



## **City of Mineral Wells, Texas**

### **Financial Statements and Supplementary Information**

**For the Year Ended September 30, 2020**



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## **Introductory Section**

**City of Mineral Wells, Texas**  
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**City of Mineral Wells, Texas**  
**Official Roster**  
**September 30, 2020**

<u>City Council</u>	
<u>Name</u>	<u>Title</u>
Tammy Underwood	Mayor
Brian Shoemaker	Councilor
Regan Johnson	Councilor
Jerrel Tomlin	Councilor
Beth Watson	Councilor
Doyle Light	Councilor

<u>Administration</u>	
Randy Criswell	City Manager
Peggy Clifton	City Clerk
Bobbi Coe	Interim Finance Director

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## **Financial Section**

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
City of Mineral Wells  
Mineral Wells, Texas

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mineral Wells, Texas (the "City"), as of and for the year ended September 30, 2020, 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 misstatements, whether due to fraud or error.

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Palo Pinto County Municipal Water District No. 1, which represent 57 percent, 49 percent, and 22 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Palo Pinto County Municipal Water District No. 1, is based solely on the report of the other auditors. 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.

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, based on our audit and the report of other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, 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.

### ***Emphasis of Matter***

#### *Restatement of Fund Balance*

As discussed in note 18 to the basic financial statements, the prior year statements have been restated in the amount of \$263,340 in the governmental activities. Our opinion is not modified with respect to this matter.

### ***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 13 through 20 and Schedules pertaining to Pension and OPEB, the budgetary comparison for the General Fund, and the Notes to the Required Supplementary Information, on pages 102 through 114 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's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for the purpose 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 combining nonmajor fund financial statements and the schedule of expenditure of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021, on our consideration of the City's 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, LLC*

Carr, Riggs & Ingram, LLC

Dallas, Texas

April 26, 2021

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

**Management's Discussion and Analysis.** As management of the City of Mineral Wells ("City"), we offer readers of the City's financial statements this narrative overview of the financial activities for the fiscal year ended September 30, 2020.

**Financial Highlights.** The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$82,888,663 (net position). Of this amount, \$16,240,084 (unrestricted net position) may be used to meet the City's ongoing obligations.

The City's total net position increased by \$1,627,419. The City's operations increased governmental activities by \$300,583 and increased the business-type activities by \$1,326,836. Comparatively, at the end of FY 2019, the City's total net position decreased by \$7,592, governmental activities had decreased by \$708,978 and business-type activities had increased by \$701,386.

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$10,900,824. \$5,395,058 is available for spending at the City's discretion (unassigned fund balance). Comparatively, at the end of FY 2019, the City's governmental funds reported combined fund balances of \$9,601,607; \$3,982,490 was available for spending at the City's discretion (unassigned fund balance).

At the end of the fiscal year, unassigned fund balance for the General Fund is \$5,395,508 or 39 percent of total General Fund expenditures. Comparatively, at the end of FY 2019, unassigned fund balance for the General Fund was \$3,982,490 or 32 percent of total General Fund expenditures.

**Overview of Financial Statements.** This discussion and analysis is intended to serve as an introduction to the City of Mineral Wells' basic financial statements. The City of Mineral Wells basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** One of the most important questions asked about the City's finances is "Is the City as a whole better or worse off as a result of the year's activities?" The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to private sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the event causing 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 result in cash flows in future periods (e.g., uncollected taxes).

The government-wide financial statements consist of the City of Mineral Wells (known as the primary government) and the Mineral Wells Economic Development Corporation ("EDC") and the Palo Pinto County Municipal Water District No. 1 ("Water District") for which the City of Mineral Wells is accountable. The Mineral Wells EDC is reported separately from the financial information presented for the primary

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

government. The Water District, although legally separate, functions for all practical purposes as a department of the City of Mineral Wells, and therefore has been included as an integral part of the primary government. Additional information about the Water District is available in its separately issued audited financial statements.

The government-wide financial statements are presented on pages 22-25 of this report.

**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, 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 can be divided into two categories: governmental funds and proprietary 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 focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources 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 the 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 City's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City 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 balance for the General Fund and the Debt Service Fund, which are considered to be major funds. Individual fund data for the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriations budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

The basic governmental financial statements can be found on pages 26-33 of this report.

**Proprietary Funds.** The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water/Sewer Operations, for Airport Operations, Drainage Utility and for the Water District. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for worker's compensation self-insurance and employee health, dental and life insurance. The assets and liabilities of the internal service fund are included in governmental activities in

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

the Statement of Net position, while the net revenue (expenses) of the internal service fund is reported with governmental activities.

The Proprietary Fund Financial Statements provide information for the Water/Sewer Enterprise Fund, the Water District, the Airport Operations and the Drainage Utility as business-type activities. The information provided is the same type as the information in the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 34-43 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the audited financial statements. The notes can be found on pages 45-100 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 102-114 of this report.

**Government-wide Financial Analysis.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mineral Wells, assets and deferred outflows exceed liabilities and deferred inflows on the following page by \$82,888,663 at September 30, 2020. This \$82,888,663 (see table below) represents the City's total net position. By comparison, at the end of FY 2019, total net position was \$81,261,244. Total net position increased by \$1,627,419 since last year.

The largest portion of the City's net position (68 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding.

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is 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.

It is important to note that of the City's total net position, \$10,294,942 represents resources that are "restricted", meaning they are subject to external restrictions on how they may be used. The \$16,240,084 balance of "unrestricted" net position may be used to meet the government's ongoing obligations to citizens and creditors.

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

The following is a summary of the City's Statement of Net Position.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and Other Assets	\$ 14,567,648	\$ 14,281,600	\$ 28,593,392	\$ 27,888,539	\$ 43,161,040	\$ 42,170,139
Capital Assets	26,810,041	27,505,638	50,678,264	51,327,563	77,488,305	78,833,201
<b>Total Assets</b>	<b>41,377,689</b>	<b>41,787,238</b>	<b>79,271,656</b>	<b>79,216,102</b>	<b>120,649,345</b>	<b>121,003,340</b>
<b>Deferred Outflows of Resources</b>						
	701,165	1,688,395	302,689	701,130	1,003,854	2,389,525
<b>Liabilities</b>						
Long-Term Liabilities	9,209,162	11,094,378	24,703,981	26,374,772	33,913,143	37,469,150
Other Liabilities	1,281,372	1,933,281	2,380,236	2,652,413	3,661,608	4,585,694
<b>Total Liabilities</b>	<b>10,490,534</b>	<b>13,027,659</b>	<b>27,084,217</b>	<b>29,027,185</b>	<b>37,574,751</b>	<b>42,054,844</b>
<b>Deferred Inflows of Resources</b>						
	890,204	50,441	299,581	26,336	1,189,785	76,777
<b>Net Position</b>						
Net Investment						
in Capital Assets	18,334,127	20,872,820	38,019,510	38,284,961	56,353,637	59,157,781
Restricted	7,471,836	1,106,790	2,823,106	2,343,352	10,294,942	3,450,142
Unrestricted	4,892,153	8,417,923	11,347,931	10,235,398	16,240,084	18,653,321
<b>Total Net Position</b>	<b>\$ 30,698,116</b>	<b>\$ 30,397,533</b>	<b>\$ 52,190,547</b>	<b>\$ 50,863,711</b>	<b>\$ 82,888,663</b>	<b>\$ 81,261,244</b>

At the end of the fiscal year, the City was able to report positive balances in net position, for the government as a whole, as well as for its separate governmental and business-type activities.

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

The following is a summary of the City's Statement of Activities.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,603,104	\$ 1,223,217	\$ 12,277,478	\$ 13,608,492	\$ 13,880,582	\$ 14,831,709
Operating grants and contributions	1,357,131	624,257	202,640	-	1,559,771	624,257
<b>General revenues</b>						
Property taxes	5,239,072	4,819,196	-	-	5,239,072	4,819,196
Other taxes	5,062,663	4,886,282	-	-	5,062,663	4,886,282
Other	240,717	637,028	616,605	335,435	857,322	972,463
<b>Total revenues</b>	<b>13,502,687</b>	<b>12,189,980</b>	<b>13,096,723</b>	<b>13,943,927</b>	<b>26,599,410</b>	<b>26,133,907</b>
<b>Expenses</b>						
Administrative	1,362,292	1,417,239	-	-	1,362,292	1,417,239
Finance	689,234	677,760	-	-	689,234	677,760
Information technology	473,643	467,752	-	-	473,643	467,752
Fleet maintenance	752,927	708,526	-	-	752,927	708,526
Police department	3,969,951	3,532,145	-	-	3,969,951	3,532,145
Fire/EMS	2,988,990	2,621,467	-	-	2,988,990	2,621,467
Inspections	359,877	363,935	-	-	359,877	363,935
Streets	2,049,631	1,896,429	-	-	2,049,631	1,896,429
Sanitation	191,323	175,536	-	-	191,323	175,536
Parks and recreation	1,013,866	1,078,231	-	-	1,013,866	1,078,231
Cemetery	305,448	284,806	-	-	305,448	284,806
Library	370,498	411,221	-	-	370,498	411,221
Economic development	48,476	117,717	-	-	48,476	117,717
Hotel occupancy	148,751	177,983	-	-	148,751	177,983
Interest on long-term debt	200,947	298,582	-	-	200,947	298,582
Water and sewer	-	-	7,235,142	9,022,790	7,235,142	9,022,790
PPCMWD No. 1	-	-	1,508,051	1,424,683	1,508,051	1,424,683
Nonmajor enterprise funds	-	-	1,304,194	1,465,697	1,304,194	1,465,697
<b>Total expenses</b>	<b>14,925,854</b>	<b>14,229,329</b>	<b>10,047,387</b>	<b>11,913,170</b>	<b>24,973,241</b>	<b>26,142,499</b>
Change in net position before transfers	(1,423,167)	(2,039,349)	3,049,336	2,030,757	1,626,169	(8,592)
Transfers	1,723,750	1,330,371	(1,722,500)	(1,329,371)	1,250	1,000
Change in net position	300,583	(708,978)	1,326,836	701,386	1,627,419	(7,592)
Net position - beginning of year	30,397,533	31,106,511	50,863,711	50,162,325	81,261,244	81,268,836
<b>Net position - end of year</b>	<b>\$ 30,698,116</b>	<b>\$ 30,397,533</b>	<b>\$ 52,190,547</b>	<b>\$ 50,863,711</b>	<b>\$ 82,888,663</b>	<b>\$ 81,261,244</b>

**Financial Analysis of the Government's Funds**

**Governmental Funds.** Governmental funds generally include all funds except proprietary funds and the component unit of the Mineral Wells EDC. Examples of activities funded by the General Fund include Police, Fire, Administration, Code Enforcement/Inspections, Library, Main Street, and Parks/Recreation among others.

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balances of the General Fund is \$5,395,508 while total fund balance reached \$5,395,508. 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 general fund expenditures. Unassigned fund balance represents 39 percent of total general fund expenditures, while total fund balance represents 39 percent of that same amount.

Other Items. The Debt Service Fund has a total fund balance of \$75,792 all of which is restricted for the payment of debt service.

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

Unrestricted net position at the end of the year for Water/Sewer Operations, Water District, and Nonmajor Enterprise Fund are \$7,216,963, \$3,369,415, and \$466,460 respectively.

General Fund Budgetary Highlights. It is the practice of the City to budget very conservatively. Revenues in 2019-20 were \$1,181,867 more than budgeted with Sales and use taxes coming in at \$453,192 more than budgeted. Actual expenses were 3.2 percent less than budgeted primarily due to Finance, Inspections, and Parks and Recreation expenditures being lower than anticipated.

Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to \$77,488,305 (net of depreciation). This investment in capital assets includes land, buildings, equipment, streets and water/sewer systems, airport runways, and improvements other than buildings.

The General Fund acquired police vehicles, a truck, cardiac monitors, a street sweeper and completed paving projects in Holiday East and on Travis Street. The Water and Sewer fund purchased vehicles and a portable inspection camera. Additional information on the City's capital assets can be found in Note 6 of this report.

**Long-Term Liabilities.** At the end of the fiscal year, the City had total long-term liabilities of \$36,217,266. Included in the City's long-term debt are capital leases in the amount of \$62,079 for airport T-hangars and tractor. \$1,737,668 of the long-term debt is in the form of loans from the Texas Capital Fund that were used to acquire and/or rehabilitate facilities to attract and/or retain businesses. \$19,270,000 represents Palo Pinto County Municipal Water District No. 1 revenue bonds. The Water District debt has an "A" rating from Standard and Poor's and "A+" from Fitch Ratings. Additional information on the City's long-term liabilities can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates. The City of Mineral Wells is a community of resilience and persistence. As we entered the COVID-19 pandemic in early 2020, we were unsure of the financial impact it would have on our economy. To no one's real surprise, Mineral Wells remained strong.

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

We were concerned that we might see a drop in Sales Tax Collections, but we actually enjoyed notable increases, finishing the year with a 5% increase in collections as previously referred to in this report. Through the entire pandemic year of 2020, our businesses generally survived and our economy remained strong.

During the pandemic, we implemented a Small Business Emergency Loan Program, utilizing \$150,000 from our Type B Economic Development Corporation funds, and were able to provide forgivable loans to 20 of our local small businesses to help sustain them through the pandemic.

The new philosophies and strategies for growth and economic development as envisioned by the community and the City leaders have been implemented and are reaping benefits. In the coming months, we will see residential development at a level that has not been experienced by Mineral Wells in decades. A subdivision of approximately 23 homes will be underway in 2021, and an even larger subdivision ultimately including in excess of over 450 single-family homes is in early planning stages. In FY 2020, the boundaries of the TIRZ were expanded to include over 2,200 additional acres in areas that are either undeveloped or under-developed, and we look forward to the possibility of growth in those areas. We believe the establishment and expansion of the TIRZ will continue to be one of our greatest tools for economic development going forward, not just for the Downtown area, but for the City as a whole. We continue to explore options for growth and development, with a global approach to economic development that includes industry, retail, housing, and tourism.

An Exclusive Development Agreement for the Mineral Wells Regional Airport is in initial stages of discussion and creation as FY 2020 ends, which will likely bring success to the airport and the City that exceeds even the greatest imagination. The community recognizes the value of the airport, and this Public Private Partnership will vault our airport and our City into new, progressive times. We will also continue to evaluate and analyze the conditions and needs at the airport, and will utilize all possible resources to maximize revenues in order to reinvest as much as we can back into improvements, all while leveraging local dollars with federal and state grants.

The Baker Hotel and Crazy Water Hotel projects are underway, and although slightly delayed by the pandemic, we expect to see those projects in full resumption by the end of FY 2021. These projects embody the resilience and desire of our community, and will act as an “anchor” for the regrowth and redevelopment of the entire city, not just downtown.

The accomplishments of FY 2021 are impressive. The 2018 General Obligation Bond project is well underway, and as we move into 2021-2022, I anticipate the commencement and possible completion of several significant portions of those projects, including over \$1 million in water distribution/wastewater collection improvements, and the West US 180 16" water main project. Upon completion of some of those utility projects, we will plan for the reconstruction of the streets as approved by the voters as well. We also look forward to the commencement of two TDA projects, one being the Downtown Revitalization Project on NE 1<sup>st</sup> Avenue, and the other being the paving project in the southwest portion of town. I anticipate both of those projects to be complete by the end of 2021.

Property values for 2020 increased significantly due to the demand and market for property within the City of Mineral Wells and the surrounding area.

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2020**

We were able to make some significant capital purchases and improvements this year, including replacement of the filter media at the Hilltop Water Treatment Plant, some new equipment and vehicles for the Public Works Department, we have a new Ammonia Injection/Disinfection system in the design process, we awarded a contract for and will anticipate completion of a new SCADA system for our water processes, and we have addressed many significant system/facility needs that were of reasonably small cost. Future efforts will include the development of an updated Capital Improvements Plan and an updated Comprehensive Plan.

We continue to work toward adoption of a comprehensive water/sewer rate study for our wholesale water customers, in order to ensure adequate and appropriate levels of funding for both in-town future capital needs and the Turkey Peak Reservoir.

As we prepare for the FY 2021-2022 Budget, there are many considerations we will need to address. One of our greatest challenges will be to address aging infrastructure and facilities, but this is not unique to Mineral Wells. Many cities experience the same issue, and we will have to continue to work toward addressing these concerns. It is possible that at some point going forward, we will have to consider future debt issuance to address our highest priority needs, but even so, we will continue to operate as efficiently as we can.

