



# **City of Mineral Wells, Texas**

## **Financial Statements and Supplementary Information**

**For the Year Ended September 30, 2021**

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## **Introductory Section**

**City of Mineral Wells, Texas**  
**Table of Contents**  
**September 30, 2021**

**INTRODUCTORY SECTION**

Table of Contents	4-5
Official Roster	7

**FINANCIAL SECTION**

Independent Auditors' Report	10-12
Management's Discussion and Analysis	13-19

**BASIC FINANCIAL STATEMENTS**

Government-wide Financial Statements	
Statement of Net Position	22-23
Statement of Activities	24-25

Fund Financial Statements

Balance Sheet - Governmental Funds	26-27
Reconciliation of the Balance Sheet to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Governmental Funds	30-31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	33

Proprietary Funds Statements

Statement of Net Position - Proprietary Funds	34-37
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	38-39
Statement of Cash Flows - Proprietary Funds	40-43

Notes to Financial Statements	44-100
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**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability -	
Texas Emergency Services Retirement System	102-103
Schedule of Contributions - Texas Emergency Services Retirement System	104-105
Schedule of Changes in Net Pension Liability and Related Ratios -	
Texas Municipal Retirement System	106-107
Schedule of Contributions - Texas Municipal Retirement System	108-109
Schedule of Changes in Net Pension Liability and Related Ratios - OPEB	110-111
Statement of Revenues, Expenditures, and Changes in Fund Balance -	
Budget (GAAP Budgetary Basis) and Actual	
General Fund	113
Notes to Required Supplementary Information	114-116

**City of Mineral Wells, Texas**  
**Table of Contents**  
**September 30, 2021**

**SUPPLEMENTARY INFORMATION**

Nonmajor Governmental and Proprietary Fund Descriptions

Combining and Individual Fund Statements and Schedules

Combining Balance Sheet - Nonmajor Governmental Funds 118-119

Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds 120-121

***Proprietary Funds***

Combining Statement of Net Position - Nonmajor Proprietary Funds 122-123

Combining Statement of Revenues, Expenses, and Changes in  
Net Position - Nonmajor Proprietary Funds 125

Combining Statement of Cash Flows - Nonmajor Proprietary Funds 126-127

**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* 130-131

Schedule of Findings and Responses 133-134

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**City of Mineral Wells, Texas  
Official Roster  
September 30, 2021**

<u>City Council</u>	
<u>Name</u>	<u>Title</u>
Regan Johnson	Mayor
Brian Shoemaker	Councilor
Glen Mitchell	Councilor
Jerrel Tomlin	Councilor
Carlos Maldonado	Councilor
Beth Watson	Councilor
Doyle Light	Councilor
<u>Administration</u>	
Dean Sullivan	Interim City Manager
Peggy Clifton	City Clerk
Jason Breisch	Finance Director
Bobbi Coe	Senior Accounting Manager

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 50 percent, and 18 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

#### ***Restatement of Net Position***

As discussed in note 2 to the basic financial statements, the prior year City statements have been restated in the amount of \$1,737,666 in the in the nonmajor governmental funds. 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 19 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 116 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*

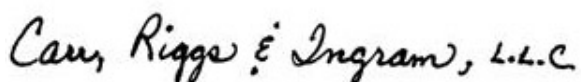
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 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 May 31, 2022, 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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

Carr, Riggs & Ingram, LLC  
Dallas, Texas  
May 31, 2022

# City of Mineral Wells, Texas

## Management's Discussion and Analysis

### September 30, 2021

**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, 2021.

**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 \$85,431,331 (net position). Of this amount, \$17,229,273 (unrestricted net position) may be used to meet the City's ongoing obligations.

The City's total net position increased by \$2,542,666. The City's operations increased governmental activities by \$850,645 and increased the business-type activities by \$1,692,023. Comparatively, at the end of FY 2020, the City's total net position increased by \$1,627,419, governmental activities had increased by \$300,583 and business-type activities had increased by \$1,326,836.

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$13,224,279. \$5,438,499 is available for spending at the City's discretion (unassigned fund balance). Comparatively, at the end of FY 2020, the City's governmental funds reported combined fund balances of \$10,900,824. \$5,395,058 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 \$5,438,499 or 35.9 percent of total General Fund expenditures. Comparatively, at the end of FY 2020, unassigned fund balance for the General Fund was \$5,395,058 or 39 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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).

# **City of Mineral Wells, Texas**

## **Management's Discussion and Analysis**

### **September 30, 2021**

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 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 ten 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 American Rescue Plan Act, 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.

# City of Mineral Wells, Texas

## Management's Discussion and Analysis

### September 30, 2021

**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 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 44-100 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 102-116 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 of resources exceed liabilities and deferred inflows of resources on the following page by \$86,974,315 at September 30, 2021. This \$86,974,315 (see table below) represents the City's total net position. By comparison, at the end of FY 2020, total net position was \$82,888,663. Total net position increased by \$2,542,666 since last year.

The largest portion of the City's net position (67.3 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, \$10,697,625 represents resources that are "restricted", meaning they are subject to external restrictions on how they may be used. The \$17,229,273 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, 2021**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>						
Current and Other Assets	\$ 16,910,275	\$ 14,567,648	\$ 26,379,918	\$ 28,593,392	\$ 43,290,193	\$ 43,161,040
Capital Assets	27,175,063	26,810,041	53,610,934	50,678,264	80,785,997	77,488,305
<b>Total Assets</b>	<b>44,085,338</b>	<b>41,377,689</b>	<b>79,990,852</b>	<b>79,271,656</b>	<b>124,076,190</b>	<b>120,649,345</b>
<b>Deferred Outflows of Resources</b>	<b>641,991</b>	<b>701,165</b>	<b>278,681</b>	<b>302,689</b>	<b>920,672</b>	<b>1,003,854</b>
<b>Liabilities</b>						
Long-Term Liabilities	9,017,125	9,209,162	23,088,220	24,703,981	32,105,345	33,913,143
Other Liabilities	3,285,868	1,281,372	3,008,390	2,380,236	6,294,258	3,661,608
<b>Total Liabilities</b>	<b>12,302,993</b>	<b>10,490,534</b>	<b>26,096,610</b>	<b>27,084,217</b>	<b>38,399,603</b>	<b>37,574,751</b>
<b>Deferred Inflows of Resources</b>	<b>875,575</b>	<b>890,204</b>	<b>290,353</b>	<b>299,581</b>	<b>1,165,928</b>	<b>1,189,785</b>
<b>Net Position</b>						
Net Investment in Capital Assets	18,566,963	18,334,127	38,937,470	38,019,510	57,504,433	56,353,637
Restricted	7,847,915	7,471,836	2,849,710	2,823,106	10,697,625	10,294,942
Unrestricted	5,133,883	4,892,153	12,095,390	11,347,931	17,229,273	16,240,084
<b>Total Net Position</b>	<b>\$ 31,548,761</b>	<b>\$ 30,698,116</b>	<b>\$ 53,882,570</b>	<b>\$ 52,190,547</b>	<b>\$ 85,431,331</b>	<b>\$ 82,888,663</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, 2021**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2019</b>
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,667,835	\$ 1,603,104	\$ 12,372,831	\$ 12,277,478	\$ 14,040,666	\$ 13,880,582
Operating grants and contributions	404,716	1,357,131	259,532	202,640	664,248	1,559,771
<b>General revenues</b>						
Property taxes	5,786,591	5,239,072	-	-	5,786,591	5,239,072
Other taxes	5,409,015	5,062,663	-	-	5,409,015	5,062,663
Other	619,785	240,717	586,740	616,605	1,206,525	857,322
<b>Total revenues</b>	<b>13,887,942</b>	<b>13,502,687</b>	<b>13,219,103</b>	<b>13,096,723</b>	<b>27,107,045</b>	<b>26,599,410</b>
<b>Expenses</b>						
Administrative	1,154,302	1,362,292	-	-	1,154,302	1,362,292
Finance	594,630	689,234	-	-	594,630	689,234
Information technology	492,342	473,643	-	-	492,342	473,643
Fleet maintenance	820,666	752,927	-	-	820,666	752,927
Police department	3,784,686	3,969,951	-	-	3,784,686	3,969,951
Fire/EMS	3,077,399	2,988,990	-	-	3,077,399	2,988,990
Inspections	325,436	359,877	-	-	325,436	359,877
Streets	2,100,346	2,049,631	-	-	2,100,346	2,049,631
Sanitation	226,317	191,323	-	-	226,317	191,323
Parks and recreation	1,040,870	1,013,866	-	-	1,040,870	1,013,866
Cemetery	307,008	305,448	-	-	307,008	305,448
Library	339,966	370,498	-	-	339,966	370,498
Economic development	227,083	48,476	-	-	227,083	48,476
Hotel occupancy	185,313	148,751	-	-	185,313	148,751
Interest on long-term debt	199,380	200,947	-	-	199,380	200,947
Water and sewer	-	-	7,063,593	7,235,142	7,063,593	7,235,142
PPCMWD No. 1	-	-	1,317,608	1,508,051	1,317,608	1,508,051
Nonmajor enterprise funds	-	-	1,307,432	1,304,194	1,307,432	1,304,194
<b>Total expenses</b>	<b>14,875,744</b>	<b>14,925,854</b>	<b>9,688,633</b>	<b>10,047,387</b>	<b>24,564,377</b>	<b>24,973,241</b>
Change in net position before transfers	(987,802)	(1,423,167)	3,530,470	3,049,336	2,542,668	1,626,169
Transfers	1,838,447	1,723,750	(1,838,447)	(1,722,500)	-	1,250
Change in net position	850,645	300,583	1,692,023	1,326,836	2,542,668	1,627,419
Net position - beginning of year	30,698,116	30,397,533	52,190,547	50,863,711	82,888,663	81,261,244
<b>Net position - end of year</b>	<b>\$ 31,548,761</b>	<b>\$ 30,698,116</b>	<b>\$ 53,882,570</b>	<b>\$ 52,190,547</b>	<b>\$ 85,431,331</b>	<b>\$ 82,888,663</b>

