6,250	-	-	-
Grant Income	-	-	-	166,667	-	333,333	-	33,260	384,000	75,000
Miscellaneous	61,644	48,368	115,998	205,513	115,341	130,768	129,446	140,332	149,199	157,084
Total revenues	3,440,346	3,007,105	3,177,863	5,335,256	4,912,616	6,031,253	5,051,001	5,494,776	6,121,157	6,654,235
Expenditures										
General government	667,424	425,189	535,076	1,547,528	1,266,877	1,559,407	594,825	552,217	674,708	708,163
Public safety	1,353,502	1,415,840	1,520,422	1,507,175	1,639,266	1,640,244	1,755,205	1,917,867	2,004,472	2,183,008
Highways and streets	101,335	98,307	174,628	212,456	223,992	258,422	271,273	353,648	357,064	302,062
Health and Welfare	229,361	229,108	260,095	259,032	262,400	302,736	287,430	319,648	377,945	459,794
Culture and recreation	297,258	324,854	362,636	366,486	358,676	444,275	478,571	496,942	476,266	479,241
Capital outlay	1,126,620	469,397	385,119	2,006,911	2,480,218	971,109	1,323,930	3,784,367	2,981,724	2,023,792
Bond Issuance Costs	-	-	75,703	-	-	104,548	64,000	-	-	-
Debt service										
Principal retirement	188,907	245,792	252,382	161,670	191,501	197,934	339,399	545,895	548,435	560,000
Interest and fiscal agent fees	74,977	75,175	62,523	88,108	178,048	129,857	286,716	275,951	293,601	274,578
Administrative costs	-	-	-	-	-	-	2,369	4,074	5,501	6,201
Total all other governmental funds	4,039,384	3,283,662	3,628,584	6,149,366	6,600,978	5,608,532	5,403,718	8,250,609	7,719,716	6,996,839
Excess of revenues										
over (under) expenditures	(599,038)	(276,557)	(450,721)	(814,110)	(1,688,362)	422,721	(352,717)	(2,755,833)	(1,598,559)	(342,604)

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Other financing sources (uses)										
Transfer in	677,461	-	8,250	511,529	119,026	47,983	263,238	208,844	260,135	458,880
Transfer out	(82,758)	-	(8,250)	-	-	(72,683)	(263,239)	(141,344)	(260,135)	(214,670)
Proceeds of long term debt	-	-	3,045,000	-	-	4,800,000	1,000,000	-	-	-
Capital leases	358,916	-	114,750	-	-	-	-	-	-	-
Contributed Capital	-	119,674	-	-	-	-	-	-	-	-
Sale of capital	-	3,100	1,400	2,764	-	-	-	-	-	-
Total other financing sources (uses)	<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>	<u>-</u>	<u>244,210</u>
Net change in fund balances	<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>	<u>\$ (1,598,559)</u>	<u>\$ (98,394)</u>
Debt service as a percentage of noncapital expenditures	9.1%	11.4%	10.3%	6.0%	9.0%	7.1%	16.5%	18.4%	17.8%	16.4%

City of Los Fresnos, Texas

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal			Less:	Total Taxable	Total	Estimated	Assessed
Year	Tax	Total	Tax Exempt	Assessed	Direct	Actual	Value as a
Ended	Year	Assessed	Real Property	Value	Tax	Taxable	Percentage of
					Rate	Value	Actual Value
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%
2020	2019	313,196,509	21,934,109	291,262,400	0.715	291,262,400	93.00%
2021	2020	341,807,864	22,991,650	318,816,214	0.715	318,816,214	93.27%

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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)

Fiscal	Property	Sales	Franchise	Alcoholic	
Year	Tax	Tax	Tax	Beverage	Total
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
2020	2,130,003	1,352,897	396,346	-	3,879,246
2021	2,287,585	1,571,784	397,155	-	4,256,524

City of Los Fresnos, Texas
Property Tax Rates
Direct and Overlapping¹ Governments
Last Ten Fiscal Years