In the coming year, we will also continue efforts to develop a Drainage Utility Fee for all customers that is more equitable than the current single fee. When we accomplish this, it will generate additional revenues that can be utilized for the continued evaluation and study of the flood hazard areas in town, and at some point provide funding for matching grants to address flood mitigation measures.

Mineral Wells has a history of budgeting conservatively, and our financial condition has strengthened. We continue to maintain an AA- rating with Fitch, which is a solid measurement of our financial stability and is a very good rating for a City our size. We have stable reserves, and will consider in the coming year how to utilize some of those reserves in a responsible and prudent way to best benefit our citizens.

The economic future of Mineral Wells is bright. We have strong, organized efforts for economic development, we have a good tax base that is increasing, and we have a solid core of business and industry that provides stability to our local economy. Palo Pinto and Parker Counties are counties of significant growth, and we are situated in a wonderful location to be able to capitalize on that growth in a positive way for Mineral Wells. Our Airport is a wonderful asset that will soon begin to see itself growing into its potential. We have a staff of hard-working, dedicated public servants that desire to provide the highest levels of service they can, even when faced with limited resources, and of equal importance, we have a City Council that is progressive and responsible. We will continue to operate our City in a conservative, fiscally responsible manner. Good things lie ahead for us.

Requests for Information. This financial report is designed to provide a general overview of the City of Mineral Wells' finances. Questions concerning information in this report should be addressed to the Finance Director, City of Mineral Wells, P.O. Box 459, Mineral Wells, Texas 76068.

## **Basic Financial Statements**

**City of Mineral Wells, Texas**  
**Statement of Net Position**

September 30, 2020	Primary Government			Component Unit	
	Governmental Activities		Business-Type Activities		Mineral Wells Economic Development Corporation
	Activities	Activities	Activities	Activities	
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 2,615,040	\$ 4,239,325	\$ 6,854,365	\$ 930,270	
Investments	4,020,798	5,843,677	9,864,475	801,488	
Receivables					
Taxes, net	1,167,147	-	1,167,147	55,484	
Intergovernmental	829,838	69,000	898,838	-	
Customer, net	447,544	1,445,098	1,892,642	-	
Leases	1,737,666	-	1,737,666	-	
Other	68,796	921	69,717	-	
Prepaid expense	-	8,899	8,899	-	
Inventory	-	361,861	361,861	-	
Internal Balances	(294,943)	294,943	-	-	
Total current assets	10,591,886	12,263,724	22,855,610	1,787,242	
Noncurrent assets					
Restricted cash and cash equivalents	3,975,762	11,163,228	15,138,990	-	
Restricted investments	-	5,166,440	5,166,440	-	
Capital assets, not being depreciated	1,879,226	18,547,390	20,426,616	-	
Capital assets, being depreciated	70,958,028	75,868,971	146,826,999	-	
Less: accumulated depreciation	(46,027,213)	(43,738,097)	(89,765,310)	-	
Total noncurrent assets	30,785,803	67,007,932	97,793,735	-	
Total assets	41,377,689	79,271,656	120,649,345	1,787,242	
<b>Deferred outflows</b>					
Deferred outflows related to pensions	561,745	244,239	805,984	-	
Deferred outflows related to OPEB	139,420	58,450	197,870	-	
Total deferred outflows	701,165	302,689	1,003,854	-	
Total assets and deferred outflows	\$ 42,078,854	\$ 79,574,345	\$ 121,653,199	\$ 1,787,242	

*The accompanying notes are an integral part of these financial statements.*

September 30, 2020	Primary Government			Component Unit	
	Governmental Activities		Business-Type Activities		Mineral Wells Economic Development Corporation
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 382,675	\$ 19,962	\$ 402,637	\$ 73,554	
Fringe benefits payable	86,707	30,716	117,423	-	
Retainage payable	-	33,831	33,831	-	
Accrued payroll	179,401	85,007	264,408	-	
Other accrued liabilities	16,179	5,887	22,066	-	
Due to state	19,055	-	19,055	-	
Unearned revenue	-	161,485	161,485	-	
Deposits held for others	-	336,580	336,580	-	
Long-term liabilities, current	597,355	1,706,768	2,304,123	-	
<b>Total current liabilities</b>	<b>1,281,372</b>	<b>2,380,236</b>	<b>3,661,608</b>	<b>73,554</b>	
Noncurrent liabilities					
Net pension liability	761,436	412,612	1,174,048	-	
Total OPEB liability	425,745	194,407	620,152	-	
Long-term liabilities, net of current portion	8,021,981	24,096,962	32,118,943	-	
<b>Total noncurrent liabilities</b>	<b>9,209,162</b>	<b>24,703,981</b>	<b>33,913,143</b>	<b>-</b>	
<b>Total liabilities</b>	<b>10,490,534</b>	<b>27,084,217</b>	<b>37,574,751</b>	<b>73,554</b>	
<b>Deferred inflows</b>					
Deferred inflows related to pensions	791,723	262,251	1,053,974	-	
Deferred inflows related to OPEB	98,481	37,330	135,811	-	
<b>Total deferred inflows</b>	<b>890,204</b>	<b>299,581</b>	<b>1,189,785</b>	<b>-</b>	
<b>Net position</b>					
Net investment in capital assets	18,334,127	38,019,510	56,353,637	-	
Restricted for					
Debt service	1,818,923	2,823,106	4,642,029	-	
Capital projects	4,206,498	-	4,206,498	-	
Special revenue	870,667	-	870,667	-	
Woodland Park	575,748	-	575,748	-	
Unrestricted net position	4,892,153	11,347,931	16,240,084	1,713,688	
<b>Total net position</b>	<b>30,698,116</b>	<b>52,190,547</b>	<b>82,888,663</b>	<b>1,713,688</b>	
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 42,078,854</b>	<b>\$ 79,574,345</b>	<b>\$ 121,653,199</b>	<b>\$ 1,787,242</b>	

*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Statement of Activities**

For the Year Ended September 30, 2020

**Program Revenues**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental activities</b>				
Administrative	\$ 1,362,292	\$ 27,679	\$ 10,535	\$ -
Finance	689,234	169,120	-	-
Information technology	473,643	-	-	-
Fleet maintenance	752,927	-	-	-
Police department	3,969,951	225,488	85,447	-
Fire/EMS	2,988,990	808,534	1,261,149	-
Inspections	359,877	107,962	-	-
Streets	2,049,631	2,162	-	-
Sanitation	191,323	76,761	-	-
Parks and recreation	1,013,866	50,746	-	-
Cemetery	305,448	97,418	-	-
Library	370,498	37,234	-	-
Economic development	48,476	-	-	-
Hotel occupancy	148,751	-	-	-
Interest and other charges	200,947	-	-	-
<b>Total governmental activities</b>	<b>14,925,854</b>	<b>1,603,104</b>	<b>1,357,131</b>	<b>-</b>
<b>Business-type activities</b>				
Water and sewer	7,235,142	8,366,584	109,895	-
PPCMWD No. 1	1,508,051	2,974,826	-	-
Nonmajor enterprise fund	1,304,194	936,068	92,745	-
<b>Total business-type activities</b>	<b>10,047,387</b>	<b>12,277,478</b>	<b>202,640</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 24,973,241</b>	<b>\$ 13,880,582</b>	<b>\$ 1,559,771</b>	<b>\$ -</b>
<b>Component unit</b>				
Economic Development	\$ 80,331	\$ -	\$ -	\$ -
<b>General revenues and transfers</b>				
Taxes				
Property taxes				
Sales and use taxes				
Franchise taxes				
Occupancy taxes				
Investment earnings				
Insurance recoveries				
Other revenue				
Gain from sale of assets				
Transfers				
<b>Total general revenues and transfers</b>				
<b>Change in net position</b>				
<b>Net position - beginning of year</b>				
<b>Net position - end of year</b>				

*The accompanying notes are an integral part of these financial statements.*

### Net (Expense) Revenue and Changes in Net Position

Primary Government				Component Unit	
Governmental Activities		Business-Type Activities		Total	Mineral Wells Economic Development Corporation
\$	(1,324,078)	\$	-	\$ (1,324,078)	\$ -
	(520,114)		-	(520,114)	-
	(473,643)		-	(473,643)	-
	(752,927)		-	(752,927)	-
	(3,659,016)		-	(3,659,016)	-
	(919,307)		-	(919,307)	-
	(251,915)		-	(251,915)	-
	(2,047,469)		-	(2,047,469)	-
	(114,562)		-	(114,562)	-
	(963,120)		-	(963,120)	-
	(208,030)		-	(208,030)	-
	(333,264)		-	(333,264)	-
	(48,476)		-	(48,476)	-
	(148,751)		-	(148,751)	-
	(200,947)		-	(200,947)	-
	(11,965,619)		-	(11,965,619)	-
	-	1,241,337		1,241,337	-
	-	1,466,775		1,466,775	-
	-	(275,381)		(275,381)	-
	-	2,432,731		2,432,731	-
\$	(11,965,619)	\$	2,432,731	\$ (9,532,888)	\$ -
\$	-	\$	-	\$ -	\$ (80,331)
	5,239,072		-	5,239,072	-
	3,605,192		-	3,605,192	324,079
	1,304,246		-	1,304,246	-
	153,225		-	153,225	-
	120,454	123,189		243,643	26,879
	9,378	156,472		165,850	-
	110,885	84,795		195,680	-
	-	252,149		252,149	-
	1,723,750	(1,722,500)		1,250	(1,250)
	12,266,202	(1,105,895)		11,160,307	349,708
	300,583	1,326,836		1,627,419	269,377
	30,397,533	50,863,711		81,261,244	1,444,311
\$	30,698,116	\$	52,190,547	\$ 82,888,663	\$ 1,713,688

*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Balance Sheet**  
**Governmental Funds**

<b>September 30, 2020</b>	<b>General Fund</b>	<b>Debt Service</b>
<b>Assets</b>		
Unrestricted cash	\$ 1,177,249	\$ 75,251
Restricted cash	262,437	-
Receivables		
Taxes, net	887,095	8,339
Intergovernmental	829,838	-
Customer, net	443,817	-
Lease	-	1,737,666
Other	68,796	-
Unrestricted investments	2,445,553	-
Due from other funds	284,544	-
<b>Total assets</b>	<b>\$ 6,399,329</b>	<b>\$ 1,821,256</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 376,827	\$ 2,333
Fringe benefits payable	103,488	-
Retainage payable	-	-
Accrued payroll	179,401	-
Other accrued liabilities	16,179	-
Due to state	19,055	-
Due to other funds	113,351	-
<b>Total liabilities</b>	<b>808,301</b>	<b>2,333</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - property taxes	19,732	5,465
Unavailable revenue - franchise taxes	175,788	-
Unavailable revenue - leases	-	1,737,666
<b>Total deferred inflows of resources</b>	<b>195,520</b>	<b>1,743,131</b>
<b>Fund balances</b>		
Nonspendable	-	-
Restricted	75,792	75,792
Unassigned (deficit)	5,395,508	-
<b>Total fund balances</b>	<b>5,395,508</b>	<b>75,792</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,399,329</b>	<b>\$ 1,821,256</b>

*The accompanying notes are an integral part of these financial statements.*

<b>Nonmajor</b>		
<b>Governmental</b>		<b>Total Governmental</b>
<b>Funds</b>		<b>Funds</b>
\$ 571,521	\$ 1,824,021	
3,713,325		3,975,762
271,713		1,167,147
-		829,838
3,727		447,544
-		1,737,666
-		68,796
1,095,692		3,541,245
3,515		288,059
<b>\$ 5,659,493</b>	<b>\$ 13,880,078</b>	

\$ 3,515	\$ 382,675	
-	103,488	
-	-	
-	179,401	
-	16,179	
-	19,055	
3,515	116,866	
<b>7,030</b>	<b>817,664</b>	
222,939	248,136	
-	175,788	
-	1,737,666	
<b>222,939</b>	<b>2,161,590</b>	
575,748	575,748	
4,854,226	4,930,018	
(450)	5,395,058	
<b>5,429,524</b>	<b>10,900,824</b>	
<b>\$ 5,659,493</b>	<b>\$ 13,880,078</b>	

*The accompanying notes are an integral part of these financial statements.*

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**City of Mineral Wells, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**

**September 30, 2020**

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Amounts reported for governmental activities in the statement of net position  
 are different because

Fund balances - total governmental funds	\$ 10,900,824
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	26,810,041
Certain taxes and leases receivable are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the statement of activities	2,161,590
Deferred outflows and inflows of resources are applicable to future periods and therefore, are not reported in funds	
Deferred outflows of resources related to pensions	561,745
Deferred outflows of resources related to OPEBs	139,420
Deferred inflows of resources related to pensions	(791,723)
Deferred inflows of resources related to OPEBs	(98,481)
Some liabilities, including bonds payable, notes, accrued compensated absences, and net pension and total OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Long-term liabilities	(9,806,517)
The City uses an internal service fund to charge the costs of insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund attributable to the fund are included in the statement of net position.	821,217
<hr/>	
Total net position - governmental activities	<hr/> \$ 30,698,116

*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**

<b>For the Year Ended September 30, 2020</b>	<b>General Fund</b>	<b>Debt Service</b>
<b>Revenues</b>		
<b>Taxes</b>		
Property taxes	\$ 4,602,929	\$ 375,698
Sales and use taxes	3,605,192	-
Franchise taxes	1,231,469	-
Occupancy taxes	-	-
<b>Intergovernmental</b>		
Federal operating grants	1,343,797	-
State operating grants	13,334	-
<b>Charges for services</b>	540,701	-
<b>Permits and fees</b>	1,062,403	-
<b>Investment income</b>	51,810	834
<b>Other revenue</b>	110,886	197,784
<b>Insurance recoveries</b>	9,378	-
<b>Total revenues</b>	<b>12,571,899</b>	<b>574,316</b>
<b>Expenditures</b>		
<b>Current</b>		
General administration	1,247,447	-
Finance	672,347	-
Information technology	452,979	-
Fleet maintenance	748,709	-
Police department	3,758,663	-
Fire and EMS	2,756,196	-
Inspections	356,569	-
Streets	1,133,349	-
Sanitation department	191,067	-
Parks and recreation	762,659	-
Cemetery	293,724	-
Library	336,623	-
Economic development	43,161	-
Hotel occupancy tax	-	-
<b>Capital outlay</b>	693,460	-
<b>Debt service</b>		
Principal	238,567	327,784
Interest and other charges	10,350	204,200
<b>Total expenditures</b>	<b>13,695,870</b>	<b>531,984</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,123,971)</b>	<b>42,332</b>
<b>Other financing sources (uses)</b>		
Proceeds from sale of general capital assets	60,300	-
Proceeds from notes payable	487,599	-
Transfers in	1,725,750	-
Transfers (out)	-	-
<b>Total other financing sources (uses)</b>	<b>2,273,649</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>1,149,678</b>	<b>42,332</b>
<b>Fund balance - beginning of year, as originally stated</b>	<b>3,982,490</b>	<b>33,460</b>
<b>Fund balance - restatement (Note 18)</b>	<b>263,340</b>	<b>-</b>
<b>Fund balance - beginning of year, as restated</b>	<b>4,245,830</b>	<b>33,460</b>
<b>Fund balance - End of year</b>	<b>\$ 5,395,508</b>	<b>\$ 75,792</b>

*The accompanying notes are an integral part of these financial statements.*

Nonmajor Governmental Funds		Total Governmental Funds	
\$	133,703	\$	5,112,330
	-		3,605,192
	-		1,231,469
	153,225		153,225
			1,343,797
			13,334
			540,701
			1,062,403
	67,810		120,454
	-		308,670
	-		9,378
	354,738		13,500,953

-	1,247,447
-	672,347
-	452,979
-	748,709
-	3,758,663
-	2,756,196
-	356,569
-	1,133,349
-	191,067
-	762,659
-	293,724
450	337,073
5,315	48,476
148,751	148,751
354,355	1,047,815
	566,351
	214,550
508,871	14,736,725
(154,133)	(1,235,772)

-	60,300
-	487,599
-	1,725,750
(2,000)	(2,000)
(2,000)	2,271,649
	1,035,877
5,585,657	9,601,607
-	263,340
5,585,657	9,864,947
\$ 5,429,524	\$ 10,900,824

*The accompanying notes are an integral part of these financial statements.*

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**City of Mineral Wells, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**

**For the Year Ended September 30, 2020**

Amounts reported for governmental activities in the statement of activities  
 are different because

Net change in fund balances - total governmental funds \$ 1,035,877

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

Capital expenditures recorded in capital outlay	1,047,815
Depreciation expense	(1,683,112)
Book value of land sold during the year	(60,300)

Revenues in the statement of activities that do not provide current financial  
 resources are not reported as revenue in the funds

Increase in unavailable revenue related to taxes receivable	261,607
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Changes in PERA and OPEB liability affect expenses reported in the statement  
 of activities but does not require the use of current financial resources and,  
 therefore, is not reported as expenditures in the governmental funds

OPEB related items	(66,430)
Pension related items	(469,756)

The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial  
 resources to governmental funds, while the repayment of the principal of long-term  
 debt consumes the current financial resources of governmental funds. Neither  
 transaction, however, has any effect on net position.