# City of Mineral Wells, Texas

## Management's Discussion and Analysis

### September 30, 2021

#### ***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.

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 \$5,438,499 while total fund balance reached \$5,438,499. 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 35.9 percent of total general fund expenditures, while total fund balance represents 35.9 percent of that same amount.

Other Items. The American Rescue Plan Act has a total fund balance of \$93 all of which is restricted for the payment of the grant.

**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 \$6,959,336, \$4,050,503, and \$690,776 respectively.

General Fund Budgetary Highlights. It is the practice of the City to budget very conservatively. Revenues in 2020-21 were \$801,724 more than budgeted with Sales and use taxes coming in at \$596,815 more than budgeted. Actual expenses were 11.2 percent more than budgeted primarily due to capital outlay expenditures being more 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, 2021 amounts to \$80,785,997 (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, an ambulance, ladder truck, rescue boat and trailer, and a tractor. The Water and Sewer fund purchased vehicles, a tractor, and finished a lift station generator and the North Keller water line. Additional information on the City's capital assets can be found in Note 7 of this report.

**City of Mineral Wells, Texas**  
**Management's Discussion and Analysis**  
**September 30, 2021**

**Long-Term Liabilities.** At the end of the fiscal year, the City had total long-term liabilities of \$33,091,176. Included in the City's long-term debt are capital leases in the amount of \$32,472 for airport T-hangars and a tractor. \$1,542,985 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. \$18,160,000 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 8 of this report.

**Economic Factors and Next Year's Budgets and Rates.** The total operating budget for the City includes all revenues, expenditures, and transfers anticipated in the upcoming year. This includes expenditures for items funded outside of the City, like grants for large projects and funds for programs received from other sources. The budget also includes the adoption of payments for debt services. The total Adopted Annual Budget for the 2021-2022 Fiscal Year is \$36,926,714, which is an increase of \$3,690,475, or 11.10% from the 2020-2021 Adopted Annual Budget of \$33,236,239.

Despite the ongoing Coronavirus pandemic and Winter Storm Uri, the City continued its upward trend of growth in Fiscal Year 2020-2021. In the coming months, subdivisions consisting of more than 450 homes will begin construction on the west and east sides of the City. The Mineral Wells Regional Airport, an important training ground during the Vietnam War, continues its development as a destination for various 21<sup>st</sup> Century aeronautical industries and activities. Several significant portions of the 2018 General Obligation Bond Project have been completed throughout the City, and reconstruction and rehabilitation of various City streets are well underway. Two Texas Department of Agriculture Community Development Block Grant Projects are nearing completion, greatly enhancing the City's Downtown pedestrian access and the Southwestern thoroughfare.

The City of Mineral Wells has had a long history of budgeting conservatively. Due to this practice, our financial condition continues to grow strong. As a result, the City earned an AA- Rating with Fitch over the past fiscal year. In layman's terms, the City is on financially stable ground. This stability will allow the opportunity to utilize reserves in a responsible and prudent way that best benefits the citizens.

Moving forward into the next fiscal year, the City continues to monitor the ever-changing economic landscape. The local economy is projected to remain strong due in large part to the completion of the Crazy Water Hotel, the ongoing renovation and restoration of the Baker Hotel, and the increasing influx of new retail, commercial, and food-related businesses. In addition, and in response to and recovery from the COVID-19 public health emergency, the City received a total of \$1,884,784, representing the first of two tranches of federal funds from the Coronavirus State and Local Fiscal Recovery Funds, a part of the American Rescue Plan Act. These funds will be committed for use by the City Council in the upcoming months.

**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.

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## **Basic Financial Statements**

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Mineral Wells Economic Development Corporation
<b>September 30, 2021</b>				
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 4,786,164	\$ 5,584,549	\$ 10,370,713	\$ 1,110,949
Investments	5,080,063	5,605,031	10,685,094	800,000
Receivables				
Taxes, net	1,320,785	-	1,320,785	62,814
Intergovernmental	95,485	259,532	355,017	-
Customer, net	532,608	1,551,659	2,084,267	-
Leases	1,542,986	-	1,542,986	-
Other	125,906	1,567	127,473	-
Prepaid expense	-	8,899	8,899	-
Inventory	-	349,458	349,458	-
Internal Balances	(556,959)	556,959	-	-
<b>Total current assets</b>	<b>12,927,038</b>	<b>13,917,654</b>	<b>26,844,692</b>	<b>1,973,763</b>
Noncurrent assets				
Restricted cash and cash equivalents	3,983,237	9,437,134	13,420,371	-
Restricted investments	-	3,025,130	3,025,130	-
Capital assets, not being depreciated	2,486,234	20,307,260	22,793,494	-
Capital assets, being depreciated	71,489,715	79,037,304	150,527,019	-
Less accumulated depreciation	(46,800,886)	(45,733,630)	(92,534,516)	-
<b>Total noncurrent assets</b>	<b>31,158,300</b>	<b>66,073,198</b>	<b>97,231,498</b>	<b>-</b>
<b>Total assets</b>	<b>44,085,338</b>	<b>79,990,852</b>	<b>124,076,190</b>	<b>1,973,763</b>
<b>Deferred outflows</b>				
Deferred outflows related to pensions	481,633	212,104	693,737	-
Deferred outflows related to OPEB	160,358	66,577	226,935	-
<b>Total deferred outflows</b>	<b>641,991</b>	<b>278,681</b>	<b>920,672</b>	<b>-</b>
<b>Total assets and deferred outflows</b>	<b>\$ 44,727,329</b>	<b>\$ 80,269,533</b>	<b>\$ 124,996,862</b>	<b>\$ 1,973,763</b>