Fiscal Year	City of Los Fresnos			Cameron County			Overlapping Rates Los Fresnos CISD			Total Direct & Overlapping Rates
	Operating	Debt		Operating	Debt		Operating	Debt		
		Service	Total City		Service	Total County		Service	Total District	
2012	0.590	0.125	0.715	0.345	0.039	0.384	1.170	0.020	1.190	2.289
2013	0.587	0.128	0.715	0.345	0.040	0.385	1.170	0.020	1.190	2.290
2014	0.600	0.115	0.715	0.349	0.050	0.399	1.170	0.020	1.190	2.304
2015	0.587	0.128	0.715	0.355	0.044	0.399	1.170	0.020	1.190	2.304
2016	0.596	0.119	0.715	0.360	0.044	0.404	1.170	0.020	1.190	2.309
2017	0.629	0.086	0.715	0.356	0.051	0.407	1.170	0.020	1.190	2.312
2018	0.620	0.095	0.715	0.361	0.056	0.417	1.170	0.020	1.190	2.322
2019	0.562	0.153	0.715	0.381	0.056	0.437	1.068	0.120	1.188	2.340
2020	0.516	0.199	0.715	0.384	0.053	0.437	1.042	0.140	1.182	2.334
2021	0.506	0.209	0.715	0.390	0.046	0.436	1.005	0.147	1.152	2.303

Source: Cameron County Tax Office and LFCISD

¹ 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, 2021

Taxpayer	2021			2012		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total Taxable Assessed Value
	Value		Value	Value		Value
Wal-Mart Real Estate Business	\$ 8,836,789	1	2.77%	\$ -		-
Casa Cien LP	5,730,554	2	1.80%	-		-
VDC Los Fresnos Reserve Homes LP	5,452,099	3	1.71%	-		-
Wal-Mart Stores Texas LLC	4,699,549	4	1.47%	-		-
AEP Texas Inc.	2,989,540	5	0.94%	-		-
Gethsemane 2 LLC	2,653,095	6	0.83%	-		-
Coltrin Richard L	2,469,233	7	0.77%	-		-
NSA Property Holdings LLC	2,053,984	8	0.64%	-		-
Smart Star Properties LTD	1,659,820	9	0.52%	-		-
7-Eleven Inc	1,371,811	10	0.43%	-		-
Lila Hospitality Inc.	-		-	1,156,081	1	0.77%
First National Bank	-		-	1,012,865	2	0.67%
AEP Texas Central Co	-		-	911,220	3	0.56%
Hejar LTD	-		-	853,030	4	0.47%
Smart Star Properties LTD	-		-	829,637	5	0.45%
Loehr Roland D	-		-	746,779	6	0.30%
Loehr Linda S	-		-	739,657	7	0.27%
Stripes, LLC	-		-	715,207	8	0.25%
Pederson Construction Co	-		-	698,405	9	0.24%
Salinas Robert	-		-	689,162	10	0.22%
Totals	<u>\$ 37,916,474</u>		<u>11.88%</u>	<u>\$ 8,352,043</u>		<u>4.20%</u>

Source: Cameron Appraisal District

City of Los Fresnos, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

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Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount Collected	Percentage of Levy
2012	1,195,434	1,007,511	84.3%	162,834	1,170,345	97.9%
2013	1,070,759	1,028,813	96.1%	38,792	1,067,605	99.7%
2014	1,146,647	1,097,737	95.7%	39,301	1,137,038	99.2%
2015	1,144,537	1,004,031	87.7%	38,012	1,042,043	91.0%
2016	1,293,400	1,248,033	96.5%	56,240	1,304,273	100.8%
2017	1,449,738	1,404,218	96.9%	42,917	1,447,135	99.8%
2018	1,788,469	1,740,932	97.3%	49,943	1,790,875	100.1%
2019	1,931,143	1,880,485	97.4%	51,149	1,931,633	100.0%
2020	1,975,909	1,974,166	99.9%	41,716	2,015,882	102.0%
2021	2,144,557	2,110,798	98.4%	45,663	2,156,461	100.6%