Proceeds from the issuance of notes payable	(487,599)
Principal payments on bonds payable and capital lease	566,351
Amortization of bond premium	13,603

The City uses an internal service fund to charge the costs of insurance to  
 individual funds. The adjustment is needed to reflect the consolidation  
 of the internal service fund in the governmental activities

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Change in net position of governmental activities \$ 300,583

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*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Statement of Net Position**  
**Proprietary Funds**

		<b>Business-Type Activities</b> <b>Enterprise Funds</b>	
		<b>Palo Pinto County</b> <b>Municipal Water</b> <b>District No. 1</b>	
<b>September 30, 2020</b>		<b>Water and Sewer</b>	<b></b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 3,681,532	\$ 202,251	
Investments	2,981,150		2,831,773
Receivables			
Intergovernmental	-	-	
Customers, net	1,395,172	6,348	
Miscellaneous	921		-
Prepaid assets	-	8,899	
Inventory	232,499		101,868
Due from other funds	47,190		-
<b>Total current assets</b>	<b>8,338,464</b>		<b>3,151,139</b>
Noncurrent assets			
Restricted cash and cash equivalents	-	11,147,228	
Restricted investments	-	5,166,440	
Capital assets, not being depreciated	1,744,493	16,522,358	
Capital assets, being depreciated	41,298,281	25,363,832	
Less: accumulated depreciation	(22,023,620)	(16,458,896)	
<b>Total noncurrent assets</b>	<b>21,019,154</b>		<b>41,740,962</b>
<b>Total assets</b>	<b>29,357,618</b>		<b>44,892,101</b>
 <b>Deferred outflows of resources</b>			
Deferred outflows related to pension	231,533		-
Deferred outflows related to OPEB	54,849		-
<b>Total deferred outflows of resources</b>	<b>286,382</b>		<b>-</b>
 <b>Total assets and deferred outflows of resources</b>	 <b>\$ 29,644,000</b>		 <b>\$ 44,892,101</b>

*The accompanying notes are an integral part of these financial statements.*

Business-Type Activities			Governmental Activities		
Enterprise Funds			Internal Service Fund		
Nonmajor Proprietary Fund		Total			
\$		\$	\$		
\$ 355,542	\$ 30,754	\$ 4,239,325	\$ 5,843,677	\$ 791,019	479,553
69,000		69,000			
43,578		1,445,098		17,778	
-		921		-	
-		8,899		-	
27,494		361,861		-	
27,265		74,455		-	
<b>553,633</b>		<b>12,043,236</b>		<b>1,288,350</b>	
16,000		11,163,228		-	
-		5,166,440		-	
280,539		18,547,390		-	
9,206,858		75,868,971		-	
(5,255,581)		(43,738,097)		-	
<b>4,247,816</b>		<b>67,007,932</b>		<b>-</b>	
<b>4,801,449</b>		<b>79,051,168</b>		<b>1,288,350</b>	
12,706		244,239		-	
3,601		58,450		-	
<b>16,307</b>		<b>302,689</b>		<b>-</b>	
<b>\$ 4,817,756</b>		<b>\$ 79,353,857</b>		<b>\$ 1,288,350</b>	

(continued)

*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Statement of Net Position**  
**Proprietary Funds**

		<b>Business-Type Activities</b> <b>Enterprise Funds</b>	
		<b>Palo Pinto County</b> <b>Municipal Water</b> <b>District No. 1</b>	
<b>September 30, 2020</b>		<b>Water and Sewer</b>	
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 1,288	\$ 18,674	
Fringe benefits payable	29,601	-	
Retainage payable	18,336	-	
Accrued payroll	77,378	1,565	
Other accrued liabilities	5,812	-	
Unearned revenue	-	161,485	
Deposits held for others	336,580	-	
Due to other funds	27,265	-	
Long-term liabilities, current	331,542	1,293,334	
<b>Total current liabilities</b>	<b>827,802</b>	<b>1,475,058</b>	
Noncurrent liabilities			
Net pension liability	395,473	-	
Net OPEB liability	184,002	-	
Long-term liabilities, net of current portion	5,665,551	18,166,347	
<b>Total noncurrent liabilities</b>	<b>6,245,026</b>	<b>18,166,347</b>	
<b>Total liabilities</b>	<b>7,072,828</b>	<b>19,641,405</b>	
<b>Deferred inflows of resources</b>			
Deferred inflows related to pension	248,147	-	
Deferred inflows related to OPEB	34,860	-	
<b>Total deferred inflows of resources</b>	<b>283,007</b>	<b>-</b>	
<b>Net position</b>			
Net investment in capital assets	15,071,203	19,058,175	
Restricted for debt service	-	2,823,106	
Unrestricted net position	7,216,962	3,369,415	
<b>Total net position</b>	<b>22,288,165</b>	<b>25,250,696</b>	
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 29,644,000</b>	<b>\$ 44,892,101</b>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
<b>Net position of business-type activities</b>			

*The accompanying notes are an integral part of these financial statements.*

Business-Type Activities Enterprise Funds		Governmental Activities	
Nonmajor Proprietary Fund	Total	Internal Service Fund	
\$ - \$	19,962	\$ 997	
1,115	30,716		
15,495	33,831		
6,064	85,007		
75	5,887		
-	161,485		
-	336,580		
47,341	74,606	171,042	
81,892	1,706,768		
<b>151,982</b>	<b>2,454,842</b>	<b>172,039</b>	
17,139	412,612		
10,405	194,407		
265,064	24,096,962		
292,608	24,703,981		
<b>444,590</b>	<b>27,158,823</b>	<b>172,039</b>	
14,104	262,251		
2,470	37,330		
<b>16,574</b>	<b>299,581</b>	<b>-</b>	
3,890,132	38,019,510		
-	2,823,106		
466,460	11,052,837	1,116,311	
<b>4,356,592</b>	<b>51,895,453</b>	<b>1,116,311</b>	
<b>\$ 4,817,756</b>	<b>\$ 79,353,857</b>	<b>\$ 1,288,350</b>	
	295,094		
	<b>\$ 52,190,547</b>		

*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**

	Business-Type Activities		
	Enterprise Funds		
	Water and Sewer	Palo Pinto County	Municipal Water
<b>For the Year Ended September 30, 2020</b>			<b>District No. 1</b>
Operating revenues			
Water sales	\$ 6,899,172	\$ 2,974,826	
Connections	67,676	-	
Sewer	3,102,788	-	
Drainage utility fees	-	-	
Oil and gas	-	-	
Rentals	-	-	
Other	66,031	1,130	
Operating grants	109,895	-	
<b>Total operating revenues</b>	<b>10,245,562</b>	<b>2,975,956</b>	
Operating expenses			
General administration	-	503,125	
Public works administration	3,026,845	-	
Water distribution and sewer	1,188,814	-	
Hilltop water treatment plant	1,321,692	-	
Wastewater plants	1,312,949	-	
Facility maintenance	505,190	-	
City utility service	495,773	-	
Drainage utility	-	-	
Airport	-	-	
Waterworks and sewer system	2,844	-	
Depreciation expense	1,031,987	442,623	
<b>Total operating expenses</b>	<b>8,886,094</b>	<b>945,748</b>	
<b>Operating income (loss)</b>	<b>1,359,468</b>	<b>2,030,208</b>	
Non-operating revenues (expenses)			
Gain on disposal of assets	-	252,149	
Insurance recoveries	6,627	-	
Interest expense	(199,446)	(562,303)	
Interest earned	61,731	65,979	
<b>Total non-operating revenues (expenses)</b>	<b>(131,088)</b>	<b>(244,175)</b>	
Income (loss) before contributions and transfers	1,228,380	1,786,033	
Transfers out	(1,412,500)	-	
Change in net position	(184,120)	1,786,033	
Net position - beginning of year	22,472,285	23,464,663	
<b>Net position - end of year</b>	<b>\$ 22,288,165</b>	<b>\$ 25,250,696</b>	

*The accompanying notes are an integral part of these financial statements.*

Business-Type Activities Enterprise Funds		Governmental Activities	
Nonmajor Proprietary Fund	Total	Internal Service Fund	
\$ -	\$ 9,873,998	\$ -	
-	67,676	-	
-	3,102,788	-	
172,873	172,873	-	
542,711	542,711	-	
220,484	220,484	-	
17,634	84,795	2,079,051	
92,745	202,640	-	
<b>1,046,447</b>	<b>14,267,965</b>	<b>2,079,051</b>	
-			
-	503,125	1,941,343	
-	3,026,845	-	
-	1,188,814	-	
-	1,321,692	-	
-	1,312,949	-	
-	505,190	-	
-	495,773	-	
13,876	13,876	-	
908,300	908,300	-	
-	2,844	-	
372,435	1,847,045	-	
<b>1,294,611</b>	<b>11,126,453</b>	<b>1,941,343</b>	
<b>(248,164)</b>	<b>3,141,512</b>	<b>137,708</b>	
-			
-	252,149	-	
149,845	156,472	-	
(9,583)	(771,332)	-	
298	128,008	4,819	
<b>140,560</b>	<b>(234,703)</b>	<b>4,819</b>	
-			
<b>(107,604)</b>	<b>2,906,809</b>	<b>142,527</b>	
-			
<b>(35,000)</b>	<b>(1,447,500)</b>	<b>(275,000)</b>	
-			
<b>(142,604)</b>	<b>1,459,309</b>	<b>(132,473)</b>	
<b>4,499,196</b>	<b>50,436,144</b>	<b>1,248,784</b>	
<b>\$ 4,356,592</b>	<b>\$ 51,895,453</b>	<b>\$ 1,116,311</b>	

*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**

<b>For the Year Ended September 30, 2020</b>	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Palo Pinto County</b>	<b>Municipal Water</b>	<b>District No. 1</b>
Cash flows from operating activities			
Cash received from user charges	\$ 10,069,206	\$ 2,973,048	
Cash payments to employees for services	(2,975,341)	(73,063)	
Cash payments to suppliers for goods and services	(4,986,593)	(369,560)	
Net cash provided (used) by operating activities	2,107,272	2,530,425	
Cash flows from noncapital financing activities			
Miscellaneous income	6,627	-	
Transfers and interfund activity	(1,594,571)	(101,868)	
Net cash provided (used) by noncapital financing activities	(1,587,944)	(101,868)	
Cash flows from investing activities			
Reclassification from cash to investments	553,715	-	
Interest on investments	61,731	65,979	
Net cash provided (used) by investing activities	615,446	65,979	
Cash flows from capital and related financing activities			
Acquisition of capital assets	(830,405)	(323,392)	
Interest paid	(199,446)	(572,025)	
Proceeds from issuance of long-term debt	506,906	-	
Principal payments on bonds, loans,notes payable, and capital leases	(214,813)	(1,080,000)	
Net cash provided (used) by capital and related financing activities	(737,758)	(1,975,417)	
Net (decrease) increase in cash and cash equivalents	397,016	519,119	
Cash and cash equivalents - beginning of year	3,284,516	18,828,573	
Cash and cash equivalents - end of year	\$ 3,681,532	\$ 19,347,692	

*The accompanying notes are an integral part of these financial statements.*

Business-Type Activities Enterprise Funds		Governmental Activities	
Nonmajor Proprietary Fund	Total	Internal Service Fund	
\$ 974,011	\$ 14,016,265	\$ 2,079,051	
(264,775)	(3,313,179)	(112,109)	
(642,107)	(5,998,260)	(1,846,015)	
67,129	4,704,826	120,927	
149,845	156,472	-	
(66,585)	(1,763,024)	(285,841)	
83,260	(1,606,552)	(285,841)	
(300)	553,415	(4,603)	
298	128,008	4,819	
(2)	681,423	216	
22,688	(1,131,109)	-	
(9,583)	(781,054)	-	
-	506,906	-	
(96,228)	(1,391,041)	-	
(83,123)	(2,796,298)	-	
67,264	983,399	(164,698)	
304,278	22,417,367	955,717	
\$ 371,542	\$ 23,400,766	\$ 791,019	

(continued)

*The accompanying notes are an integral part of these financial statements.*

**City of Mineral Wells, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**

<b>For the Year Ended September 30, 2020</b>	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>	<b>Palo Pinto County</b>	<b>Municipal Water</b>
	<b>Water and Sewer</b>	<b>District No. 1</b>	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 1,359,468	\$ 2,030,208	
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation	1,031,987	442,623	
Noncash pension and OPEB expense	35,368	-	
<b>Changes in assets, liabilities and deferred outflows of resources:</b>			
Receivables (net of allowance)	(134,997)	(2,908)	
Inventory	9,410	92,969	
Prepaid expenses	-	5,400	
Accounts payable	(168,807)	(38,453)	
Accrued payroll	22,384	586	
Compensated absences	(6,248)	-	
Other accrued liabilities	66	-	
Deposits held for others	(41,359)	-	
<b>Net cash provided (used) by operating activities</b>	<b>\$ 2,107,272</b>	<b>\$ 2,530,425</b>	

*The accompanying notes are an integral part of these financial statements.*

Business-Type Activities Enterprise Funds		Governmental Activities	
Nonmajor Proprietary Fund	Total	Internal Service Fund	
\$ (248,164)	\$ 3,141,512	\$ 137,708	
372,435	1,847,045	-	
2,524	37,892	-	
(72,436)	(210,341)	-	
10,744	113,123	(17,778)	
-	5,400	-	
-	(207,260)	-	
2,026	24,996	997	
-	(6,248)	-	
-	66	-	
-	(41,359)	-	
<b>\$ 67,129</b>	<b>\$ 4,704,826</b>	<b>\$ 120,927</b>	

*The accompanying notes are an integral part of these financial statements.*

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**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

The City of Mineral Wells, Texas (the "City") was first incorporated in 1884 and adopted the Home Rule Charter (Vernon's Ann. Civ. St. art. et. seq.) on July 25, 1966. The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety - police, fire, animal control and emergency medical services; street and drainage, water and sewer, sanitation, public health, parks and recreation, library, planning and zoning and general administrative services.

The City of Mineral Wells is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements present the City and its blended component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

***Reporting Entity***

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations 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.

In evaluating how to define the City for financial reporting purposes management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Financial Reporting Entity (Continued)***

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has two component units required to be reported under GASB Statements No. 14, No. 39, No. 61 and No. 80.

**Discretely Presented Component Unit**

The Mineral Wells Economic Development Corporation (a nonprofit development corporation formed under the Development Corporation Act of 1979) was incorporated in 2014. The Corporation is governed by a Board of Directors appointed by the City Council. The Corporation's services are provided to stimulate economic growth in the City. Operation of the Corporation is funded by a 1/8 percent sales tax approved by voters. The Corporation is reported as a discretely presented component unit in the statement of net position and statement of activities.

**Blended Component Unit**

The Palo Pinto County Municipal Water District No. 1 (the "District") is governed by a board appointed by the City of Mineral Wells' elected council. The rates for user charges and bond issuance authorizations are approved by the City's council and the legal liability for the District's debt remains with the City of Mineral Wells. The District is included in the City of Mineral Wells' "reporting entity" due to the financial accountability of the City of Mineral Wells for the District, and because the District provides services almost entirely for the benefit of the City of Mineral Wells. Approximately 77% of the District's water sales, which amounted to \$2,300,000, were to the City of Mineral Wells. The City has reported in its basic financial statements, the activities of the District for its fiscal period ending September 30, 2020, in a blended format.