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

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Mineral Wells Economic Development Corporation
<b>September 30, 2021</b>				
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 451,355	\$ 695,414	\$ 1,146,769	\$ -
Fringe benefits payable	89,988	33,960	123,948	-
Retainage payable	-	33,831	33,831	-
Accrued payroll	223,583	97,489	321,072	-
Other accrued liabilities	16,184	5,586	21,770	-
Due to state	19,636	-	19,636	-
Unearned revenue	1,884,784	66,870	1,951,654	-
Deposits held for others	-	347,809	347,809	-
Long-term liabilities, current	600,354	1,727,431	2,327,785	-
Total current liabilities	3,285,884	3,008,390	6,294,274	-
Noncurrent liabilities				
Net pension liability	349,895	264,695	614,590	-
Total OPEB liability	502,967	224,381	727,348	-
Long-term liabilities, net of current portion	8,164,247	22,599,144	30,763,391	-
Total noncurrent liabilities	9,017,109	23,088,220	32,105,329	-
Total liabilities	12,302,993	26,096,610	38,399,603	-
<b>Deferred inflows</b>				
Deferred inflows related to pensions	779,681	254,028	1,033,709	-
Deferred inflows related to OPEB	95,894	36,325	132,219	-
Total deferred inflows	875,575	290,353	1,165,928	-
<b>Net position</b>				
Net investment in capital assets	18,566,963	38,937,470	57,504,433	-
Restricted for				
Debt service	1,671,115	2,849,710	4,520,825	-
Capital projects	4,104,580	-	4,104,580	-
Special revenue	1,467,862	-	1,467,862	-
Woodland Park	604,358	-	604,358	-
Unrestricted net position	5,133,883	12,095,390	17,229,273	1,973,763
Total net position	31,548,761	53,882,570	85,431,331	1,973,763
Total liabilities, deferred inflows, and net position	\$ 44,727,329	\$ 80,269,533	\$ 124,996,862	\$ 1,973,763

*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, 2021**

**Program Revenues**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary government</b>			
<b>Governmental activities</b>			
Administrative	\$ 1,154,302	\$ 35,987	\$ -
Finance	594,630	168,086	-
Information technology	492,342	-	-
Fleet maintenance	820,666	-	-
Police department	3,784,686	297,283	203,204
Fire/EMS	3,077,399	775,219	201,512
Inspections	325,436	111,988	-
Streets	2,100,346	3,976	-
Sanitation	226,317	73,940	-
Parks and recreation	1,040,870	94,577	-
Cemetery	307,008	103,544	-
Library	339,966	3,235	-
Economic development	227,083	-	-
Hotel occupancy	185,313	-	-
Interest and other charges	199,380	-	-
Total governmental activities	14,875,744	1,667,835	404,716
<b>Business-type activities</b>			
Water and sewer	7,063,593	9,025,057	214,532
PPCMWD No. 1	1,317,608	2,213,379	-
Nonmajor enterprise fund	1,307,432	1,134,395	45,000
Total business-type activities	9,688,633	12,372,831	259,532
Total primary government	\$ 24,564,377	\$ 14,040,666	\$ 664,248
<b>Component unit</b>			
Economic Development	\$ 93,766	\$ -	\$ -

**General revenues and transfers**

Taxes  
Property taxes  
Sales and use taxes  
Franchise taxes  
Occupancy taxes  
Investment earnings  
Insurance recoveries  
Other revenue  
Gain from sale of assets  
Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

*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	
\$ (1,118,315)	\$ -	\$ (1,118,315)	\$ -	
(426,544)	-	(426,544)	-	
(492,342)	-	(492,342)	-	
(820,666)	-	(820,666)	-	
(3,284,199)	-	(3,284,199)	-	
(2,100,668)	-	(2,100,668)	-	
(213,448)	-	(213,448)	-	
(2,096,370)	-	(2,096,370)	-	
(152,377)	-	(152,377)	-	
(946,293)	-	(946,293)	-	
(203,464)	-	(203,464)	-	
(336,731)	-	(336,731)	-	
(227,083)	-	(227,083)	-	
(185,313)	-	(185,313)	-	
(199,380)	-	(199,380)	-	
(12,803,193)	-	(12,803,193)	-	
-	2,175,996	2,175,996	-	
-	895,771	895,771	-	
-	(128,037)	(128,037)	-	
-	2,943,730	2,943,730	-	
\$ (12,803,193)	\$ 2,943,730	\$ (9,859,463)	\$ -	
\$ -	\$ -	\$ -	\$ (93,766)	
5,786,591	-	5,786,591	-	
3,923,815	-	3,923,815	350,318	
1,272,969	-	1,272,969	-	
212,231	-	212,231	-	
21,656	21,841	43,497	3,523	
8,296	12,677	20,973	-	
446,572	52,526	499,098	-	
143,261	499,696	642,957	-	
1,838,447	(1,838,447)	-	-	
13,653,838	(1,251,707)	12,402,131	353,841	
850,645	1,692,023	2,542,668	260,075	
30,698,116	52,190,547	82,888,663	1,713,688	
\$ 31,548,761	\$ 53,882,570	\$ 85,431,331	\$ 1,973,763	

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

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

<b>September 30, 2021</b>	<b>General Fund</b>	<b>American Rescue Plan Act</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 804,316	\$ 1,884,877
Restricted cash and cash equivalents	293,342	-
Receivables		
Taxes, net	975,804	-
Intergovernmental	95,485	-
Customer, net	502,894	-
Lease	-	-
Other	84,435	-
Investments	3,502,288	-
Due from other funds	7,641	-
<b>Total assets</b>	<b>\$ 6,266,205</b>	<b>\$ 1,884,877</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 361,167	\$ -
Fringe benefits payable	89,988	-
Accrued payroll	223,583	-
Other accrued liabilities	16,184	-
Due to state	19,636	-
Unearned revenue	-	1,884,784
<b>Total liabilities</b>	<b>710,558</b>	<b>1,884,784</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - property taxes	-	-
Unavailable revenue - franchise taxes	117,148	-
<b>Total deferred inflows of resources</b>	<b>117,148</b>	<b>-</b>
<b>Fund balances</b>		
Nonspendable	-	-
Restricted	-	93
Unassigned	5,438,499	-
<b>Total fund balances</b>	<b>5,438,499</b>	<b>93</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,266,205</b>	<b>\$ 1,884,877</b>

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

<b>Nonmajor Governmental Funds</b>		<b>Total Governmental Funds</b>	
\$	1,195,318	\$	3,884,511
	3,689,895		3,983,237
	344,981		1,320,785
	-		95,485
	29,714		532,608
	1,542,986		1,542,986
	27,071		111,506
	1,098,034		4,600,322
	-		7,641
\$	7,927,999	\$	16,079,081

\$	80,211	\$	441,378
	-		89,988
	-		223,583
	-		16,184
	-		19,636
	-		1,884,784

	80,211		2,675,553
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	62,101		62,101
	-		117,148
	62,101		179,249

	604,358		604,358
	7,181,329		7,181,422
	-		5,438,499

	7,785,687		13,224,279
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\$	7,927,999	\$	16,079,081
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*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, 2021**