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 Obligation	Capital	Water and Wastewater	Capital			
	Bonds	Leases	Bonds	Leases			
2012	1,760,000	378,059	7,790,042	853,111	10,781,212	31.93%	1,909
2013	1,565,000	327,267	7,720,042	791,620	10,403,929	26.58%	1,813
2014	4,400,000	389,835	7,552,042	663,275	13,005,152	33.22%	2,122
2015	4,305,000	323,164	9,319,042	598,545	14,545,751	33.84%	2,256
2016	4,180,000	256,663	8,981,042	538,661	13,956,366	27.09%	2,165
2017	8,850,000	188,729	8,586,042	477,220	18,101,991	35.00%	2,722
2018	9,580,000	119,330	8,132,042	414,181	18,245,553	41.47%	2,330
2019	9,105,000	48,435	7,656,042	349,504	17,158,981	38.48%	2,191
2020	8,605,000	-	7,129,042	283,145	16,017,187	35.07%	2,044
2021	8,045,000	-	11,810,042	215,060	20,070,102	43.94%	2,474

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

Fiscal Year Ended	General Obligation	Less: Amounts		Percentage	
		Available in Debt		Estimated	Actual Taxable
September 30	Bonds (1)	Service Fund (2)	Total	Value of Property (3)	Per Capita (4)
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
2020	8,605,000	31,909	8,573,091	2.95%	1,098
2021	8,045,000	26,488	8,018,512	2.52%	991

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, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cameron County	\$ 154,890,000	1.50%	\$ 2,323,350
Los Fresnos CISD	70,740,000	1.50%	<u>1,061,100</u>
Subtotal, overlapping debt			3,384,450
City of Los Fresnos direct debt	8,045,000	100%	<u>8,045,000</u>
Total direct and overlapping debt			<u><u>\$ 11,429,450</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.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated 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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debit limit	\$ 16,283,399	\$ 16,364,042	\$ 17,703,632	\$ 19,774,186	\$ 19,889,118	\$ 26,887,219	\$ 29,130,458	\$ 29,918,951	\$ 31,319,651	\$ 34,180,786
Total net debt applicable to limit	<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>	<u>8,605,000</u>	<u>8,045,000</u>
Legal debt margin	<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>	<u>\$ 22,714,651</u>	<u>\$ 26,135,786</u>
Total net debt applicable to the limit as a percentage of debt limit	10.81%	9.56%	24.85%	21.77%	21.02%	32.92%	32.89%	30.43%	27.47%	23.54%

Legal Debt Margin Calculation for Fiscal Year 2021

Assessed Value	\$ 341,807,864
Add Back: Exempt real property	22,991,650
Total assessed value	318,816,214
Debit Limit (10% of total assessed value)	34,180,786
Debt applicable to limit:	
General obligation bonds	
General obligation debt	<u>8,045,000</u>
Total debt applicable to limit	<u>8,045,000</u>
Legal debt margin	<u>\$ 26,135,786</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

Fiscal Year	Water & Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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)
2020	2,839,132	2,560,298	278,834	543,000	109,734	0.43
2021	3,197,298	2,907,538	289,760	585,000	142,309	0.40

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

Fiscal Year	Population¹	Median Household Income¹	Per Capita Personal Income¹	Median Age¹	School Enrollment²	Unemployment Rate³
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
2020	7,837	45,677	17,552	29	10,483	5.8
2021	8,114	45,677	17,552	29	10,286	7.3

Data sources

¹ US Census Bureau

² Los Fresnos CISD

³ Texas Workforce Commission 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	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Comprehensive Health Services	2,103	1	48.05%	1,442	1	73.27%
Los Fresnos CISD	1,624	2	37.10%			
Amazing Grace Primary Home Care	304	3	6.95%			
Walmart	137	4	3.13%			
City of Los Fresnos	60	5	1.37%	49	4	2.49%
Pederson Construction	49	6	1.12%	53	3	2.69%
McDonalds	40	7	0.91%			
7-Eleven	25	8	0.57%			
Stars Drive-In	20	9	0.46%	15	10	0.76%
To Every Tribe Ministries	15	10	0.34%			
Dairy Queen				22	6	1.12%
Julia's Restaurant				21	7	1.07%
Lopez Supermarket				31	5	1.58%
International Educational Services				300	2	15.24%
Los Fresnos Construction				20	8	1.02%
Little Light House Children				15	9	0.76%
Total	4,377		100.00%	1,968		100.00%