Complete financial statements for the District may be obtained at the District's administrative offices:

Palo Pinto County Municipal Water District No. 1  
P.O. Box 387  
Mineral Wells, TX 76068

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds, 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of account, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund 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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

Property taxes, hotel/motel occupancy 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. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. All other revenue items are considered to be measurable and available only when cash is received by the government.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. The business-type activities column incorporates data from proprietary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the City has one discretely presented component unit. While the Mineral Wells Economic Development Corporation is considered to be a major component unit, it is nevertheless shown in separate column in the government-wide financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

***Fund Financial Statements***

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and major proprietary funds, each displayed in a separate column on their respective financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Under the requirements of GASB Statement No. 34, the City is required to present certain governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

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

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the operation of the water and sewer systems of the City.

The *Palo Pinto County Municipal Water District No. 1 fund* accounts for the water supply operations of the blended component unit.

Additionally, the government reports the following fund and fund types:

The *special revenue funds* are governmental funds that account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specific purposes.

The *Capital projects funds* account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The *permanent fund* is used to account for 25% of the proceeds from the sale of cemetery lots for Woodland Park Cemetery. Once a lot is sold, 75% of the proceeds are deposited in the City of Mineral Wells' general fund; the remaining 25% are recorded in the permanent fund. The proceeds are invested and any earnings on invested resources are transferred to the City's general fund to be used for perpetual care and maintenance of the cemetery. Principal amounts are permanently restricted.

The *internal service fund* accounts for workers' compensation premiums and employee health, dental and life insurance premiums paid on behalf and reimbursed by other departments or agencies of the City.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

***Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity***

*Deposits and Investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition, including restricted assets.

The City's investments include CDs with original maturities of three months or more from the date of acquisition, money market accounts, and external investment pools.

The Palo Pinto County Municipal Water District No. 1 entered into an Escrow Agreement with the Texas Water Development Board for the 2015 bonds. The escrowed funds are kept in separate accounts at the District's depository bank and shall not be subject to warrants, drafts or checks drawn by the District but shall be disbursed or withdrawn to pay the costs of the Project for which the Agreement was executed and solely upon written authorization from the Executive Administrator of Texas Water Development Board or his designated representative. The balance in the Escrow Accounts at September 30, 2020 was \$11,147,228.

*Receivables and Payables*

Unbilled receivables – An amount for unbilled revenue is recorded in the Water and Sewer and Drainage Utility funds for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage before year-end.

Allowance for doubtful accounts – All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in the enterprise fund that are delinquent for more than two months at year-end comprise the trade accounts receivable allowance for uncollectible accounts of \$36,435. The EMS receivable allowance of \$253,294 is comprised of accounts aged more than ninety days. The airport allowance of \$29,214 is comprised of delinquent accounts that are not certain of collection.

Ad valorem property taxes are levied each October 1, in conformity with Subtitle E, Texas Property Tax Code. The taxes are levied from valuations assessed as of the prior January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Tax liens are automatic on January 1 each year.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. The property tax receivable allowance is based upon historical experience and is equal to approximately 70% of outstanding delinquent property taxes at September 30. The property tax receivable allowance is \$212,222 in the general fund and \$18,561 in the debt service fund.

*Interfund Activities and Transactions*

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

*Inventory*

The City's method of accounting for inventory is the purchase method. Under the purchase approach, the inventory is first recorded as an expense when purchased. All inventories are valued at the lower of cost or market on the first-in, first-out method. A physical inventory is taken at the end of the fiscal year and the inventory adjusted to reflect the value of inventory at that date. The inventories are recorded in the governmental fund statements do not reflect current appropriable resources therefore an equivalent portion of fund balance is nonspendable.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)***

*Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed.

*Restricted Assets*

Restricted assets consist of those funds expendable for debt service purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Certain resources set aside for the repayment of the City's and District's debt are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

*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 activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities and proprietary funds is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the governmental activities, business-type activities and enterprise funds are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	10 - 50 years
Improvements other than buildings	10 - 50 years
Infrastructure	10 - 50 years
Distribution system	25 - 50 years
Collection system	50 years
Equipment and vehicles	5 - 10 years
Furniture and fixtures	5 - 10 years

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)***

*Accrued Payroll*

Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2020, along with accruals for applicable fringe benefits.

*Deferred Outflows of Resources*

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

The City has four types of items that qualify for reporting in this category related to reporting under GASB 68 and three types that related to reporting under GASB 75, which total \$805,984 and \$197,870, respectively, in the statement of net position. The amounts are further detailed in Note 9 and Note 10. These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability and other post-employment benefit liability, respectively, in future periods.

*Deferred Inflows of Resources*

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element 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. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has three items which arises under the modified accrual basis of accounting that qualifies for reporting in this category. The City has three types of items that qualify for reporting in this category related to reporting under GASB 68 and two types that related to reporting under GASB 75, which total \$1,053,974 and \$135,811, respectively, in the statement of net position. The amounts are further detailed in Note 9 and Note 10. These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability and other post-employment benefit liability, respectively, in future periods.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)***

*Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

*Pensions*

For purposes of measuring the net pension liability, 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 benefit terms. Investments are reported at fair value.

*Other Post-Employment Benefits*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEBs, and net OPEB expense, information about the Texas Municipal Retirement System Supplemental Death Benefit Plan 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 benefit terms. Investments are reported at fair value.

*Compensated Absences*

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. 10 days of vacation and 260 days of sick leave may be accumulated and carried forward. Accumulated vacation is paid upon separation from service; however sick leave is not paid upon separation from service. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)***

*Fund Balance Classification Policies and Procedures*

*Fund Balances*

The City has implemented GASB No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the City's highest level of decision-making authority is the City Commission. The formal action that is required to be taken to establish a fund balance commitment is the City Commission.

Assigned Fund Balance includes amounts for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance.

Restricted Fund Balance includes amounts constrained for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of another government. Unassigned Fund Balance includes all amounts not included in other spendable classifications.

*Nonspendable Fund Balance* - At September 30, 2020, the City had \$575,748 of nonspendable fund balance categorized in the governmental funds balance sheet as detailed on in Note 14.

*Restricted and Committed Fund Balance* - At September 30, 2020, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$4,930,018 for various City programs and operations as restricted by enabling legislation. The details of these fund balance items are located on the governmental funds balance sheet as detailed in Note 13.

*Minimum Fund Balance Policy* - The City Council adopted a minimum fund balance policy for the General Fund. The policy requires the City strive to maintain an unassigned fund balance equal to 25% of the General Fund annual operating expenditures. The City considers a balance of less than 16.67% as cause for concern, barring unusual or deliberate circumstances.

*Net Position*

Equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets* - This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City includes unspent bond proceeds in the amount of \$11,147,228 in the Palo Pinto County Municipal Water District No. 1 in the calculation of net investment in capital assets in the governmental activities.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)***

***Restricted Net Position*** - Net position is reported as restricted when constraints placed on net position use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

***Unrestricted Net Position*** - Net position that does not meet the definition of "net investment in capital assets" or "restricted".

***Revenues and Expenditures/Expenses***

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues.

Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

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

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the City are management's estimate of depreciation on assets over their estimated useful lives, the current portion of accrued compensated absences, and the allowance for doubtful accounts for various types of receivables. Actuarial estimates are included in the calculation of net pension liability, net OPEB liability, and related pension and OPEB amounts.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 26, 2021. See Note 17 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recently Issued and Implemented Accounting Pronouncements***

The County has implemented GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which became effective immediately upon issuance by GASB in May 2020. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of Statement No. 84, 89, 90, 91, 92, and 93 by twelve months and Statement No. 87 by eighteen months.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019. (This new effective date reflects that immediate implementation of GASB Statement No. 95.)

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Recently Issued and Implemented Accounting Pronouncements (Continued)***

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It 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 this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (This new effective date reflects that immediate implementation of GASB Statement No. 95.)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. (This new effective date reflects that immediate implementation of GASB Statement No. 95.)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. (This new effective date reflects that immediate implementation of GASB Statement No. 95.) The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Recently Issued and Implemented Accounting Pronouncements (Continued)***

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects that immediate implementation of GASB Statement No. 95.)

In January 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this statement are effective periods beginning after June 15, 2021. (This new effective date reflects that immediate implementation of GASB Statement No. 95.) Earlier application is encouraged and is permitted by topic.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (This new effective date reflects that immediate implementation of GASB Statement No. 95.)

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

***Recently Issued and Implemented Accounting Pronouncements (Continued)***

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 14, 2022. Earlier application is encouraged.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32. The requirements of this Statement will exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.

The City is evaluating the requirements of the above statements and the impact on reporting.

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

***Budgetary Information***

Governmental fund budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Proprietary fund budgets are also prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The City does not budget for depreciation expense, only capital outlay.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 3: DEPOSITS AND INVESTMENTS**

As required by the City's investment policy, deposits were with the contracted depository bank in interest bearing accounts.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As required by the City's investment policy, deposits were with the contracted depository bank in interest bearing accounts that are secured by FDIC coverage and by pledge of securities. The City's and the component unit's deposits were fully secured at the balance sheet date by FDIC coverage and pledged securities.

**Reconciliation of Cash and Cash Equivalents**

Cash and cash equivalents	\$ 6,854,365
Restricted cash and cash equivalents	15,138,990
Unrestricted Investments	9,864,475
Restricted Investments	5,166,440
Component unit: cash and cash equivalents	930,270
Component unit: unrestricted investments	<u>801,488</u>
 Total cash and cash equivalents	 38,756,028
 Plus: outstanding checks	 1,240,462
Less: outstanding deposits	(1,137,143)
Less: petty cash	(3,117)
 Bank balance of deposits	 <u>\$ 38,856,230</u>

**Investments**

The City and its component units may invest its funds in the following:

- (1) U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations maturing in less than two years (except reserve, endowment and other long-term capital preservation funds which may invest up to five years);
- (2) Certificates of deposit issued by state or national banks domiciled in Texas, guaranteed or insured by FDIC and/or fully collateralized in accordance with applicable law.
- (3) Statewide public fund investment pools that are authorized and properly rated per applicable state law; as provided by Council resolution authorizing participation in such investment pool.

The City invests in the Texas Local Government Investment Pool (TexPool) and the Texas Short Term Asset Reserve Fund (TexSTAR), which are public funds investment pools. The Palo Pinto County Municipal Water District No. 1 invests in TexSTAR.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

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

TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the Pool are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All securities in TexSTAR are marked to market daily using the fair value method, amortized cost, which generally approximated the market value of the securities, has been deemed to be a proxy for fair value. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured by TexSTAR.

**Credit Risk- Investments:** The City controls credit risk by limiting its investments to those described above which are permitted by the Texas Public Funds Investment Act.

**Interest Rate Risk – Investments:** The City manages interest rate risk by diversifying its portfolio and limiting its investments to the relatively low risk investments described above.

The City's investments at September 30, 2020 include the following:

<b>Investment</b>	<b>Credit Rating</b>	<b>Average Maturities</b>	<b>Percentage of Total Investments</b>	<b>Balance at September 30, 2020</b>	
City of Mineral Wells					
Tex-Pool	AAAm	29 days	0.01%	\$	985
TexSTAR Pool	AAAm	22 days	58.41%		9,247,799
East West Bank	n/a	315 days	27.06%		4,283,707
Titan Bank	n/a	1 year	7.81%		1,236,316
Southside Bank	n/a	1 year	6.72%		1,063,596
<b>Total investments</b>			<b>100.00%</b>	<b>\$</b>	<b>15,832,403</b>

\*\* Based on Moody's rating

**Fair Value Measurement**

All of the City's investments are either money market accounts, CD's or external investment pools not subject to fair value measurement in accordance with GASB 72.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 4: RECEIVABLES**

Receivables as of September 30, 2020, are as follows for governmental activities:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>			<b>Total</b>
Taxes						
Property taxes	\$ 307,568	\$ 26,900	\$ 271,713	\$ 606,181		
Sales taxes	615,962	-	-	615,962		
Franchise taxes	175,787	-	-	175,787		
Less: Allowance for doubtful accounts	(212,222)	(18,561)	-	(230,783)		
Intergovernmental						
Federal operating grants	829,838	-	-	829,838		
Customer	697,111	-	3,727	700,838		
Less: Allowance for doubtful accounts	(253,294)	-	-	(253,294)		
Leases	-	1,737,666	-	1,737,666		
Other						
Miscellaneous	68,796	-	-	68,796		
<b>Total receivable, net</b>	<b>\$ 2,229,546</b>	<b>\$ 1,746,005</b>	<b>\$ 275,440</b>	<b>\$ 4,250,991</b>		

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$248,136 and franchise tax revenues in the amount of \$175,788 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 4: RECEIVABLES (Continued)**

Receivables as of September 30, 2020, are as follows for the business-type activities:

	Water and Sewer	Water District No. 1	Nonmajor Proprietary Fund	Total
<b>Intergovernmental</b>				
Federal operating grant	\$ -	\$ -	\$ 69,000	\$ 69,000
Customer	1,431,856	6,348	72,792	1,510,996
Less: Allowance for doubtful accounts	(36,684)	-	(29,214)	(65,898)
<b>Other</b>				
Miscellaneous	921	-	-	921
<b>Total receivable, net</b>	<b>\$ 1,396,093</b>	<b>\$ 6,348</b>	<b>\$ 112,578</b>	<b>\$ 1,515,019</b>

Receivables as of September 30, 2020, are as follows for the internal service fund:

<b>Internal Service Fund</b>	
Customer, net	\$ 17,778
<b>Total receivable, net</b>	<b>\$ 17,778</b>

Receivables as of September 30, 2020, are as follows for the component unit:

<b>Mineral Wells Economic Development Corporation</b>	
Taxes	
Sales taxes	\$ 55,484
<b>Total receivable, net</b>	<b>\$ 55,484</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 5: TRANSFERS AND INTERFUND BALANCES**

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2020, is as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
General Fund	Water Fund	\$ 1,412,500
General Fund	Drainage Utility	35,000
General Fund	Hotel/Motel Occupancy Tax Fund	2,000
General Fund	Internal Service Fund	275,000
General Fund	Mineral Wells Economic Development Corporation	1,250
<b>Total</b>		<b>\$ 1,725,750</b>

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2020, is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Hotel/Motel Occupancy Fund	TIF Zone #2 Fund	\$ 3,065
Hotel/Motel Occupancy Fund	Library trust	450
Water and Sewer	General Fund	47,190
General Fund	Internal Service Fund	171,042
General Fund	Airport Fund	47,341
General Fund	General Fund	66,161
Drainage Utility Fund	Water and Sewer	27,265
<b>Total</b>		<b>\$ 362,514</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 6: CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended September 30, 2020. Land and Construction in Progress are not subject to depreciation.