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

Fund balances - total governmental funds	\$ 13,224,279
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	27,175,063
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	179,249
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	481,633
Deferred outflows of resources related to OPEBs	160,358
Deferred inflows of resources related to pensions	(779,681)
Deferred inflows of resources related to OPEBs	(95,894)
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 as Long-term liabilities	(9,617,463)
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
<b>Total net position - governmental activities</b>	<b>\$ 31,548,761</b>

*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**

For the Year Ended September 30, 2021	General Fund	American Rescue Plan Act
Revenues		
Taxes		
Property taxes	\$ 4,985,828	\$ -
Sales and use taxes	3,923,815	-
Franchise taxes	1,331,609	-
Occupancy taxes	-	-
Intergovernmental		
Federal operating grants	402,497	-
State operating grants	2,219	-
Charges for services	509,887	-
Permits and fees	1,130,876	-
Investment income	6,236	93
Other revenue	143,263	-
Insurance recoveries	8,296	-
<b>Total revenues</b>	<b>12,444,526</b>	<b>93</b>
Expenditures		
Current		
General administration	1,083,663	-
Finance	609,266	-
Information technology	481,143	-
Fleet maintenance	825,431	-
Police department	3,653,824	-
Fire and EMS	2,848,265	-
Inspections	334,244	-
Streets	1,157,768	-
Sanitation department	227,007	-
Parks and recreation	849,954	-
Cemetery	305,088	-
Library	319,882	-
Economic development	82,934	-
Hotel occupancy tax	-	-
Capital outlay	2,067,092	-
Debt service		
Principal	274,558	-
Interest and other charges	14,055	-
<b>Total expenditures</b>	<b>15,134,174</b>	<b>-</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,689,648)</b>	<b>93</b>
Other financing sources (uses)		
Proceeds from sale of general capital assets	143,261	-
Proceeds from notes payable	750,000	-
Transfers in	1,839,378	-
Transfers (out)	-	-
<b>Total other financing sources (uses)</b>	<b>2,732,639</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>42,991</b>	<b>93</b>
Fund balance - beginning of year, as originally stated	5,395,508	-
Fund balance - restatement (Note 2)	-	-
Fund balance - beginning of year, as restated	5,395,508	-
<b>Fund balance - end of year</b>	<b>\$ 5,438,499</b>	<b>\$ 93</b>

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	986,798	\$	5,972,626
	-		3,923,815
	-		1,331,609
	212,231		212,231
	-		402,497
	-		2,219
	27,072		536,959
	-		1,130,876
	15,327		21,656
	303,309		446,572
	-		8,296
	1,544,737		13,989,356

	-		1,083,663
	-		609,266
	-		481,143
	-		825,431
	-		3,653,824
	-		2,848,265
	-		334,244
	2,000		1,159,768
	-		227,007
	-		849,954
	-		305,088
	34		319,916
	146,296		229,230
	185,313		185,313
	138,877		2,205,969
	329,681		604,239
	198,900		212,955
	1,001,101		16,135,275
	543,636		(2,145,919)

	-		143,261
	-		750,000
	-		1,839,378
	(931)		(931)
	(931)		2,731,708
	542,705		585,789
	5,505,316		10,900,824
	1,737,666		1,737,666
	7,242,982		12,638,490
\$	7,785,687	\$	13,224,279

*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, 2021**

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

Net change in fund balances - total governmental funds	\$	585,789
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Governmental funds report capital outlays as expenditures. However, in  
the statement of activities, the cost of those assets are allocated over their  
estimated useful lives and reported as depreciation expense

Capital expenditures recorded in capital outlay		2,205,969
Depreciation expense		(1,840,947)

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

Decrease in unavailable revenue related to taxes receivable		244,675
Decrease in unavailable revenue related to lease purchase		194,682

Changes in Pension 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		(73,753)
Pension related items		(620,214)

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.

Increase in accrued compensated absences		(13,079)
Proceeds from the issuance of notes payable		(750,000)
Principal payments on bonds payable and capital lease		604,239
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

299,681

Change in net position of governmental activities	\$	850,645
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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**

	Business-Type Activities	
	Enterprise Funds	
		Palo Pinto County
September 30, 2021	Water and Sewer	Municipal Water District No. 1
Assets		
Current assets		
Cash and cash equivalents	\$ 3,432,724	\$ 1,541,237
Investments	2,985,312	2,588,953
Receivables		
Intergovernmental	214,532	-
Customers, net	1,514,303	4,135
Miscellaneous	872	-
Prepaid assets	-	8,899
Inventory	216,928	101,868
Due from other funds	201,983	-
Total current assets	8,566,654	4,245,092
Noncurrent assets		
Restricted cash and cash equivalents	-	9,421,134
Restricted investments	-	3,025,130
Capital assets, not being depreciated	2,464,346	17,648,051
Capital assets, being depreciated	42,088,583	27,721,387
Less: accumulated depreciation	(23,187,215)	(16,901,145)
Total noncurrent assets	21,365,714	40,914,557
Total assets	29,932,368	45,159,649
Deferred outflows of resources		
Deferred outflows related to pension	202,197	-
Deferred outflows related to OPEB	62,461	-
Total deferred outflows of resources	264,658	-
Total assets and deferred outflows of resources	\$ 30,197,026	\$ 45,159,649

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

Business-Type Activities Enterprise Funds		Governmental Activities	
Nonmajor Proprietary Funds	Total	Internal Service Fund	
\$ 610,588	\$ 5,584,549	\$ 901,653	
30,766	5,605,031	479,741	
45,000	259,532		
33,916	1,552,354	-	
-	872	14,400	
-	8,899	-	
30,662	349,458	-	
35,387	237,370	-	
786,319	13,598,065	1,395,794	
16,000	9,437,134	-	
-	3,025,130	-	
194,863	20,307,260	-	
9,227,334	79,037,304	-	
(5,645,270)	(45,733,630)	-	
3,792,927	66,073,198	-	
4,579,246	79,671,263	1,395,794	
9,750	211,947	-	
4,116	66,577	-	
13,866	278,524	-	
\$ 4,593,112	\$ 79,949,787	\$ 1,395,794	

(continued)

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

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

September 30, 2021	Business-Type Activities Enterprise Funds	
	Water and Sewer	Palo Pinto County Municipal Water District No. 1
Liabilities		
Current liabilities		
Accounts payable	\$ 547,656	\$ 125,899
Fringe benefits payable	32,724	-
Retainage payable	18,336	-
Accrued payroll	88,823	1,820
Other accrued liabilities	5,789	-
Unearned revenue	-	66,870
Deposits held for others	347,809	-
Due to other funds	35,387	-
Long-term liabilities, current	341,787	1,310,420
Total current liabilities	1,418,311	1,505,009
Noncurrent liabilities		
Net pension liability	256,963	-
Net OPEB liability	212,070	-
Long-term liabilities, net of current portion	5,375,067	17,028,967
Total noncurrent liabilities	5,844,100	17,028,967
Total liabilities	7,262,411	18,533,976
Deferred inflows of resources		
Deferred inflows related to pension	241,203	-
Deferred inflows related to OPEB	33,919	-
Total deferred inflows of resources	275,122	-
Net position		
Net investment in capital assets	15,700,157	19,725,460
Restricted for debt service	-	2,849,710
Unrestricted net position	6,959,336	4,050,503
Total net position	22,659,493	26,625,673
Total liabilities, deferred inflows of resources, and net position	\$ 30,197,026	\$ 45,159,649
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	-	-
Net position of business-type activities		