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund										
Administration	7	8	9	9	9	9	12	14	14	16
Municipal Court	3	3	3	3	3	3	3	3	3	3
Police Department	20	21	22	22	22	22	23	23	23	23
Library	3	3	3	3	3	3	3	3	3	3
Senior Citizen	1	1	1	1	1	1	1	1	1	1
Code Enforcement	1	1	1	1	1	2	2	2	2	2
Parks	-	1	-	1	1	2	2	2	2	2
Streets	-	-	-	-	-	2	3	1	2	1
Water and Sewer Fund										
Water	7	6	6	6	6	4	6	5	5	4
Sewer	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>3</u>
Total	49	51	52	53	53	52	60	60	61	58

Source: City of Los Fresnos Budget Reports

City of Los Fresnos, Texas
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
Police										
Physical Arrests	652	677	443	589	728	527	460	505	478	579
Parking Violations	5	10	5	5	2	-	-	-	-	0
Traffic Violations	7,984	7,662	5,215	7,375	5,815	5,426	5,974	7,665	5,766	9198
Fire										
Number of calls answered	347	341	298	349	381	436	411	350	372	334
Inspections	120	120	120	135	130	120	120	119	159	170
Highways and Streets										
Street resurfacing (miles)	-	0.1	0.1	-	-	-	1.0	1.6	0.1	0
Potholes repaired	64	150	205	776	686	554	1,318	1,727	658	760
Culture and recreation										
Other Community Center Events	60	48	62	77	78	79	166	69	58	123
Water										
New Connections	52	26	43	34	43	24	18	16	15	33
Water mains breaks	47	46	54	26	41	190	28	32	23	25
Average daily consumption (thousands of gallons)	501	519	477	507	519	534	516	539	614	607
Wastewater										
Average Daily sewage treatment (thousands of gallons)	498	498	542	596	534	494	530	533	580	657

Source: Various City Departments

City of Los Fresnos, Texas
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	8	8	8	7	6	6	6	6	9	8
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streets (miles)	21	21	21	21	23	23	24	24	24	26
Street and Fog Lights	333	351	371	482	565	565	576	576	484	526
Culture and recreation										
Parks acreage	23	23	43	43	43	43	43	45	45	45
Parks acreage (Developed)	15	15	15	15	16	16	17	45	45	45
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis/Basketball Courts	1	1	1	2	2	2	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	12.10	12.10	12.85	13.40	13.40	13.40	14.15	14.15	14.40	15.7
Fire Hydrants	200	200	206	213	213	225	234	234	238	240
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)	30.36	30.36	30.36	30.36	30.86	30.86	31.40	31.40	31.86	33.16
Storm Sewers (miles)	23	23	23	23	23	23	32	32	24	25
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

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Source: Various City Departments

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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, 2021, 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 April 27, 2022.

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.

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

Harlingen, Texas
April 27, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Los Fresnos, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Los Fresnos, Texas' major federal programs for the year ended September 30, 2021. The City of Los Fresnos, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Los Fresnos, Texas' compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Los Fresnos, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Los Fresnos, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Los Fresnos, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Los Fresnos, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Case, Riggs & Ingram, L.L.C.

Harlingen, Texas
April 27, 2022

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City of Los Fresnos, Texas
Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
* Material weakness(es) identified?	___ yes	_X_ no
* Significant deficiencies identified that are not considered to be material weakness(es)?	___ yes	_X_ none reported
Noncompliance material to financial statements noted?	___ yes	_X_ no

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	___ yes	_X_ no
* Significant deficiencies identified that are not considered to be material weakness(es)?	___ yes	_X_ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) (Uniform Guidance).	___ yes	_X_ no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.019	Coronavirus Relief Program
66.468	Drinking Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	___ yes	_X_ no

City of Los Fresnos, Texas
Schedule of Findings and Questioned Costs- Continued

Section II – Findings Relating to the Financial Statement Audit as Required to Be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Significant Deficiencies in Internal Control

None reported.

B. Compliance Findings

None reported.

Section III – Federal and State Award Findings and Questioned Costs

None reported.