<b>Governmental activities</b>	<b>Beginning</b>				<b>Ending</b>
	<b>October 1,</b>	<b>2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30,</b>
					<b>2020</b>
Capital assets not being depreciated					
Land	\$ 1,845,102	\$ -	\$ (60,300)	\$ -	\$ 1,784,802
Construction in progress	657,740	423,278	-	(986,594)	94,424
<b>Total capital assets not being depreciated</b>	<b>2,502,842</b>	<b>423,278</b>	<b>(60,300)</b>	<b>(986,594)</b>	<b>1,879,226</b>
Capital assets being depreciated					
Buildings and improvements	6,388,028	-	-	-	6,388,028
Improvements other than buildings	2,122,724	-	-	-	2,122,724
Infrastructure	53,142,304	-	-	986,594	54,128,898
Equipment and vehicles	6,867,303	624,537	-	-	7,491,840
Furniture and fixtures	826,538	-	-	-	826,538
<b>Total capital assets being depreciated</b>	<b>69,346,897</b>	<b>624,537</b>	<b>-</b>	<b>986,594</b>	<b>70,958,028</b>
<b>Total capital assets</b>	<b>71,849,739</b>	<b>1,047,815</b>	<b>(60,300)</b>	<b>-</b>	<b>72,837,254</b>
Accumulated depreciation					
Buildings and improvements	(2,801,515)	(394,832)	-	-	(3,196,347)
Improvements other than buildings	(1,729,320)	-	-	-	(1,729,320)
Infrastructure	(33,642,594)	(855,640)	-	-	(34,498,234)
Equipment and vehicles	(5,516,315)	(358,998)	-	-	(5,875,313)
Furniture and fixtures	(654,357)	(73,642)	-	-	(727,999)
<b>Total accumulated depreciation</b>	<b>(44,344,101)</b>	<b>(1,683,112)</b>	<b>-</b>	<b>-</b>	<b>(46,027,213)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 27,505,638</b>	<b>\$ (635,297)</b>	<b>\$ (60,300)</b>	<b>\$ -</b>	<b>\$ 26,810,041</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 6: CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended September 30, 2020 was charged to the functions of the governmental activities as follows:

Administrative	\$ 71,404
Finance	10,598
Fleet maintenance	1,741
Police	173,171
Fire & emergency medical services	212,521
Information technology	18,764
Streets, including infrastructure	908,700
Parks & recreation	246,282
Cemetery	9,148
Library	30,783
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,683,112</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 6: CAPITAL ASSETS (Continued)**

<b>Business-type activities</b>	<b>Beginning</b>		<b>Ending</b>			
	<b>Balance</b>		<b>Balance</b>			
	<b>October 1,</b>	<b>2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>September 30,</b>
						<b>2020</b>
Capital assets not being depreciated						
Land	\$ 4,130,492	\$ 747,993	\$ (1,177,185)	\$ -	\$ 3,701,300	
Construction in progress	13,947,432	1,087,992	(121,152)	(68,182)	14,846,090	
<b>Total capital assets not being depreciated</b>	<b>18,077,924</b>	<b>1,835,985</b>	<b>(1,298,337)</b>	<b>(68,182)</b>	<b>18,547,390</b>	
Capital assets being depreciated						
Buildings and improvements	4,817,552	57,792	-	-	4,875,344	
Improvements other than buildings	15,049,350	-	-	-	15,049,350	
Infrastructure	5,943,565	-	-	68,182	6,011,747	
Distribution System	16,023,163	80,600	-	-	16,103,763	
Collection System	6,317,287	-	-	-	6,317,287	
Equipment and vehicles	26,930,982	521,706	-	-	27,452,688	
Furniture and fixtures	58,792	-	-	-	58,792	
<b>Total capital assets being depreciated</b>	<b>75,140,691</b>	<b>660,098</b>	<b>-</b>	<b>68,182</b>	<b>75,868,971</b>	
<b>Total capital assets</b>	<b>93,218,615</b>	<b>2,496,083</b>	<b>(1,298,337)</b>	<b>-</b>	<b>94,416,361</b>	
Accumulated depreciation						
Buildings and improvements	(2,994,872)	(485,629)	-	-	(3,480,501)	
Improvements other than buildings	(7,525,497)	-	-	-	(7,525,497)	
Infrastructure	(3,530,272)	(255,091)	-	-	(3,785,363)	
Distribution System	(6,997,060)	(331,467)	-	-	(7,328,527)	
Collection System	(4,097,818)	(128,643)	-	-	(4,226,461)	
Equipment and Vehicles	(16,693,253)	(645,295)	-	-	(17,338,548)	
Furniture and fixtures	(52,280)	(920)	-	-	(53,200)	
<b>Total accumulated depreciation</b>	<b>(41,891,052)</b>	<b>(1,847,045)</b>	<b>-</b>	<b>-</b>	<b>(43,738,097)</b>	
<b>Business-type activities capital assets, net</b>	<b>\$ 51,327,563</b>	<b>\$ 649,038</b>	<b>\$ (1,298,337)</b>	<b>\$ -</b>	<b>\$ 50,678,264</b>	

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 6: CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended September 30, 2020 was charged to business-type activities as follows:

Water and sewer	\$ 1,031,987
PPCMWD No. 1	442,623
Nonmajor proprietary funds	372,435
<b>Total depreciation expense -business-type activities</b>	<b>\$ 1,847,045</b>

**NOTE 7: LONG-TERM LIABILITIES**

**Governmental Activities**

During the year ended September 30, 2020, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance			Balance			Due Within One Year
	September 30, 2019	Additions	Retirements	September 30, 2020			
Go Bonds - Streets	\$ 5,170,000	\$ -	\$ 130,000	\$ 5,040,000	\$ 135,000		
2018 Bond Premium	326,469	-	13,603	312,866		13,603	
Sales Tax Payable	812,988	-	36,954	776,034		73,908	
Note Payable - FFB - PD 2017	32,675	-	32,675				
Note Payable - FFB - PD 2018	107,240	-	70,999	36,241		36,241	
Note Payable - FFB - PD 2019	183,446	-	71,550	111,896		73,996	
Note Payable - FFB - Streets	-	224,387	18,569	205,818		35,360	
Note Payable - FFB - STR 2020	-	46,962	7,820	39,142		15,391	
Note Payable - FFB - PD 2020	-	216,249	-	216,249		70,434	
Compensated absences	105,020	181,824	143,422	143,422		143,422	
Special Assessment Debt	1,935,452	-	197,784	1,737,668			
	\$ 8,673,290	\$ 669,422	\$ 723,376	\$ 8,619,336	\$ 597,355		

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

**General Obligation Bond – Streets**

At September 30, 2020, the City had one GO bond outstanding. The GO bond information is as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of</b>	
				<b>Issue</b>	<b>September 30, 2020</b>
GO Bonds Streets	03/08/18	02/01/43	4.000%	\$ 5,215,000	\$ 5,040,000

The annual requirements to amortize the GO Bond as of September 30, 2020, including interest payments, are as follows:

<b>September 30,</b>	<b>Fiscal Year</b>			<b>Total Debt</b>
	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	
2021	\$ 135,000	\$ 198,900	\$ 333,900	
2022	140,000	193,400	333,400	
2023	145,000	187,700	332,700	
2024	155,000	181,700	336,700	
2025	160,000	175,400	335,400	
2026-2030	900,000	773,800	1,673,800	
2031-2035	1,105,000	574,100	1,679,100	
2036-2040	1,350,000	329,000	1,679,000	
2041-2043	950,000	58,000	1,008,000	
	<b>\$ 5,040,000</b>	<b>\$ 2,672,000</b>	<b>\$ 7,712,000</b>	

**2019 Bond Premium**

At September 30, 2020, the City has a 2018 Bond Premium that it will straight-line amortize for the life of the bond.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

**Sales Tax Payable**

During 2015 the Texas Comptroller of Public Accounts informed the City that \$1,108,654 in sales taxes had been paid to the City in error. The amount will be deducted from the City's sales tax payments beginning with \$6,193 in October 2015 followed by 179 monthly deductions of \$6,159 from November 2015 through September 2030. The balance at September 30, 2020 was \$776,034.

<b>Fiscal Year</b>	
<b>Ending</b>	
<b>September 30,</b>	<b>Payments</b>
2021	\$ 73,908
2022	73,908
2023	73,908
2024	73,908
2025	73,908
2026-2030	<u>406,494</u>
	<u><u>\$ 776,034</u></u>

**Note Payable – FFB – PD 2018**

At September 30, 2020, the City had one Note Payable – FFB – PD 2018 as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Amount of</b>	<b>September 30, 2020</b>
Note Payable - FFB - PD 2018	2/6/2018	2/28/2021	1.99%	\$ 210,000	\$ 36,241	

The annual requirements to amortize the Note Payable – FFB – PD 2018 as of September 30, 2020, including interest payments, are as follows:

<b>Fiscal Year</b>		<b>Total Debt</b>		
<b>Ending</b>		<b>Principal</b>	<b>Interest</b>	<b>Service</b>
<b>September 30,</b>				
2021	\$ 36,241	\$ 502	\$ 36,743	
	<u><u>\$ 36,241</u></u>	<u><u>\$ 502</u></u>	<u><u>\$ 36,743</u></u>	

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

**Note Payable – FFB – PD 2019**

At September 30, 2020, the City had one Note Payable – FFB – PD 2019 as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of</b>		<b>September 30, 2020</b>
				<b>Issue</b>	<b>September 30, 2020</b>	
Note Payable - FFB - PD 2019	2/28/2019	2/28/2022	3.39%	\$ 220,000	\$ 111,896	

The annual requirements to amortize the Note Payable – FFB – PD 2019 as of September 30, 2020, including interest payments, are as follows:

<b>September 30,</b>	<b>Fiscal Year</b>			<b>Total Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Service</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 73,996	\$ 3,173	\$ 77,169		
2022	37,900	643	38,543		
	<b>\$ 111,896</b>	<b>\$ 3,816</b>	<b>\$ 115,712</b>		

**Note Payable – FFB – Streets**

At September 30, 2020, the City had one Note Payable – FFB – Streets as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of</b>		<b>September 30, 2020</b>
				<b>Issue</b>	<b>September 30, 2020</b>	
Note Payable - FFB - Streets	5/22/2020	2/28/2026	2.50%	\$ 224,387	\$ 205,818	

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

**Note Payable – FFB – Streets (Continued)**

The annual requirements to amortize the Note Payable – FFB – Streets as of September 30, 2020, including interest payments, are as follows:

<b>Fiscal Year</b>					<b>Total Debt</b>	
<b>Ending</b>	<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>		
	2021	\$ 35,360	\$ 4,926	\$ 40,286		
	2022	36,250	4,036	40,286		
	2023	37,162	3,124	40,286		
	2024	38,097	2,190	40,287		
	2025	39,055	1,231	40,286		
	2026	19,894	249	20,143		
		<b>\$ 205,818</b>	<b>\$ 15,756</b>	<b>\$ 221,574</b>		

**Note Payable – FFB – STR 2020**

At September 30, 2020, the City had one Note Payable – FFB – STR 2020 as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Rate</b>	<b>Original Amount of</b>	
				<b>Interest</b>	<b>Issue</b>
Note Payable - FFB - STR 2020	5/22/2020	2/28/2023	2.35%	\$ 46,962	\$ 39,142

The annual requirements to amortize the Note Payable – STR 2020 as of September 30, 2020, including interest payments, are as follows:

<b>Fiscal Year</b>					<b>Total Debt</b>	
<b>Ending</b>	<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>		
	2021	\$ 15,391	\$ 830	\$ 16,221		
	2022	15,754	467	16,221		
	2023	7,997	94	8,091		
		<b>\$ 39,142</b>	<b>\$ 1,391</b>	<b>\$ 40,533</b>		

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

**Note Payable – FFB – PD 2020**

At September 30, 2020, the City had one Note Payable – FFB – PD 2020 as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Rate</b>	<b>Original</b>	
				<b>Interest</b>	<b>Amount of Issue</b>
Note Payable - FFB - PD 2020	9/4/2020	8/31/2023	2.35%	\$ 216,250	\$ 216,249

The annual requirements to amortize the Note Payable – FFB – PD 2020 as of September 30, 2020, including interest payments, are as follows:

<b>September 30,</b>	<b>Fiscal Year</b>			<b>Total Debt</b>	
	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>	
2021	\$ 70,434	\$ 4,628	\$ 75,062		
2022	72,056	3,006	75,062		
2023	73,759	1,303	75,062		
	<b>\$ 216,249</b>	<b>\$ 8,937</b>	<b>\$ 225,186</b>		

**Special Assessment Debt**

The City has obtained loans in the form of grants from the Texas Capital Fund administered by the Texas Department of Agriculture through the Office of Rural Community Affairs. The purpose of the grants are for capital acquisition and/or rehabilitation of facilities needed for new manufacturing entities who relocated to Mineral Wells or existing manufacturing or service companies who expand operations in Mineral Wells. The loans will be repaid to the State by the City from lease revenues received from the companies who lease the facilities from the City.

The term of the leases coincide with the loans which are amortized over 20 years at 0.00% interest payable in monthly installments. The City is obligated in some manner to the State for the repayment of the loans; however, should the business default on its obligation to the City, the State shall suspend the repayment terms until another occupant for the facility can be found. Due to the nature of the loan, the City has accounted for the loans as special assessment debt in the governmental activities column of the statement of net assets. The debt service fund has been used to record the receivable and deferred revenue from the lease of the facilities.

The tenants of the facilities have options to purchase the facilities at any time after the expiration of five years from the date the State contract is closed-out. The purchase price is the original amount of the loan less the sum of (a) the full amount of all fixed rental payments actually received by the City; and (b) any and all amount actually paid by the tenant to the City under the project agreement as a result of recoupment of Texas Capital Fund grant by the Texas Department of Agriculture.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

**Accrued Compensated Absences**

The liability for accrued compensated absences for governmental activities was \$143,422 at year-end, which is an increase of \$38,402 from the prior year. Compensated absences are liquidated by the respective funds in which they are accrued.

**Business-Type Activities**

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended September 30, 2020:

	Balance			Balance			Due Within One Year
	September 30, 2019	Additions	Retirements	September 30, 2020			
GO bond WW&S projects	\$ 1,690,000	\$ -	\$ 45,000	\$ 1,645,000	\$ 45,000		
GO bond Hwy 180 W project	3,630,000	-	90,000	3,540,000	95,000		
2018 bond premium	335,858	-	13,994	321,864	13,994		
Note Payable - FFB	325,040	-	45,435	279,605	47,013		
Note Payable - FFB VEH 2020	-	208,751	34,771	173,980	68,412		
Note Payable - FFB JTR 2020	-	221,690	18,346	203,344	34,935		
Note Payable - FFB CAM 2020	-	76,465	12,702	63,763	25,059		
Revenue bonds	20,350,000	-	1,080,000	19,270,000	1,110,000		
Bond premium	8,728	-	2,381	6,347	-		
Interest payable	190,675	574,943	582,284	183,334	183,334		
Compensated absences	60,432	48,396	54,414	54,414	54,414		
Capital Leases	112,872	-	50,793	62,079	29,607		
	\$ 26,703,605	\$ 1,130,245	\$ 2,030,120	\$ 25,803,730	\$ 1,706,768		

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business-Type Activities**

**General Obligation Bond WW&S Projects**

At September 30, 2020, the City had a GO Bond WW&S Projects outstanding. The GO Bond WW&S Projects is as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of</b>	
				<b>Issue</b>	<b>September 30, 2020</b>
GO Bond WW&S Projects	03/08/18	02/01/43	4.000%	\$ 1,705,000	\$ 1,645,000

The annual requirements to amortize the GO Bond WW&S Projects as of September 30, 2020, including interest payments, are as follows:

<b>September 30,</b>	<b>Fiscal Year Ending</b>			<b>Total Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Service</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 45,000	\$ 64,900	\$ 109,900		
2022	45,000	63,100	108,100		
2023	50,000	61,200	111,200		
2024	50,000	59,200	109,200		
2025	50,000	57,200	107,200		
2026-2030	295,000	252,500	547,500		
2031-2035	360,000	187,400	547,400		
2036-2040	440,000	107,400	547,400		
2041-2043	310,000	18,800	328,800		
	<b>\$ 1,645,000</b>	<b>\$ 871,700</b>	<b>\$ 2,516,700</b>		

**GO Bond Hwy 180 W Project**

At September 30, 2020, the City had one GO Bond Hwy 180 W Project outstanding. The GO Bond Hwy 180 W Project is as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of</b>	
				<b>Issue</b>	<b>September 30, 2020</b>
GO Hwy 180 W Project	03/08/18	02/01/43	4.000%	\$ 3,660,000	\$ 3,540,000

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business-Type Activities (Continued)**

**GO Bond Hwy 180 W Project (Continued)**

The annual requirements to amortize the GO Bond Hwy 180 W Project as of September 30, 2020, including interest payments, are as follows:

<b>Fiscal Year</b>		<b>Total Debt</b>		
<b>Ending</b>	<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>
	2021	\$ 95,000	\$ 139,700	\$ 234,700
	2022	100,000	135,800	235,800
	2023	105,000	131,700	236,700
	2024	110,000	127,400	237,400
	2025	115,000	122,900	237,900
	2026-2030	625,000	542,500	1,167,500
	2031-2035	780,000	402,400	1,182,400
	2036-2040	945,000	230,500	1,175,500
	2041-2043	665,000	40,500	705,500
		<hr style="border-top: 1px solid black; border-bottom: 1px solid black;"/>	<hr style="border-top: 1px solid black; border-bottom: 1px solid black;"/>	<hr style="border-top: 1px solid black; border-bottom: 1px solid black;"/>
		\$ 3,540,000	\$ 1,873,400	\$ 5,413,400

**Bond Premium**

At September 30, 2020, the City has a 2018 Bond Premium in the amount of \$321,864 that it will straight-line amortize for the life of the bond.