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

Business-Type Activities Enterprise Funds			Governmental Activities	
Nonmajor Proprietary Funds		Total	Internal Service Fund	
\$	21,859	\$ 695,414	\$	9,977
	1,236	33,960		-
	15,495	33,831		-
	6,643	97,286		-
	-	5,789		-
	-	66,870		-
	-	347,809		-
	39,799	75,186		169,825
	75,224	1,727,431		
	160,256	3,083,576		179,802
	7,732	264,695		-
	12,311	224,381		
	195,110	22,599,144		-
	215,153	23,088,220		-
	375,409	26,171,796		179,802
	12,668	253,871		-
	2,406	36,325		
	15,074	290,196		-
	3,511,853	38,937,470		-
	-	2,849,710		-
	690,776	11,700,615		1,215,992
	4,202,629	53,487,795		1,215,992
\$	4,593,112	\$ 79,949,787	\$	1,395,794
	-	394,775		-
	\$	53,882,570		

*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	
		Palo Pinto County
		Municipal Water
For the Year Ended September 30, 2021	Water and Sewer	District No. 1
Operating revenues		
Water sales	\$ 7,404,805	\$ 2,213,379
Connections	32,507	-
Sewer	3,436,424	-
Drainage utility fees	-	-
Oil and gas	-	-
Rentals	-	-
Other	47,910	253
Operating grants	214,532	-
Total operating revenues	11,136,178	2,213,632
Operating expenses		
General administration	-	335,652
Public works administration	2,515,275	-
Water distribution and sewer	1,526,464	-
Hilltop water treatment plant	1,688,429	-
Wastewater plants	1,344,191	-
Facility maintenance	561,075	-
City utility service	286,509	-
Drainage utility	-	-
Airport	-	-
Waterworks and sewer system	2,002	-
Depreciation expense	1,087,682	442,249
Total operating expenses	9,011,627	777,901
Operating income (loss)	2,124,551	1,435,731
Non-operating revenues (expenses)		
Gain on disposal of assets	32,579	467,117
Insurance recoveries	7,977	-
Interest expense	(200,522)	(539,707)
Interest earned	10,190	11,836
Total non-operating revenues (expenses)	(149,776)	(60,754)
Income (loss) before contributions and transfers	1,974,775	1,374,977
Transfers out	(1,603,447)	-
Change in net position	371,328	1,374,977
Net position - beginning of year	22,288,165	25,250,696
Net position - end of year	\$ 22,659,493	\$ 26,625,673

*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
\$ -	\$ 9,618,184	\$ -
-	32,507	-
-	3,436,424	-
178,372	178,372	-
721,475	721,475	-
234,548	234,548	-
4,363	52,526	2,235,323
45,000	259,532	-
1,183,758	14,533,568	2,235,323
-	335,652	1,935,838
-	2,515,275	-
-	1,526,464	-
-	1,688,429	-
-	1,344,191	-
-	561,075	-
-	286,509	-
1,504	1,504	-
924,375	924,375	-
-	2,002	-
369,213	1,899,144	-
1,295,092	11,084,620	1,935,838
(111,334)	3,448,948	299,485
-	499,696	-
4,700	12,677	-
(12,340)	(752,569)	-
11	22,037	196
(7,629)	(218,159)	196
(118,963)	3,230,789	299,681
(35,000)	(1,638,447)	(200,000)
(153,963)	1,592,342	99,681
4,356,592	51,895,453	1,116,311
\$ 4,202,629	\$ 53,487,795	\$ 1,215,992

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

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

	Business-Type Activities	
	Enterprise Funds	
		Palo Pinto County
		Municipal Water
For the Year Ended September 30, 2021	Water and Sewer	District No. 1
Cash flows from operating activities		
Cash received from user charges	\$ 10,813,793	\$ 2,121,230
Cash payments to employees for services	(2,595,155)	(65,484)
Cash payments to suppliers for goods and services	(4,846,754)	(251,320)
Net cash provided (used) by operating activities	3,371,884	1,804,426
Cash flows from noncapital financing activities		
Miscellaneous income	7,977	-
Transfers and interfund activity	(1,750,118)	-
Net cash provided (used) by noncapital financing activities	(1,742,141)	-
Cash flows from investing activities		
Reclassification from cash to investments	(4,162)	-
Interest on investments	10,190	11,836
Net cash provided (used) by investing activities	6,028	11,836
Cash flows from capital and related financing activities		
Acquisition of capital assets	(1,434,242)	(2,927,499)
Proceeds from sale of capital assets	32,579	-
Interest paid	(200,522)	(550,001)
Principal payments on bonds, loans, notes payable, and capital leases	(282,394)	(1,110,000)
Net cash provided (used) by capital and related financing activities	(1,884,579)	(4,587,500)
Net (decrease) increase in cash and cash equivalents	(248,808)	(2,771,238)
Cash and cash equivalents - beginning of year	3,681,532	19,347,692
Cash and cash equivalents - end of year	\$ 3,432,724	\$ 16,576,454

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



Business-Type Activities Enterprise Funds		Governmental Activities	
Nonmajor Proprietary Funds		Internal Service Fund	
	Total		
\$ 1,217,420	\$ 14,152,443	\$ 2,235,323	
(263,773)	(2,924,412)	(114,103)	
(585,545)	(5,683,619)	(1,794,977)	
368,102	5,544,412	326,243	
4,700	12,677	-	
(28,805)	(1,778,923)	(215,617)	
(24,105)	(1,766,246)	(215,617)	
(12)	(4,174)	(188)	
11	22,037	196	
(1)	17,863	8	
-	(4,361,741)	-	
-	32,579	-	
(12,340)	(762,863)	-	
(76,610)	(1,469,004)	-	
(88,950)	(6,561,029)	-	
255,046	(2,765,000)	110,634	
371,542	23,400,766	791,019	
\$ 626,588	\$ 20,635,766	\$ 901,653	

(continued)

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

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

	Business-Type Activities	
	Enterprise Funds	
		Palo Pinto County
		Municipal Water
For the Year Ended September 30, 2021	Water and Sewer	District No. 1
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 2,124,551	\$ 1,435,731
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,087,682	442,249
Disposal of capital assets	-	-
Noncash pension and OPEB expense	(96,603)	-
Changes in assets, liabilities and deferred outflows of resources:		
Receivables (net of allowance)	(119,082)	2,213
Grant receivables	(214,532)	-
Inventory	15,571	-
Accounts payable	546,368	18,593
Accrued payroll	11,445	255
Compensated absences	5,278	-
Other accrued liabilities	(23)	-
Unearned revenue	-	(94,615)
Deposits held for others	11,229	-
Net cash provided (used) by operating activities	\$ 3,371,884	\$ 1,804,426

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

Business-Type Activities Enterprise Funds		Governmental Activities	
Nonmajor Proprietary Funds	Total	Internal Service Fund	
\$ (111,334)	\$ 3,448,948	\$	299,485
369,213	1,899,144	-	-
85,676	85,676	-	-
(6,560)	(103,163)	-	-
33,662	(83,207)	-	-
-	(214,532)	-	-
(3,168)	12,403	17,778	-
-	564,961	9,977	-
613	12,313	(997)	-
-	5,278	-	-
-	(23)	-	-
-	(94,615)	-	-
-	11,229	-	-
\$ 368,102	\$ 5,544,412	\$	326,243

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

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**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, GASB Statement No. 80 and GASB Statement No. 90. 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, 2021**

**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, No. 80 and No. 90.

**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 82% of the District's water sales, which amounted to \$1,820,000 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, 2021, 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, 2021**

**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. 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 accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when 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, 2021**

**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, 2021**

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

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

The *American Rescue Plan Act Fund* is used to account for federal monies to combat the Coronavirus pandemic.

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.