City of Los Fresnos, Texas
Schedule of Findings and Questioned Costs
Summary Schedule of Prior Audit Findings

PROGRAM DESCRIPTION

Not applicable

DESCRIPTION

There were no findings reported in the prior year.

City of Los Fresnos, Texas Schedule of Expenditures of Federal Awards

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-through Entity Identifying Number	(4) Provided to Subrecipients	(5) Federal Expenditures
U.S. Department of Homeland Security				
Passed through Texas Department of Public Safety				
Disaster Grants - Public Assistance	97.036	4485DR-TXP0000001	-	\$ 69,078
Homeland Security Grant Program	97.067	EMW-2019-SS-00034-S01	-	20,000
Total Passed through Texas Department of Public Safety				89,078
Total U.S. Department of Homeland Security				89,078
U.S. Environmental Protection Agency				
Passed through Texas Water Development Board				
Clean Water State Revolving Fund Cluster				
* Capitalization Grants for Clean Water State Revolving Funds	66.458	73687	-	3,000
Total Clean Water State Revolving Fund Cluster				3,000
Drinking Water State Revolving Fund Cluster				
* Capitalization Grants for Drinking Water State Revolving Funds	66.468	62627	-	193,728
Total Drinking Water State Revolving Fund Cluster				193,728
Total Passed through Texas Water Development Board				196,728
Total U.S. Environmental Protection Agency				196,728
U.S. Department of the Treasury				
Passed through Texas Division of Emergency Management				
COVID-19 Coronavirus Relief Fund	21.019	2020-CF-21019	-	283,524
Total Passed through Texas Division of Emergency Management				283,524
Total U.S. Department of the Treasury				283,524
U.S. Department of Health and Human Services				
Passed through Lower Rio Grande Valley Development Corporation				
Aging Cluster				
* Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	AAA03-19-SCO/TRANSP	-	64,741
Total Aging Cluster				64,741
Total Passed through Lower Rio Grande Valley Development Corporation				64,741
Total U.S. Department of Health and Human Services				64,741
U.S. Department of Housing and Urban Development				
Passed through Texas Department of Agriculture				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
	14.228	7219249	-	235,071
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
	14.228	7219037	-	3,025
Total Passed through Texas Department of Agriculture				238,096
Total U.S. Department of Housing and Urban Development				238,096
Total Expenditures of Federal Awards				\$ 872,167

* Clustered programs

The accompanying notes are an integral part of this schedule

City of Los Fresnos, Texas
Notes on Accounting Policies for Federal Awards
For the Year Ended September 30, 2021

NOTE 1- GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of City of Los Fresnos, Texas, for the year ended September 30, 2021. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing Board, a governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the primary government.

In accordance with Governmental Accounting Standards Board requirements, the City has reviewed other entities and activities for possible inclusion in the reporting entity and determined that there are none; however, federal financial assistance passed through other governmental agencies is included on the schedule.

NOTE 2- MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The federal and state grant funds were accounted for in the Special Revenue Funds and within the General Fund. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With the Governmental Fund type measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

NOTE 3- SUB-RECIPIENTS

During the year ended September 30, 2021, the City had no sub-recipients.

City of Los Fresnos, Texas
Notes on Accounting Policies for Federal Awards- Continued
For the Year Ended September 30, 2021

NOTE 4- FEDERAL LOANS AND LOAN GUARANTEES

During the year ended September 30, 2021, the City had no outstanding federal loans payable or loan guarantees.

NOTE 5- FEDERALLY FUNDED INSURANCE

During the year ended September 30, 2021, the City had no federally funded insurance.

NOTE 6- NONCASH AWARDS

During the year ended September 30, 2021, the City did not receive any non-cash federal awards.

NOTE 7- INDIRECT COST RATE

The City does not utilize the de minimus 10% indirect cost rate. Indirect costs, where applicable, are negotiated with the agency providing the grant award to the City.

**City of Los Fresnos, Texas
Exit Conference**

Discussion with City Personnel: The results of the audit were discussed at an exit briefing with the following grantee personnel:

Pablo Garza, Chief Financial Officer
Mark Milum, City Manager

No exceptions were taken to the factual contents of the items