**Note Payable – FFB**

At September 30, 2020, the City had one Note Payable outstanding as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of Issue</b>	<b>September 30, 2020</b>
Note Payable - FFB	2/6/2018	2/28/2026	3.43%	\$ 390,000	\$ 279,605

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business-Type Activities (Continued)**

**Note Payable – FFB (Continued)**

The annual requirements to amortize the Note Payable as of September 30, 2020, including interest payments, are as follows:

<b>Fiscal Year</b>					<b>Total Debt</b>	
<b>Ending</b>	<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>		
	2021	\$ 47,013	\$ 9,188	\$ 56,201		
	2022	48,639	7,562		56,201	
	2023	50,322	5,879		56,201	
	2024	52,063	4,138		56,201	
	2025	53,864	2,337		56,201	
	2026	27,704	474		28,178	
		<hr/> \$ 279,605	<hr/> \$ 29,578		<hr/> \$ 309,183	

**Note Payable – FFB VEH 2020**

At September 30, 2020, the City had one Note Payable outstanding as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest</b>	<b>Original Amount of</b>	
				<b>Issue</b>	<b>September 30, 2020</b>
Note Payable - FFB VEH 2020	5/22/2020	2/28/2023	2.35%	\$ 208,751	\$ 173,980

The annual requirements to amortize the Note Payable as of September 30, 2020, including interest payments, are as follows:

<b>Fiscal Year</b>					<b>Total Debt</b>	
<b>Ending</b>	<b>September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Service</b>		
	2021	\$ 68,412	\$ 3,691	\$ 72,103		
	2022	70,030	2,074		72,104	
	2023	35,538	419		35,957	
		<hr/> \$ 173,980	<hr/> \$ 6,184		<hr/> \$ 180,164	

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business-Type Activities (Continued)**

**Note Payable – FFB JTR 2020**

At September 30, 2020, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2020
Note Payable - FFB JTR 2020	5/22/2020	2/28/2026	2.50%	\$ 221,690	\$ 203,344

The annual requirements to amortize the Note Payable as of September 30, 2020, including interest payments, are as follows:

September 30, Ending	Fiscal Year				
	Principal	Interest	Total Debt Service		
2021	\$ 34,935	\$ 4,867	\$ 39,802		
2022	35,814	3,988	39,802		
2023	36,715	3,087	39,802		
2024	37,639	2,163	39,802		
2025	38,586	1,216	39,802		
2026	19,655	245	19,900		
	\$ 203,344	\$ 15,566	\$ 218,910		

**Note Payable – FFB CAM 2020**

At September 30, 2020, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2020
Note Payable - FFB CAM 2020	5/22/2020	2/28/2023	2.35%	\$ 76,465	\$ 63,763

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
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**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business-Type Activities (Continued)**

**Note Payable – FFB CAM 2020 (Continued)**

The annual requirements to amortize the Note Payable as of September 30, 2020, including interest payments, are as follows:

<b>Fiscal Year</b>					<b>Total Debt</b>	
<b>Ending</b>		<b>Principal</b>		<b>Interest</b>	<b>Service</b>	
<b>September 30,</b>						
2021	\$ 25,059	\$ 1,352	\$ 26,411			
2022	25,652	760	26,412			
2023	13,052	153	13,205			
	<b>\$ 63,763</b>	<b>\$ 2,265</b>	<b>\$ 66,028</b>			

**Capital Leases**

At September 30, 2020, the City had three business-type capital lease outstanding as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Rate</b>	<b>Original</b>	
				<b>Interest</b>	<b>Amount of</b>
2005 Master lease	5/17/2005	5/17/2021	6.000%	\$ 192,000	\$ 14,080
2007 Master lease	2/15/2008	2/15/2020	6.000%	225,000	32,953
2017 Master lease	3/28/2017	3/28/2023	1.990%	40,732	15,046
				<b>\$ 62,079</b>	<b>\$ 62,079</b>

<b>Fiscal Year</b>					<b>Total Debt</b>	
<b>Ending</b>		<b>Principal</b>		<b>Interest</b>	<b>Service</b>	
<b>September 30,</b>						
2021	\$ 29,607	\$ 3,142	\$ 32,749			
2022	21,325	1,633	22,958			
2023	11,147	334	11,481			
	<b>\$ 62,079</b>	<b>\$ 5,109</b>	<b>\$ 67,188</b>			

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business-Type Activities (Continued)**

***Palo Pinto County Municipal Water District No. 1***

**Revenue Bonds**

The Palo Pinto County Municipal Water District No. 1 has issued revenue bonds that are secured solely by net revenues of the District. Water revenues are used as a security for revenue bonds. At year end the following revenue bonds were outstanding:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of</b>	
				<b>Issue</b>	<b>September 30, 2020</b>
Series 2015B	11/19/2015	6/1/2045	0.77%-3.680%	\$ 7,185,000	\$ 6,495,000
Series 2015A	11/19/2015	6/1/2045	0.45%-3.210%	9,915,000	8,905,000
Series 2011	11/8/2011	6/1/2023	2.00%-3.375%	6,990,000	1,145,000
Series 2009B	6/26/2009	6/1/2028	2.63%-3.680%	3,200,000	1,645,000
Series 2009A	6/26/2009	6/1/2029	0%	2,400,000	1,080,000
					<u>\$ 19,270,000</u>

The aggregate debt service payments to maturity of the revenue bonds are as follows:

<b>Fiscal Year Ending</b>	<b>September 30,</b>	<b>Total Debt</b>		
		<b>Principal</b>	<b>Interest</b>	<b>Service</b>
2021	\$ 1,110,000	\$ 550,001	\$ 1,660,001	
2022	1,135,000	526,261	1,661,261	
2023	1,170,000	500,335	1,670,335	
2024	785,000	471,875	1,256,875	
2025	805,000	455,882	1,260,882	
2026-2030	3,710,000	1,996,633	5,706,633	
2031-2035	2,960,000	1,564,567	4,524,567	
2036-2040	3,475,000	1,060,245	4,535,245	
2041-2044	4,120,000	430,993	4,550,993	
	<u>\$ 19,270,000</u>	<u>\$ 7,556,792</u>	<u>\$ 26,826,792</u>	

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business-Type Activities (Continued)**

***Palo Pinto County Municipal Water District No. 1***

**Compliance with Debt Service Requirements**

The provisions of the bond ordinance of the Series Revenue Bonds, Series 2009A and 2009 B resolutions require a "Reserve Fund" be established for the bonds issued by the District depositing \$5,877 on the 25th of each month beginning July 25, 2009 and continuing each subsequent month until a balance of \$352,626 is obtained. The District is in compliance with requirements. The balance in the reserve at September 30, 2020 was \$364,000 in the fund.

The provisions of the bond ordinance of the Revenue Refunding Bonds, Series 2011 resolutions require a "Reserve Fund" equal to the average annual debt service requirements over the life of the bonds to be maintained. The average annual debt service requirement for the remaining life of the bonds was \$406,951 and the balance in the reserve was \$411,000 at September 30, 2020.

The provisions of the bond ordinance of the Revenue Refunding Bonds, Series 2011, 2015A and 2015B require a "Contingency Fund" of \$250,000 to be maintained. Monthly deposits of \$3,334 are required to be made when the "Contingency Fund" falls below the required balance. At September 30, 2020, the "Contingency Fund" had a balance of \$250,000.

The provisions of the bond ordinance of the Series Revenue Bonds, Series 2015A and 2015B resolutions require a "Reserve Fund" equal to the average annual debt service requirements over the life of the bonds to be maintained. The average annual debt service requirement for the remaining life of the bonds was \$903,597 and the balance in the reserve was \$912,000 at September 30, 2020.

**Accrued Compensated Absences**

The liability for accrued compensated absences for business-type activities was \$54,414 at year-end, which is a decrease of \$6,018 from the prior year. Compensated absences are liquidated by the respective funds in which they are accrued.

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The City entered into an agreement with the Texas Municipal League (TML-IRP) for risk management services. These services include a sharing of risk pool, claims administration and loss control services. TML-IRP is a public entity risk pool currently operating as a common risk management and insurance program for the City of Mineral Wells. The City pays contributions or premiums to the pool for insurance coverage. All risk is then shared among members of the pool. Members of the pool are not subject to additional assessments in the event losses exceed contributions.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 8: RISK MANAGEMENT (Continued)**

The City participates in the Texas Municipal League Joint Self-Insurance Fund for workers compensation coverage. The Texas Municipal League Joint Self-Insurance Fund assesses its members a contribution or premium based on a funding plan developed by the account for workers' compensation. The plan has a stop loss of \$100,000 per occurrence and overall aggregate stop loss of \$300,000 per year for the City.

All risk is shared among members of the pool. Members of the pool are not subject to additional assessments in the event losses exceed contributions. Premiums are expensed by the insurance fund when incurred.

There has been no reduction in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

**NOTE 9: DEFINED BENEFIT PENSION PLANS**

***Texas Municipal Retirement System (TMRS)***

Plan Description

The City participates as one of 878 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 the 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](http://www.tmrs.com).

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

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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments 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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	127
Inactive employees entitled to but not yet receiving benefits	132
Active employees	163
<b>Total</b>	<b>422</b>

**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 were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.09% and 9.06% in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020, were \$763,758, and were equal to the required contributions.

**Net Pension Liability**

The city's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 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

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
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**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

For calculating the actuarial liability and the retirement contribution rates, the 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% 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.

These actuarial assumptions 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. In conjunction with this change first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short -term and long-term funding needs of TMRS.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

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

Asset Class	Target Allocation	Long-term expected rate of return (Arithmetic)
International equity	35.00%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	10.00%	4.15%
Real estate	10.00%	4.75%
Absolute return	10.00%	4.00%
Private equity	5.00%	7.75%
<b>Total</b>	<b>100.00%</b>	<b></b>

***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 Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

*Changes in the Net Pension Liability*

	<b>Increase (Decrease)</b>		
	<b>Total pension liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net pension liability (a) - (b)</b>
Balance at 12/31/2018	\$ 33,878,675	\$ 30,389,038	\$ 3,489,637
<b>Changes for the year:</b>			
Service cost	1,015,462	-	1,015,462
Interest	2,254,838	-	2,254,838
Change of benefit terms	-	-	-
Difference between expected/actual experience	98,397	-	98,397
Changes of assumptions	137,741	-	137,741
Contributions - employer	-	763,758	(763,758)
Contributions - employee	-	432,480	(432,480)
Net investment income	-	4,691,958	(4,691,958)
Benefit payments, including refunds of employee contributions	(1,962,792)	(1,962,792)	-
Administrative expense	-	(26,546)	26,546
Other changes	-	(798)	798
<b>Net changes</b>	<b>1,543,646</b>	<b>3,898,060</b>	<b>(2,354,414)</b>
Balance at 12/31/2019	\$ 35,422,321	\$ 34,287,098	\$ 1,135,223

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be 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:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability	\$ 5,890,746	\$ 1,135,223	\$ (2,767,797)

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
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**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

*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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$901,590.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 71,268	\$ 6,233
Changes in actuarial assumptions	99,480	-
Difference between projected and actual investment earnings	-	1,045,829
Contributions subsequent to the measurement date	635,025	-
<b>Total TMRS</b>	<b>\$ 805,773</b>	<b>\$ 1,052,062</b>

\$635,025 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>TMRS</b>
Year ending September 30:	
2020	\$ (246,263)
2021	(244,969)
2022	138,056
2023	(528,138)
2024	-
Thereafter	-
<b>Total</b>	<b>\$ (881,314)</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
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**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS)***

**Plan Description**

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

TESRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TESRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained at [www.tesrs.org](http://www.tesrs.org).

**Benefits Provided**

Senate Bill 411, 6th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 791h Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefits formulas and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

**Funding Policy**

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
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**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2020, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to fifteen years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

**Contributions Required and Contributions Made**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended September 30, 2020, total contributions (dues, prior service, and interest on prior service financing) of \$7,164 were paid into TESRS by the City. This was equal to the required contributions for the period.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The most recent completed biennial actuarial valuation as of August 31, 2020 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$675,000 each year to pay for part of the System's administrative expenses.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

**Net Pension Liability**

The System's net pension liability was measured as of August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020.

	<b>System 100.00%</b>	<b>City 0.154%</b>
Total pension liability	\$ 150,440,543	\$ 231,678
Plan fiduciary net position	125,229,661	192,854
Net pension liability	\$ 25,210,882	\$ 38,825
Plan fiduciary net position as a percentage of the total pension liability		83.2%

***Actuarial Assumptions***

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	N/A
Investment rate of return	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

The long-term expected rate of return on pension plan investments was determined using a building block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.6%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target allocation</b>	<b>Long-term expected rate of return (arithmetic)</b>
Equities		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed international	15%	6.15%
Emerging markets	5%	7.25%
Master limited partnership	5%	6%
Real Estate	10%	4.48%
Multi asset income	5%	3.84%
Fixed income	30%	1.99%
Cash	0%	0.00%
<b>Total / Weighted Average</b>	<b>100.00%</b>	<b>4.60%</b>

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of the current active and inactive members. 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 Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportional share of the net pension liability	\$ 74,803	\$ 38,825	\$ 13,828

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

At August 31, 2020, the City reported a liability of \$38,25 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability (.154%) was based on the City's contributions to the pension plan relative to the contribution of all employers to the plan for the period September 1, 2019 through August 31, 2020.

For the year ended September 30, 2020, the City recognized pension expense of \$10,273.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,849
Changes in actuarial assumptions	-	63
Difference between projected and actual experience	211	-
Net difference between projected and actual investment earnings on pension plan investments	-	-
<b>Total TESRS</b>	<b>\$ 211</b>	<b>\$ 1,912</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>TESRS</b>
Year ending September 30:	
2020	\$ (1,652)
2021	(339)
2022	1,335
2023	(1,045)
<b>Total</b>	<b>\$ (1,701)</b>

**NOTE 10: 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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	17
<b>Active employees</b>	<b>183</b>
<b>Total</b>	<b>287</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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 Mineral Wells, TX were required to contribute 0.07% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.26% and 0.24% in calendar 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$22,558 and were equal to the required contributions.

OPEB Liability

*Actuarial Assumptions:*

Inflation	2.50%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	2.75
Retirees' share of benefit-related costs	\$ -
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, 2019.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

*Discount Rate*

	<b>Total OPEB Liability (a)</b>
Balance at 12/31/2018	\$ 615,259
Changes for the year	
Service cost	33,733
Interest	23,356
Change of benefit terms	-
Difference between expected/actual experience	(141,958)
Changes of assumptions	94,952
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(5,190)
Administrative expense	-
Other changes	-
Net changes	4,893
Balance at 12/31/2019	\$ 620,152

*Changes in the Total OPEB Liability*

*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 2.75%, 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 (1.75%) or 1 percentage point higher (3.75%) than the current rate:

	<b>1% Decrease in Discount Rate (1.75%)</b>	<b>1% Increase in Discount Rate (3.75%)</b>
City's total OPEB liability	\$ 738,573	\$ 620,152

*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.tmrs.com](http://www.tmrs.com).

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

For the year ended September 30, 2020 the City recognized OPEB expense of \$73,818.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 87,733	\$ 115,911
Changes in actuarial assumptions	92,857	19,900
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	17,280	-
<b>Total OPEBs</b>	<b>\$ 197,870</b>	<b>\$ 135,811</b>

\$17,280 reported as deferred outflows of resources related to OPEBs resulted from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<b>OPEB</b>		
Year ending September 30:		
2020	\$ 16,729	
2021	16,729	
2022	13,807	
2023	1,395	
2024	(3,881)	
Thereafter	-	
<b>Total</b>	<b>\$ 44,779</b>	

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.

The city's contributions to the TMRS SDBF for the year ended 2020 was \$22,558, which equaled the required contributions each year.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

The City is exposed to various claims and lawsuits in the normal course of business. Management are unaware of any material pending or threatened litigation, claims, or assessments against the City which are not covered by the City's insurance.

The City has various street, infrastructure, and other capital projects in the works that are going to be funded from the 2018 GO Bonds. No significant commitments pertaining to these projects require disclosure.

**PPCMWD No. 1 Turkey Peak Project**

November 19, 2015, the District issued \$17,100,000 bonds that were purchased by the Texas Water Development Board's State Water Implementation Revenue Fund for Texas. The funds are to be used for the Turkey Peak Reservoir Project. \$6,246,047 of the funds have been spent as of September 30, 2020.

**Operating Leases- Lessor**

The City is the lessor under operating leases of several pieces of property under various terms and expiration dates including many month-to-month rentals, such as T-hangers at the municipal airport. None of these leases are non-cancelable nor contain contingent rentals.