*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, 2021**

**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, 2021 was \$9,421,134.

***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 \$192,633 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, 2021**

**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 \$229,886 in the general fund and \$19,817 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, 2021**

**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, 2021**

**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, 2021, 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 three 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 \$693,737 and \$226,935, respectively, in the statement of net position. The amounts are further detailed in Note 10 and Note 11. 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 two 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 \$1,033,709 and \$132,219, respectively, in the statement of net position. The amounts are further detailed in Note 10 and Note 11. 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, 2021**

**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 are 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, 2021**

**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, 2021, the City had \$604,358 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, 2021, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$7,181,422 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 14.

*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 \$9,421,134 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, 2021**

**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, 2021**

**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, May 31, 2022. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

The City has implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of this statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District has evaluated these criteria and determined that some funds previously reported as fiduciary funds should now be classified as special revenue funds. The implementation of this Statement had no impact on the City's reporting in the current fiscal year.

The City has implemented GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The implementation of this statement establishes criteria 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 implementation of this Statement had no impact on the City's reporting in the current fiscal year.



**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

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

The City further implemented GASB 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 implementation of this Statement had no impact on the City's reporting in the current fiscal year.

The City has implemented GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The implementation of this Statement had no impact on the City's reporting in the current fiscal year.

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

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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

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

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.

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.

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. 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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

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

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.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

**NOTE 2: NET POSITION RESTATEMENT**

The City has a prior period adjustment of \$1,737,666, which was required to establish the prior period balance of restricted fund balance in the general fund related to the special assessment debt (leases). At June 30, 2020, \$1,737,666 was previously classified as a deferred inflow of resources, unavailable revenue – other instead of restricted fund balance as required under GASB Statement No. 54.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 3: 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.

**NOTE 4: 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	\$	10,370,713
Restricted cash and cash equivalents		13,420,371
Investments		10,685,094
Restricted Investments		3,025,130
Component unit cash and cash equivalents		1,110,949
Component unit investments		800,000
<hr/>		
Total cash and cash equivalents		39,412,257
Plus outstanding checks		318,008
Less outstanding deposits		(181,307)
Less petty cash		(3,317)
<hr/>		
Bank balance of deposits	\$	39,545,641
<hr/>		

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

**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.

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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

The City's investments at September 30, 2021 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, 2021</b>
City of Mineral Wells				
Tex-Pool	AAAm	29 days	0.01%	\$ 985
TexSTAR Pool	AAAm	22 days	54.56%	7,917,485
East West Bank	n/a	315 days	21.87%	3,172,669
Titan Bank	n/a	1 year	10.71%	1,554,417
Southside Bank	n/a	1 year	7.34%	1,064,668
Origin Bank	n/a	1 year	5.51%	800,000
<b>Total investments</b>			<b>100.00%</b>	<b>\$ 14,510,224</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, 2021**

**NOTE 5: RECEIVABLES**

Receivables as of September 30, 2021, are as follows for governmental activities:

	General Fund	Nonmajor Governmental Funds	Total
Taxes			
Property taxes	\$ 338,068	\$ 364,798	\$ 702,866
Sales taxes	693,518	-	693,518
Franchise taxes	174,104	-	174,104
Less Allowance for doubtful accounts	(229,886)	(19,817)	(249,703)
Intergovernmental			
Federal operating grants	95,485	-	95,485
Customer	695,527	29,714	725,241
Less: Allowance for doubtful accounts	(192,633)	-	(192,633)
Leases	-	1,542,986	1,542,986
Other			
Miscellaneous	84,435	27,071	111,506
Total receivable, net	\$ 1,658,618	\$ 1,944,752	\$ 3,603,370

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$62,101 and franchise tax revenues in the amount of \$117,148 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, 2021**

**NOTE 5: RECEIVABLES (Continued)**

Receivables as of September 30, 2021, are as follows for the business-type activities:

	<b>Water and Sewer</b>	<b>Palo Pinto County Municipal Water District No. 1</b>	<b>Nonmajor Proprietary Fund</b>	<b>Total</b>
Intergovernmental				
Federal operating grant	\$ 214,532	\$ -	\$ 45,000	\$ 259,532
Customer	1,550,738	4,135	63,130	1,618,003
Less Allowance for doubtful accounts	(36,435)	-	(29,214)	(65,649)
Other				
Miscellaneous	872	-	-	872
<b>Total receivable, net</b>	<b>\$ 1,729,707</b>	<b>\$ 4,135</b>	<b>\$ 78,916</b>	<b>\$ 1,812,758</b>

Receivables as of September 30, 2021, are as follows for the internal service fund:

	<b>Internal Service Fund</b>
Other	
Miscellaneous	\$ 14,400
<b>Total receivable</b>	<b>\$ 14,400</b>

Receivables as of September 30, 2021, are as follows for the component unit:

	<b>Mineral Wells Economic Development Corporation</b>
Taxes	
Sales taxes	\$ 62,814
<b>Total receivable</b>	<b>\$ 62,814</b>



**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 6: TRANSFERS AND INTERFUND BALANCES**

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2021, is as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
General Fund	Water Fund	\$ 1,603,447
General Fund	Drainage Utility	35,000
General Fund	Hotel/Motel Occupancy Tax Fund	931
General Fund	Internal Service Fund	200,000
<b>Total</b>		<b>\$ 1,839,378</b>

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2021, is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Water and Sewer	General Fund	\$ 201,983
General Fund	Internal Service Fund	169,825
General Fund	Airport Fund	39,799
Drainage Utility Fund	Water and Sewer	35,387
<b>Total</b>		<b>\$ 446,994</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 7: CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended September 30, 2021. Land and Construction in Progress are not subject to depreciation.

<b>Governmental activities</b>	<b>Beginning Balance October 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance September 30, 2021</b>
Capital assets not being depreciated					
Land	\$ 1,784,802	\$ 246,341	\$ -	\$ -	\$ 2,031,143
Construction in progress	94,424	360,667	-	-	455,091
Total capital assets not being depreciated	1,879,226	607,008	-	-	2,486,234
Capital assets being depreciated					
Buildings and improvements	6,388,028	-	-	-	6,388,028
Improvements other than buildings	2,122,724	5,630	-	-	2,128,354
Infrastructure	54,128,898	-	-	-	54,128,898
Equipment and vehicles	7,491,840	1,593,331	(953,689)	(113,585)	8,017,897
Furniture and fixtures	826,538	-	-	-	826,538
Total capital assets being depreciated	70,958,028	1,598,961	(953,689)	(113,585)	71,489,715
Total capital assets	72,837,254	2,205,969	(953,689)	(113,585)	73,975,949
Accumulated depreciation					
Buildings and improvements	(3,196,347)	(348,890)	-	-	(3,545,237)
Improvements other than buildings	(1,729,320)	-	-	-	(1,729,320)
Infrastructure	(34,498,234)	(904,970)	-	-	(35,403,204)
Equipment and vehicles	(5,875,313)	(533,739)	953,688	113,585	(5,341,779)
Furniture and fixtures	(727,999)	(53,347)	-	-	(781,346)
Total accumulated depreciation	(46,027,213)	(1,840,946)	953,688	113,585	(46,800,886)
Governmental activities capital assets, net	\$ 26,810,041	\$ 365,023	\$ (1)	\$ -	\$ 27,175,063

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 7: CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended September 30, 2021 was charged to the functions of the governmental activities as follows:

Administrative	\$	70,805
Fleet maintenance		1,742
Police		228,625
Fire and emergency medical services		327,416
Information technology		12,257
Streets, including infrastructure		960,082
Parks & recreation		205,045
Cemetery		8,994
Library		25,980
Total depreciation expense - governmental activities	\$	1,840,946

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 7: CAPITAL ASSETS (Continued)**