**NOTE 12: RESTRICTED NET POSITION**

The government-wide statement of net position reports \$10,294,942 of restricted net position, all of which is restricted by enabling legislation or other methods.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 13: FUND BALANCE**

Fund balances on the modified accrual basis were classified as follows as of September 30, 2020:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances				
Nonspendable				
Woodland Park permanent fund	\$ -	\$ -	\$ 575,748	\$ 575,748
Restricted for				
Debt service	-	75,792	-	75,792
Capital projects	-	-	4,206,498	4,206,498
Police	-	-	9,379	9,379
Hotel/Motel occupancy	-	-	9,160	9,160
Economic development	-	-	629,189	629,189
Unassigned (deficit)	5,395,508	-	(450)	5,395,058
 Total fund balances	 \$ 5,395,508	 \$ 75,792	 \$ 5,429,524	 \$ 10,900,824

**NOTE 14: RELATED ORGANIZATIONS**

The Industrial Development Corporation of Mineral Wells (the "Development Corporation") – organized pursuant to the Development Corporation Act of 1979, 1979 Tex. Gen. Laws, Chapter 700, Section 1, at 1675, was created February 11, 1980 to act on behalf of the City in the promotion and development of commercial, industrial and manufacturing enterprises and to promote and encourage employment and the public welfare. The Development Corporation is a nonprofit corporation governed by a ten member Board of Directors each of whom is appointed by the City. In addition, the City is entitled to approve all programs and expenditures of the Development Corporation including the issuance of debt obligations, acquiring, leasing and/or the selling of or conveying certain properties and the making of loans, for the above stated purpose. The Development Corporation's assets are immaterial to the financial statements of the City of Mineral Wells and, therefore, the Development Corporation has not been included as a component unit of the City for financial reporting purposes.

**NOTE 15: CONCENTRATIONS**

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE 16: FEDERAL AND STATE GRANTS**

In the normal course of operations the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability resulting from these audits would be immaterial.

**NOTE 17: SUBSEQUENT EVENTS**

Subsequent events were evaluated through April 26, 2021, which is the date the financial statements were available to be issued.

In March 2021, the City was awarded \$3.2 million of American Rescue Plan Act funding.

**NOTE 18: FUND BALANCE RESTATEMENT**

The City has a prior period adjustment of \$263,340, which was required for correcting the prior period balance of unavailable revenue earned in prior periods.

The City incorrectly recorded \$185,312, \$31,672, \$46,356 related to EMS, cemetery, and municipal court revenue respectively as unavailable revenue. However, the amounts were earned at the time of inception and should have been recognized as revenue in the period recorded; as such, the prior period adjustment was necessary.

## **Required Supplementary Information**

**City of Mineral Wells, Texas**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Texas Emergency Services Retirement System**  
**Last 10 Fiscal Years\***

	<b>August 30,</b>	
<b>Fiscal Year</b>	<b>2020</b>	<b>2019</b>
<b>Measurement Date</b>	<b>2020</b>	<b>2019</b>
Proportion of the net pension liability	0.00154	0.00193
Proportionate share of the net pension liability	\$ 38,825	\$ 54,707
State's proportionate share of the net pension liability associated with the City	25,082	34,265
<b>Total</b>	<b>\$ 63,907</b>	<b>\$ 88,972</b>
Plan fiduciary net position as a percentage of the total pension liability	83.20%	80.20%

\* The amounts presented were determined as of September 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Mineral Wells will present information for those years for which information is available.

*See notes to required supplementary information.*

August 30,						
2018		2017		2016		2015
2018	2017	2016	2015			
0.0016	0.00174	0.00216	0.00251			
\$ 34,641	\$ 50,683	\$ 57,656	\$ 45,611			
17,321	26,727	30,652	23,297			
\$ 51,962	\$ 77,410	\$ 88,308	\$ 68,908			
84.30%	76.34%	76.89%	83.46%			

*See notes to required supplementary information.*

**City of Mineral Wells, Texas**  
**Schedule of Contributions**  
**Texas Emergency Services Retirement System**  
**Last 10 Fiscal Years\***

<b>As of and for the Year Ended September 30,</b>	<b>2020</b>	<b>2019</b>
Actuarially determined contribution	\$ 7,164	\$ 8,634
Contributions in relation to the actuarially determined contribution	(7,164)	(8,634)
Contribution deficiency (excess)	\$ -	\$ -

\* The amounts presented were determined as of September 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Mineral Wells will present information for those years for which information is available.

*See notes to required supplementary information.*

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 7,674	\$ 7,848	\$ 7,956	\$ 10,224	\$ 11,376
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(7,674)	(7,848)	(7,956)	(10,224)	(11,376)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -	\$ -

*See notes to required supplementary information.*

**City of Mineral Wells, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Texas Municipal Retirement System**  
**Last 10 Fiscal Years\***

	<b>Plan Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Total Pension Liability</b>		
Service cost	\$ 1,015,462	\$ 958,663
Interest (on the total pension liability)	2,254,838	2,172,937
Changes of benefit terms	-	-
Difference between expected and actual experience	98,397	(13,653)
Change of assumptions	137,741	-
Benefit payments, including refunds of employee contributions	(1,962,792)	(1,903,189)
<b>Net Change in Total Pension Liability</b>	<b>1,543,646</b>	<b>1,214,758</b>
<b>Total Pension Liability - Beginning</b>	<b>33,878,675</b>	<b>32,663,917</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 35,422,321</b>	<b>\$ 33,878,675</b>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 763,758	\$ 701,889
Contributions - employee	432,480	402,461
Net investment income	4,691,958	(962,720)
Benefit payments, including refunds of employee contributions	(1,962,792)	(1,903,189)
Administrative expense	(26,546)	(18,624)
Other	(798)	(973)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>3,898,060</b>	<b>(1,781,156)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>30,389,038</b>	<b>32,170,194</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 34,287,098</b>	<b>\$ 30,389,038</b>
 <b>Net Pension Liability - Ending</b>	<b>\$ 1,135,223</b>	<b>\$ 3,489,637</b>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.80%	89.70%
 Covered Payroll	\$ 8,649,595	\$ 8,049,224
 Net Pension Liability as a Percentage of Covered Payroll	13.12%	43.35%

\* The amounts presented were determined as of September 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Mineral Wells will present information for those years for which information is available.

*See notes to required supplementary information.*

**Plan Year Ended December 31,**

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 901,422	\$ 873,843	\$ 793,213	\$ 721,608
2,083,766	2,005,609	2,002,024	1,930,010
-	-	-	-
1,263	(262,015)	(556,504)	(439,509)
-	-	154,810	-
<b>(1,484,855)</b>	<b>(1,461,845)</b>	<b>(1,181,095)</b>	<b>(1,257,183)</b>
1,501,596	1,155,592	1,212,448	954,926
<b>31,162,321</b>	<b>30,006,729</b>	<b>28,794,281</b>	<b>27,839,355</b>
<b>\$ 32,663,917</b>	<b>\$ 31,162,321</b>	<b>\$ 30,006,729</b>	<b>\$ 28,794,281</b>
\$ 692,142	\$ 665,728	\$ 677,539	\$ 699,904
387,542	376,008	358,271	346,582
3,966,274	1,839,795	40,373	1,492,992
(1,484,855)	(1,461,845)	(1,181,095)	(1,257,183)
(20,564)	(20,786)	(24,593)	(15,587)
(1,042)	(1,120)	(1,215)	(1,282)
<b>3,539,497</b>	<b>1,397,780</b>	<b>(130,720)</b>	<b>1,265,426</b>
<b>28,630,697</b>	<b>27,232,917</b>	<b>27,363,637</b>	<b>26,098,211</b>
<b>\$ 32,170,194</b>	<b>\$ 28,630,697</b>	<b>\$ 27,232,917</b>	<b>\$ 27,363,637</b>
\$ 493,723	\$ 2,531,624	\$ 2,773,812	\$ 1,430,644
98.49%	91.88%	90.76%	95.03%
\$ 7,750,836	\$ 7,520,165	\$ 7,165,427	\$ 6,893,077
6.37%	33.66%	38.71%	20.75%

*See notes to required supplementary information.*

**City of Mineral Wells, Texas**  
**Schedule of Contributions**  
**Texas Municipal Retirement System**  
**Last 10 Fiscal Years\***

<b>As of and for the Year Ended September 30,</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 763,758	\$ 701,889
Contributions in relation to the actuarially determined contribution	(763,758)	(701,889)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 8,649,595	\$ 8,049,224
Contributions as a percentage of covered payroll	8.77%	8.77%

\* The amounts presented were determined as of September 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Mineral Wells will present information for those years for which information is available.

*See notes to required supplementary information.*

2017	2016	2015	2014
\$ 692,142	\$ 665,728	\$ 677,539	\$ 699,904
<u>(692,142)</u>	<u>(665,728)</u>	<u>(677,539)</u>	<u>(699,904)</u>
\$ -	\$ -	\$ -	\$ -
\$ 7,750,836	\$ 7,520,165	\$ 7,165,427	\$ 6,893,077
9.17%	9.25%	9.87%	10.33%

*See notes to required supplementary information.*

**City of Mineral Wells, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Other Post-Employment Benefits**  
**Last 10 Fiscal Years\***

	<b>Plan Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>			
Service cost	\$ 33,733	\$ 35,417	\$ 31,003
Interest (on the total OPEB liability)	23,356	15,814	15,156
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(141,958)	137,581	-
Change of assumptions	94,952	(31,206)	33,576
Benefit payments, including refunds of employee contributions	(5,190)	(4,830)	(5,426)
<b>Net Change in Total OPEB Liability</b>	<b>4,893</b>	<b>152,776</b>	<b>74,309</b>
<b>Total OPEB Liability - Beginning</b>	<b>615,259</b>	<b>462,483</b>	<b>388,174</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 620,152</b>	<b>\$ 615,259</b>	<b>\$ 462,483</b>
 Covered Payroll	 \$ 8,649,595	 \$ 8,049,224	 \$ 7,750,836
 Total OPEB Liability as a Percentage of Covered Payroll	 7.17%	 7.64%	 5.97%

The amounts presented were determined as of September 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Mineral Wells will present information for those years for which information is available.

*See notes to required supplementary information.*

**City of Mineral Wells, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget (GAAP Budgetary Basis) and Actual**  
**General Fund**

<b>For the Year Ended September 30, 2020</b>	<b>Budgeted Amounts</b>			<b>Variances</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable</b>	<b>(Unfavorable)</b>
<b>Revenues</b>					
Taxes					
Property taxes	\$ 4,592,759	\$ 4,592,759	\$ 4,602,929	\$ 10,170	
Sales and use taxes	3,152,000	3,152,000	3,605,192	453,192	
Franchise taxes	1,285,000	1,285,000	1,231,469	(53,531)	
Intergovernmental					
Federal operating grants	288,000	288,000	1,343,797	1,055,797	
State operating grants	2,223	2,223	13,334	11,111	
Charges for services	645,250	645,250	540,701	(104,549)	
Permits and fees	1,239,800	1,239,800	1,062,403	(177,397)	
Investment income	107,500	107,500	51,810	(55,690)	
Miscellaneous	70,000	70,000	110,886	40,886	
Insurance recoveries	7,500	7,500	9,378	1,878	
<b>Total revenues</b>	<b>11,390,032</b>	<b>11,390,032</b>	<b>12,571,899</b>	<b>1,181,867</b>	
<b>Expenditures</b>					
Current					
General administration	1,265,884	1,265,884	1,247,447	18,437	
Finance	774,544	774,544	672,347	102,197	
Information technology	476,071	476,071	452,979	23,092	
Fleet maintenance	817,626	817,626	748,709	68,917	
Police department	3,757,936	3,757,936	3,758,663	(727)	
Fire and EMS	2,540,804	2,540,804	2,756,196	(215,392)	
Inspections	458,689	458,689	356,569	102,120	
Streets	1,228,174	1,228,174	1,133,349	94,825	
Sanitation department	146,307	146,307	191,067	(44,760)	
Parks and recreation	967,570	967,570	762,659	204,911	
Cemetery	318,829	318,829	293,724	25,105	
Library	383,571	383,571	336,623	46,948	
Capital outlay	580,000	580,000	693,460	(113,460)	
Debt service					
Principal	292,308	292,308	238,567	53,741	
Interest and other charges	-	-	10,350	(10,350)	
<b>Total expenditures</b>	<b>14,141,635</b>	<b>14,141,635</b>	<b>13,695,870</b>	<b>445,765</b>	
<b>Excess (deficiency) of revenues</b>					
over expenditures	(2,751,603)	(2,751,603)	(1,123,971)	1,627,632	
Other financing sources (uses)					
Proceeds from sale of general capital assets	2,500	2,500	60,300	57,800	
Proceeds from bonds and notes payable	473,000	473,000	487,599	14,599	
Transfers in	1,815,800	1,815,800	1,725,750	(90,050)	
<b>Total other financing sources (uses)</b>	<b>2,291,300</b>	<b>2,291,300</b>	<b>2,273,649</b>	<b>(17,651)</b>	
Net change in fund balance	(460,303)	(460,303)	1,149,678	1,609,981	
Fund balance - beginning of year	3,982,490	3,982,490	4,245,830	263,340	
<b>Fund balance - end of year</b>	<b>\$ 3,522,187</b>	<b>\$ 3,522,187</b>	<b>5,395,508</b>	<b>\$ 1,873,321</b>	

*See notes to required supplementary information.*

**City of Mineral Wells, Texas**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2020**

**NOTE 1: BUDGET**

As set forth in the City Charter, the City Council adopted an annual appropriated budget for the general fund, significant special revenue funds, debt service fund and enterprise funds. The budget is prepared by fund, department and object, with the legal level of budgetary control being the object level. An annual appropriated budget for the capital projects fund was adopted at the project level. The City Manager is authorized to transfer budget amounts between object levels within a department during the budget year, with Council approval, and between departments within a fund during the last three months of the fiscal year by resolution of City Council.

**NOTE 2: SCHEDULE OF CONTRIBUTIONS – TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN**

**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	27 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 based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
<b>Other Information:</b>	There were no benefit changes during the year.

**City of Mineral Wells, Texas**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2020**

**NOTE 3: SCHEDULE OF CONTRIBUTIONS – TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

**Valuation Date:** August 31, 2018

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Amortization Period	30 years
Asset Valuation Method	Market value smoother by a 5-year deferred recognition method with a 80%/120% corridor on market value
Inflation	3.0%
Salary Increases	n/a
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation
Mortality	RP2000 Combined Mortality Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

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

**City of Mineral Wells, Texas**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2020**

**NOTE 4: SCHEDULE OF CONTRIBUTIONS – TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFIT**

**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	17 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 based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
<b>Other Information:</b>	There were no benefit changes during the year.