<b>Business-type activities</b>	<b>Beginning Balance October 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance September 30, 2021</b>
Capital assets not being depreciated					
Land	\$ 3,701,300	\$ 710,860	\$ (7,099)	\$ -	\$ 4,405,061
Construction in progress	14,846,090	3,803,627	(2,482,541)	(264,977)	15,902,199
<b>Total capital assets being depreciated</b>	<b>18,547,390</b>	<b>4,514,487</b>	<b>(2,489,640)</b>	<b>(264,977)</b>	<b>20,307,260</b>
Capital assets being depreciated					
Buildings and improvements	4,875,344	-	-	-	4,875,344
Improvements other than buildings	15,049,350	5,950	-	-	15,055,300
Infrastructure	6,011,747	-	-	-	6,011,747
Distribution System	16,103,763	82,996	-	17,300	16,204,059
Collection System	6,317,287	93,148	-	247,677	6,658,112
Equipment and vehicles	27,452,688	2,633,581	(25,904)	113,585	30,173,950
Furniture and fixtures	58,792	-	-	-	58,792
<b>Total capital assets being depreciated</b>	<b>75,868,971</b>	<b>2,815,675</b>	<b>(25,904)</b>	<b>378,562</b>	<b>79,037,304</b>
<b>Total capital assets</b>	<b>94,416,361</b>	<b>7,330,162</b>	<b>(2,515,544)</b>	<b>113,585</b>	<b>99,344,564</b>
Accumulated depreciation					
Buildings and improvements	(3,480,501)	(480,111)	-	-	(3,960,612)
Improvements other than buildings	(7,525,497)	-	-	-	(7,525,497)
Infrastructure	(3,785,363)	(257,931)	-	-	(4,043,294)
Distribution System	(7,328,527)	(740,326)	-	-	(8,068,853)
Collection System	(4,226,461)	(133,188)	-	-	(4,359,649)
Equipment and Vehicles	(17,338,548)	(286,668)	17,196	(113,585)	(17,721,605)
Furniture and fixtures	(53,200)	(920)	-	-	(54,120)
<b>Total accumulated depreciation</b>	<b>(43,738,097)</b>	<b>(1,899,144)</b>	<b>17,196</b>	<b>(113,585)</b>	<b>(45,733,630)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 50,678,264</b>	<b>\$ 5,431,018</b>	<b>\$ (2,498,348)</b>	<b>\$ -</b>	<b>\$ 53,610,934</b>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 7: CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended September 30, 2021 was charged to business-type activities as follows:

Business-type activities:	
Water and sewer	\$ 1,087,682
PPCMWD No. 1	442,249
Nonmajor proprietary funds	369,213
<u>Total depreciation expense -business-type activities</u>	<u>\$ 1,899,144</u>

**NOTE 8: LONG-TERM LIABILITIES**

**Governmental Activities**

During the year ended September 30, 2021, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Go Bonds - Streets	\$ 5,040,000	\$ -	\$ 135,000	\$ 4,905,000	\$ 140,000
2018 Bond Premium	312,866	-	13,603	299,263	13,603
Sales Tax Payable	776,034	-	43,113	732,921	73,908
Note Payable - FFB - PD 2018	36,241	-	36,241	-	-
Note Payable - FFB - PD 2019	111,896	-	73,980	37,916	37,916
Note Payable - FFB - Streets	205,818	-	35,361	170,457	36,250
Note Payable - FFB - STR 2020	39,142	-	15,371	23,771	15,754
Note Payable - FFB - PD 2020	216,249	-	70,463	145,786	72,056
Note Payable - FFB - FD 2021	-	750,000	-	750,000	54,365
Compensated absences	143,422	169,580	156,501	156,501	156,501
Special Assessment Debt	1,737,668	-	194,682	1,542,986	-
	<u>\$ 8,619,336</u>	<u>\$ 919,580</u>	<u>\$ 774,315</u>	<u>\$ 8,764,601</u>	<u>\$ 600,354</u>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Governmental Activities (Continued)**

**General Obligation Bond – Streets**

At September 30, 2021, 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 Issue</b>	<b>September 30, 2021</b>
GO Bonds Streets	03/08/18	02/01/43	4.000%	\$ 5,215,000	\$ 4,905,000

The annual requirements to amortize the GO Bond as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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	165,000	168,900	333,900
2027-2031	940,000	737,000	1,677,000
2032-2036	1,150,000	529,000	1,679,000
2037-2041	1,405,000	273,900	1,678,900
2042-2043	645,000	26,100	671,100
	<b>\$ 4,905,000</b>	<b>\$ 2,473,100</b>	<b>\$ 7,378,100</b>

**2019 Bond Premium**

At September 30, 2021, 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, 2021**

**NOTE 8: 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, 2021 was \$732,921.

<b>Fiscal Year Ending September 30,</b>	<b>Payments</b>
2022	\$ 73,908
2023	73,908
2024	73,908
2025	73,908
2026	73,908
2027-2030	363,381
	<u>\$ 732,921</u>

**Note Payable – FFB – PD 2019**

At September 30, 2021, 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 Issue</b>	<b>September 30, 2021</b>
Note Payable - FFB - PD 2019	2/28/2019	2/28/2022	3.39%	\$ 220,000	\$ 37,916

The annual requirements to amortize the Note Payable – FFB – PD 2019 as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	\$ 37,916	\$ 643	\$ 38,543
	<u>\$ 37,916</u>	<u>\$ 643</u>	<u>\$ 38,543</u>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Governmental Activities (Continued)**

**Note Payable – FFB – Streets**

At September 30, 2021, 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 Issue</b>	<b>September 30, 2021</b>
Note Payable - FFB - Streets	5/22/2020	2/28/2026	2.50%	\$ 224,387	\$ 170,457

The annual requirements to amortize the Note Payable – FFB – Streets as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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	19,893	249	20,143
	<u>\$ 170,457</u>	<u>\$ 10,830</u>	<u>\$ 181,288</u>

**Note Payable – FFB – STR 2020**

At September 30, 2021, the City had one Note Payable – FFB – STR 2020 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, 2021</b>
Note Payable - FFB - STR 2020	5/22/2020	2/28/2023	2.35%	\$ 46,962	\$ 23,771



**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Governmental Activities (Continued)**

The annual requirements to amortize the Note Payable – STR 2020 as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	\$ 15,754	\$ 467	\$ 16,221
2023	8,017	94	8,091
	<u>\$ 23,771</u>	<u>\$ 561</u>	<u>\$ 24,312</u>

**Note Payable – FFB – PD 2020**

At September 30, 2021, the City had one Note Payable – FFB – PD 2020 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, 2021</b>
Note Payable - FFB - PD 2020	9/4/2020	8/31/2023	2.35%	\$ 216,250	\$ 145,786

The annual requirements to amortize the Note Payable – FFB – PD 2020 as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	\$ 72,056	\$ 3,006	\$ 75,062
2023	73,730	1,303	75,033
	<u>\$ 145,786</u>	<u>\$ 4,309</u>	<u>\$ 150,095</u>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Governmental Activities (Continued)**

**Note Payable – FFB – FD 2021**

At September 30, 2021, the City had one Note Payable – FFB – FD 2021 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, 2021</b>
Note Payable - FFB - FD 2021	6/4/2021	6/4/2033	2.50%	\$ 750,000	\$ 750,000

The annual requirements to amortize the Note Payable – FFB – FD 2021 as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	\$ 54,365	\$ 18,750	\$ 73,115
2023	55,724	17,391	73,115
2024	57,118	15,998	73,115
2025	58,546	14,570	73,115
2026	60,009	13,106	73,115
2027-2031	323,314	42,263	365,577
2032-2033	140,924	5,306	146,230
	<u>\$ 750,000</u>	<u>\$ 127,384</u>	<u>\$ 877,384</u>

**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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Governmental Activities (Continued)**

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.