## **Supplementary Information**

**City of Mineral Wells, Texas**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**

	<b>Special Revenue</b>				
	<b>Hotel/Motel</b>		<b>Police</b>		
	<b>Occupancy</b>	<b>Tax</b>	<b>Department</b>	<b>Forfeitures</b>	<b>TIF Zone #2</b>
<b>September 30, 2020</b>					
<b>Assets</b>					
Unrestricted cash	\$ 5,433	\$ 9,379	\$ 534,654		
Restricted cash	-	-	-		
Receivables					
Taxes, net	-	-	271,713		
Customer, net	3,727	-	-		
Unrestricted investments	-	-	-		
Due from other funds	3,515	-	-		
<b>Total assets</b>	<b>\$ 12,675</b>	<b>\$ 9,379</b>	<b>\$ 806,367</b>		
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,515	\$ -	\$ -		
Due to other funds	-	-	3,065		
<b>Total liabilities</b>	<b>3,515</b>	<b>-</b>	<b>3,065</b>		
<b>Deferred inflows of resources</b>					
Unavailable revenue - property taxes	-	-	222,939		
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>222,939</b>		
<b>Fund balances</b>					
Nonspendable	-	-	-		
Restricted	9,160	9,379	580,363		
Unassigned (deficit)	-	-	-		
<b>Total fund balances</b>	<b>9,160</b>	<b>9,379</b>	<b>580,363</b>		
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,675</b>	<b>\$ 9,379</b>	<b>\$ 806,367</b>		

Special Revenue			Capital Projects		Permanent Fund					
Library Trust	Economic Development Fund		Total Special Revenue Funds			Street	Woodland Park		Total Nonmajor Governmental Funds	
\$ - \$ 22,055	\$ 571,521	\$ -	\$ -	\$ 3,452,304	\$ -	\$ 261,021	\$ -	\$ 571,521	\$ 3,713,325	
\$ - \$ -	\$ 271,713	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,713	\$ -	
\$ - \$ -	\$ 3,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,727	\$ -	
\$ - \$ 26,771	\$ 26,771	\$ -	\$ 754,194	\$ 314,727	\$ -	\$ -	\$ -	\$ 1,095,692	\$ 3,515	
\$ - \$ -	\$ 3,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,515	
\$ - \$ 48,826	\$ 877,247	\$ -	\$ 4,206,498	\$ 575,748	\$ -	\$ -	\$ -	\$ 5,659,493	\$ -	
<hr/>										
\$ - \$ 450	\$ 3,515	\$ -	\$ 3,515	\$ -	\$ -	\$ -	\$ -	\$ 3,515	\$ 3,515	
\$ 450	\$ -	\$ 3,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,515	
\$ 450	\$ -	\$ 7,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,030	\$ -	
<hr/>										
\$ - \$ -	\$ 222,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,939	\$ -	
\$ - \$ -	\$ 222,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,939	\$ -	
<hr/>										
\$ - \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575,748	\$ -	\$ 575,748	\$ -	
\$ - \$ 48,826	\$ 647,728	\$ -	\$ 4,206,498	\$ -	\$ -	\$ -	\$ -	\$ 4,854,226	\$ (450)	
\$ (450)	\$ -	\$ (450)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (450)	
\$ (450)	\$ 48,826	\$ 647,278	\$ 4,206,498	\$ 575,748	\$ -	\$ -	\$ -	\$ 5,429,524	\$ -	
<hr/>										
\$ - \$ 48,826	\$ 877,247	\$ -	\$ 4,206,498	\$ 575,748	\$ -	\$ -	\$ -	\$ 5,659,493	\$ -	

**City of Mineral Wells, Texas**  
**Nonmajor Governmental Funds**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

<b>For the Year Ended September 30, 2020</b>	<b>Special Revenue</b>		
	<b>Hotel/Motel Occupancy Tax</b>	<b>Police Department Forfeitures</b>	<b>TIF Zone #2</b>
<b>Revenues</b>			
Taxes			
Property taxes	\$ -	\$ -	\$ 133,703
Occupancy taxes	153,225		-
Investment income	123	74	2,983
<b>Total revenues</b>	<b>153,348</b>	<b>74</b>	<b>136,686</b>
<b>Expenditures</b>			
Current			
Library	-	-	-
Economic development	-	-	5,315
Hotel/motel occupancy	148,751	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>148,751</b>	<b>-</b>	<b>5,315</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>4,597</b>	<b>74</b>	<b>131,371</b>
<b>Other financing sources (uses)</b>			
Transfers (out)	(2,000)	-	-
<b>Total other financing sources (uses)</b>	<b>(2,000)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>2,597</b>	<b>74</b>	<b>131,371</b>
<b>Fund balances - beginning of year</b>	<b>6,563</b>	<b>9,305</b>	<b>448,992</b>
<b>Fund balances - end of year</b>	<b>\$ 9,160</b>	<b>\$ 9,379</b>	<b>\$ 580,363</b>

Special Revenue			Capital Projects		Permanent Fund			
Library Trust	Economic Development Fund	Total Special Revenue Funds	Street	Woodland Park			Total Nonmajor Governmental Funds	
\$ - \$	- \$	133,703 \$	- \$	- \$	- \$	- \$	133,703 \$	
-	-	153,225	-	-	-	-	153,225	
-	404	3,584	48,526	15,700			67,810	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
450	-	450	-	-	-	-	450	
-	-	5,315	-	-	-	-	5,315	
-	-	148,751	-	-	-	-	148,751	
-	-	-	354,355	-	-	-	354,355	
450	-	154,516	354,355	-	-	-	508,871	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(450)	404	135,996	(305,829)	15,700			(154,133)	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	(2,000)	-	-	-	-	(2,000)	
-	-	(2,000)	-	-	-	-	(2,000)	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(450)	404	133,996	(305,829)	15,700			(156,133)	
-	48,422	513,282	4,512,327	560,048			5,585,657	
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (450) \$	48,826 \$	647,278 \$	4,206,498 \$	575,748 \$			5,429,524	

**City of Mineral Wells, Texas**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Net Position**

<b>September 30, 2020</b>	<b>Airport</b>	<b>Drainage Utility</b>	<b>Total Nonmajor</b>
	<b>Operations</b>		<b>Proprietary Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 145,021	\$ 210,521	\$ 355,542
Investments	30,754	-	30,754
Receivables			
Intergovernmental	69,000	-	69,000
Customer, net	27,736	15,842	43,578
Inventory	27,494	-	27,494
Due from other funds	-	27,265	27,265
<b>Total current assets</b>	<b>300,005</b>	<b>253,628</b>	<b>553,633</b>
Noncurrent assets			
Restricted cash and cash equivalents	16,000	-	16,000
Capital assets, not being depreciated	280,539	-	280,539
Capital assets, being depreciated	8,824,358	382,500	9,206,858
Less: accumulated depreciation	(5,233,268)	(22,313)	(5,255,581)
<b>Total noncurrent assets</b>	<b>3,887,629</b>	<b>360,187</b>	<b>4,247,816</b>
<b>Total assets</b>	<b>4,187,634</b>	<b>613,815</b>	<b>4,801,449</b>
Deferred outflows of resources			
Deferred outflows related to pension	12,706	-	12,706
Deferred outflows related to OPEB	3,601	-	3,601
<b>Total deferred outflows of resources</b>	<b>16,307</b>	<b>-</b>	<b>16,307</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,203,941</b>	<b>\$ 613,815</b>	<b>\$ 4,817,756</b>

<b>September 30, 2020</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Fringe benefits payable	\$ 1,115	\$ -	\$ 1,115
Retainage payable	15,495	-	15,495
Accrued payroll	6,064	-	6,064
Other accrued liabilities	75	-	75
Due to other funds	47,341	-	47,341
<b>Long-term liabilities, current</b>	<b>34,879</b>	<b>47,013</b>	<b>81,892</b>
<b>Total current liabilities</b>	<b>104,969</b>	<b>47,013</b>	<b>151,982</b>
<b>Noncurrent liabilities</b>			
Net pension liability	17,139	-	17,139
Total OPEB liability	10,405	-	10,405
<b>Long-term liabilities, net of current portion</b>	<b>32,472</b>	<b>232,592</b>	<b>265,064</b>
<b>Total noncurrent liabilities</b>	<b>60,016</b>	<b>232,592</b>	<b>292,608</b>
<b>Total liabilities</b>	<b>164,985</b>	<b>279,605</b>	<b>444,590</b>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pension	14,104	-	14,104
Deferred inflows related to OPEB	2,470	-	2,470
<b>Total deferred inflows of resources</b>	<b>16,574</b>	<b>-</b>	<b>16,574</b>
<b>Net position</b>			
Net investment in capital assets	3,809,550	80,582	3,890,132
Unrestricted net position	212,832	253,628	466,460
<b>Total Net Position</b>	<b>4,022,382</b>	<b>334,210</b>	<b>4,356,592</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 4,203,941</b>	<b>\$ 613,815</b>	<b>\$ 4,817,756</b>

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**City of Mineral Wells, Texas**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**

<b>For the Year Ended September 30, 2020</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Total Nonmajor Proprietary Funds</b>
Operating revenues			
Drainage utility fees	\$ -	\$ 172,873	\$ 172,873
Oil and gas	542,711	-	542,711
Rentals	220,484	-	220,484
Other	17,634	-	17,634
Operating grants	92,745	-	92,745
<b>Total operating revenues</b>	<b>873,574</b>	<b>172,873</b>	<b>1,046,447</b>
Operating expenses			
Drainage utility	-	13,876	13,876
Airport	908,300	-	908,300
Depreciation expense	372,435	-	372,435
<b>Total operating expenses</b>	<b>1,280,735</b>	<b>13,876</b>	<b>1,294,611</b>
<b>Operating income (loss)</b>	<b>(407,161)</b>	<b>158,997</b>	<b>(248,164)</b>
Non-operating revenues (expenses)			
Insurance recoveries	149,845	-	149,845
Interest expense	1,183	(10,766)	(9,583)
Interest earned	298	-	298
<b>Total non-operating revenues (expenses)</b>	<b>151,326</b>	<b>(10,766)</b>	<b>140,560</b>
Income (loss) before contributions and transfers	(255,835)	148,231	(107,604)
Transfers (out)	-	(35,000)	(35,000)
Change in net position	(255,835)	113,231	(142,604)
<b>Net position - beginning of year</b>	<b>4,278,217</b>	<b>220,979</b>	<b>4,499,196</b>
<b>Net position - end of year</b>	<b>\$ 4,022,382</b>	<b>\$ 334,210</b>	<b>\$ 4,356,592</b>

**City of Mineral Wells, Texas**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Cash Flows**

<b>For the Year Ended September 30, 2020</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from user charges	\$ 802,770	\$ 171,241	\$ 974,011
Cash payments to employees for services	(264,775)	-	(264,775)
Cash payments to suppliers for goods and services	(628,231)	(13,876)	(642,107)
<b>Net cash provided (used) by operating activities</b>	<b>(90,236)</b>	<b>157,365</b>	<b>67,129</b>
<b>Cash flows from noncapital financing activities</b>			
Miscellaneous income	149,845	-	149,845
Transfers and interfund activity	(21,198)	(45,387)	(66,585)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>128,647</b>	<b>(45,387)</b>	<b>83,260</b>
<b>Cash flows from investing activities</b>			
Reclassification from cash to investments	(300)	-	(300)
Interest on investments	298	-	298
<b>Net cash provided (used) by investing activities</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>
<b>Cash flows from capital and related financing activities</b>			
Acquisition of capital assets	22,688	-	22,688
Interest paid	1,183	(10,766)	(9,583)
Principal payments on bonds, loans, and notes payable	(50,793)	(45,435)	(96,228)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(26,922)</b>	<b>(56,201)</b>	<b>(83,123)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>11,487</b>	<b>55,777</b>	<b>67,264</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>149,534</b>	<b>154,744</b>	<b>304,278</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 161,021</b>	<b>\$ 210,521</b>	<b>\$ 371,542</b>

<b>For the Year Ended September 30, 2020</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Nonmajor Proprietary Funds</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)			
	\$ (407,161)	\$ 158,997	\$ (248,164)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	372,435	-	372,435
Noncash pension and OPEB expense	2,524	-	2,524
Changes in assets and liabilities:			
Receivables, net	(70,804)	(1,632)	(72,436)
Inventory	10,744	-	10,744
Accrued payroll	2,026	-	2,026
Net cash provided (used) by operating activities	<b>\$ (90,236)</b>	<b>\$ 157,365</b>	<b>\$ 67,129</b>

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## **Compliance Section**

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

**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and City Council  
City of Mineral Wells  
Mineral Wells, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mineral Wells, Texas (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 26, 2021. Our report includes a reference to other auditors who audited the financial statements of the Palo Pinto County Municipal Water District No. as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **City's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

Carr, Riggs & Ingram, LLC

Dallas, Texas

April 26, 2021

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

**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and City Council  
City of Mineral Wells  
Mineral Wells, Texas

**Report on Compliance for Each Major Federal Program**

We have audited the City of Mineral Wells, Texas' (the "City") 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's major federal programs for the year ended September 30, 2020. The City's major federal program 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 program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program 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's 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the City 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's 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's internal control over compliance.

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

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

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.

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

Carr, Riggs & Ingram, LLC  
Dallas, Texas  
April 26, 2021

**City of Mineral Wells, TX**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

<b>Federal Grantor or Pass-Through Grantor / Program Title</b>	<b>Grant/Pass-Through Federal CFDA Number</b>	<b>CFDA Number</b>
U.S. Department of Treasury		
COVID-19: Coronavirus Relief Fund	538	21.019
Total U.S. Department of Treasury		
U.S. Department of Transportation		
COVID-19: Airport Improvement Program	20CRMNWLS	20.106
Total U.S. Department of Transportation		
U.S. Department of Agriculture		
Rural Energy for America Program	50-082-0782265608	10.868
Total U.S. Department of Agriculture		
U.S. Department of Homeland Security		
Hazard Mitigation Grant Program	DR-4272-012	97.039
Hazard Mitigation Grant Program	DR-4272-016	97.039
Hazard Mitigation Grant Program	DR-4272-020	97.039
Staffing for Adequate Fire and Emergency Response (SAFER)	EMW-2017-FH-00101	97.083
Total U.S. Department of Homeland Security		
U.S. Department of Housing and Urban Development		
Community Development Block Grant - State's Program (Texas)	7217319	14.228
Community Development Block Grant - State's Program (Texas)	7219280	14.228
Community Development Block Grant - State's Program (Texas)	7219252	14.228
Total U.S. Department of Housing and Urban Development		
<b>Total Federal Financial Assistance</b>		

*See accompanying notes to schedule of expenditures of federal awards.*

Federal Expenditures	Cluster/ Program Subtotals	Funds Provided to Subrecipients	Noncash Assistance
\$ 951,225		\$ -	\$ -
951,225		-	-
69,000		-	-
69,000		-	-
63,644		-	-
63,644		-	-
61,194		-	-
108,071		-	-
39,738	209,003	-	-
316,453		-	-
525,456		-	-
137,613			
51,125			
31,350		-	-
220,088		-	-
\$ 1,829,413		\$ -	\$ -

*See accompanying notes to schedule of expenditures of federal awards.*

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**City of Mineral Wells, TX**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Mineral Wells, Texas and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**2. Loans**

The City did not expend federal awards related to loans or loan guarantees during the year.

**3. 10% de minimus Indirect Cost Rate**

The City did not elect to use the allowed 10% indirect cost rate.

**4. Federally Funded Insurance**

The City has no federally funded insurance.

**5. Noncash Assistance**

The City expended noncash assistance in the form of commodities provided by USDA.

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,829,413
Total expenditures funded by other sources	23,297,046
<hr/> <b>Total expenditures</b>	<hr/> <b>\$ 25,126,459</b>

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**City of Mineral Wells, Texas**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2020**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | None       |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements?                           | None       |

*Federal Awards:*

- |   |               |
|---|---------------|
| 1. Type of auditors’ report issued on compliance for major programs   | Unmodified    |
| 2. Internal control over major programs:  |               |
| a. Material weaknesses identified?  | None          |
| b. Significant deficiencies identified not considered to be material weaknesses?                              | None reported |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a) | None          |
| 4. Identification of major programs:  |               |

CFDA Number	Federal Program
21.019	COVID-19: 2020 Coronavirus Relief Fund

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | No        |

**City of Mineral Wells, Texas**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2020-001 – Deficiencies in Internal Controls Over Preparation of Schedule of Expenditures of Federal Awards (SEFA) – Significant Deficiency**

*Condition:* The original schedule of Federal expenditures used for determination of the applicability of the single audit and in the review process of the schedule of Federal expenditures did not include the expenditures for the COVID-19: 2020 Coronavirus Relief Fund, COVID-19: CARES Act Airport Grants, and the Staffing for Adequate Fire and Emergency response (SAFER) grants in the amount of \$1,336,678.

*Criteria:* 2 CFR part 215 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place for identifying federal, state, and other awards, properly classifying expenditures in the correct programs and under the correct CFDA numbers, and ensuring that expenditures reported for federal programs are accurate. In addition, 2 CFR 200.510(b) requires the auditee to prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 200.502 Basis for determining Federal awards expended.

*Effect:* Without proper grant awards and expenditures reported on the schedule of Federal expenditures, it is impossible to properly assess programs in order to select grants and test in accordance with the Single Audit Act. Also, without proper processes and internal controls to properly track federal expenditures by grant, the risk of noncompliance and unallowable costs are heightened.

*Cause:* The City should have a control in place to provide reasonable assurance that information in the schedule of Federal expenditures is accurate and complete, and that all federal expenditures are reported and classified properly for schedule of Federal expenditures classification and financial reporting.

*Auditors' Recommendations:* The Auditor recommends that the City ensure that a comprehensive internal control structure is designed, documented, and implemented to ensure all grant transactions are properly tracked and the schedule of Federal expenditures is complete and accurate at year-end for financial reporting.

*Views of Responsible Officials of Auditee:* The accounting manager is in the process of implementing a comprehensive tracking process for all grant transactions to insure the accuracy of reporting all awards received and expended. This is expected to be implemented as of September 30, 2021.

**City of Mineral Wells, Texas**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2020**

**SECTION III – FEDERAL AWARD FINDINGS**

None Noted.

**SECTION IV – PRIOR YEAR FINDINGS**

None Noted.