**Accrued Compensated Absences**

The liability for accrued compensated absences for governmental activities was \$156,501 at year-end, which is an increase of \$13,079 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, 2021:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
GO bond WW&S projects	\$ 1,645,000	\$ -	\$ 45,000	\$ 1,600,000	\$ 45,000
GO bond Hwy 180 W project	3,540,000	-	95,000	3,445,000	100,000
2018 bond premium	321,864	-	13,994	307,870	13,994
Note Payable - FFB	279,605	-	47,003	232,602	48,639
Note Payable - FFB VEH 2020	173,980	-	68,412	105,574	70,030
Note Payable - FFB JTR 2020	203,344	-	34,935	168,409	35,814
Note Payable - FFB CAM 2020	63,763	-	25,059	38,704	25,652
Revenue bonds	19,270,000	-	1,110,000	18,160,000	1,135,000
Bond premium	6,347	-	2,380	3,967	-
Interest payable	183,334	554,389	562,303	175,420	175,420
Compensated absences	54,414	58,700	56,557	56,557	56,557
Capital Leases	62,079	-	29,607	32,472	21,325
	\$ 25,803,730	\$ 613,089	\$ 2,090,250	\$ 24,326,575	\$ 1,727,431

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Business-Type Activities**

**General Obligation Bond WW&S Projects**

At September 30, 2021, 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 Issue</b>	<b>September 30, 2021</b>
GO Bond WW&S Projects	03/08/18	02/01/43	4.000%	\$ 1,705,000	\$ 1,600,000

The annual requirements to amortize the GO Bond WW&S Projects as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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	55,000	55,100	110,100
2027-2031	305,000	240,500	545,500
2032-2036	375,000	172,700	547,700
2037-2041	460,000	89,400	549,400
2042-2043	210,000	8,400	218,400
	<b>\$ 1,600,000</b>	<b>\$ 806,800</b>	<b>\$ 2,406,800</b>

**GO Bond Hwy 180 W Project**

At September 30, 2021, 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 Issue</b>	<b>September 30, 2021</b>
GO Hwy 180 W Project	03/08/18	02/01/43	4.000%	\$ 3,660,000	\$ 3,445,000

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 8: 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, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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	115,000	118,300	233,300
2027-2031	655,000	516,900	1,171,900
2032-2036	810,000	370,600	1,180,600
2037-2041	985,000	191,900	1,176,900
2042-2043	450,000	18,200	468,200
	<u>\$ 3,445,000</u>	<u>\$ 1,733,700</u>	<u>\$ 5,178,700</u>

**Bond Premium**

At September 30, 2021, the City has a 2018 Bond Premium in the amount of \$307,870 that it will straight-line amortize for the life of the bond.

**Note Payable – FFB**

At September 30, 2021, 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, 2021</b>
Note Payable - FFB	2/6/2018	2/28/2026	3.43%	\$ 390,000	\$ 232,602

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Business-Type Activities (Continued)**

**Note Payable – FFB (Continued)**

The annual requirements to amortize the Note Payable as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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	27,714	474	28,178
	<u>\$ 232,602</u>	<u>\$ 20,390</u>	<u>\$ 252,982</u>

**Note Payable – FFB VEH 2020**

At September 30, 2021, 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, 2021</b>
Note Payable - FFB VEH 2020	5/22/2020	2/28/2023	2.35%	\$ 208,751	\$ 105,574

The annual requirements to amortize the Note Payable as of September 30, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	\$ 70,030	\$ 2,074	\$ 72,104
2023	35,544	419	35,957
	<u>\$ 105,574</u>	<u>\$ 2,493</u>	<u>\$ 108,061</u>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

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

**Business-Type Activities (Continued)**

**Note Payable – FFB JTR 2020**

At September 30, 2021, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2021
Note Payable - FFB JTR 2020	5/22/2020	2/28/2026	2.50%	\$ 221,690	\$ 168,409

The annual requirements to amortize the Note Payable as of September 30, 2021, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
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
	\$ 168,409	\$ 10,699	\$ 179,108

**Note Payable – FFB CAM 2020**

At September 30, 2021, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2021
Note Payable - FFB CAM 2020	5/22/2020	2/28/2023	2.35%	\$ 76,465	\$ 38,704

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 8: 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, 2021, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	\$ 25,652	\$ 760	\$ 26,412
2023	13,052	153	13,205
	<u>\$ 38,704</u>	<u>\$ 913</u>	<u>\$ 39,617</u>

**Capital Leases**

At September 30, 2021, the City had three business-type capital lease 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, 2021</b>
2007 Master lease	2/15/2008	2/15/2023	6.000%	225,000	\$ 24,602
2017 Master lease	3/28/2017	3/28/2023	1.990%	40,732	7,870
					<u>\$ 32,472</u>

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2022	\$ 21,325	\$ 1,633	\$ 22,958
2023	11,147	334	11,481
	<u>\$ 32,472</u>	<u>\$ 1,967</u>	<u>\$ 34,439</u>



**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 8: 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:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of	
				Issue	September 30, 2021
Series 2015B	11/19/2015	6/1/2045	0.77%-3.680%	\$ 7,185,000	\$ 6,315,000
Series 2015A	11/19/2015	6/1/2045	0.45%-3.210%	9,915,000	8,645,000
Series 2011	11/8/2011	6/1/2023	2.00%-3.375%	6,990,000	775,000
Series 2009B	6/26/2009	6/1/2028	2.63%-3.680%	3,200,000	1,465,000
Series 2009A	6/26/2009	6/1/2029	0%	2,400,000	960,000
				<u>\$</u>	<u>18,160,000</u>

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

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
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	820,000	438,697	1,258,697
2027-2031	3,445,000	1,905,709	5,350,709
2032-2036	3,055,000	1,473,868	4,528,868
2037-2041	3,595,000	943,653	4,538,653
2042-2045	3,350,000	290,512	3,640,512
	<u>\$ 18,160,000</u>	<u>\$ 7,006,792</u>	<u>\$ 25,166,792</u>

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 8: 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, 2021 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 \$406,911 and the balance in the reserve was \$411,000 at September 30, 2021.

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, 2021, 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 \$904,510 and the balance in the reserve was \$912,000 at September 30, 2021.

**Accrued Compensated Absences**

The liability for accrued compensated absences for business-type activities was \$56,557 at year-end, which is an increase of \$2,143 from the prior year. Compensated absences are liquidated by the respective funds in which they are accrued.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 9: 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.

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 10: 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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

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

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.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	134
Inactive employees entitled to but not yet receiving benefits	112
Active employees	184
<u>Total</u>	<u>430</u>

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 9.06% and 8.90% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$863,560, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

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

*Actuarial Assumptions*

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, 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, 2021**

**NOTE 10: 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term expected rate of return (Arithmetic)</b>
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%
Total	100.00%	

***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, 2021**

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

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

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 35,422,321	\$ 34,287,098	\$ 1,135,223
Changes for the year:			
Service cost	1,123,022	-	1,123,022
Interest	2,363,406	-	2,363,406
Change of benefit terms	-	-	-
Difference between expected/actual experience	(80,901)	-	(80,901)
Changes of assumptions	-	-	-
Contributions - employer	-	863,560	(863,560)
Contributions - employee	-	489,548	(489,548)
Net investment income	-	2,598,907	(2,598,907)
Benefit payments, including refunds of employee contributions	(1,940,824)	(1,940,824)	-
Administrative expense	-	(16,841)	16,841
Other changes	-	(656)	656
Net changes	1,464,703	1,993,694	(528,991)
Balance at 12/31/2020	\$ 36,887,024	\$ 36,280,792	\$ 606,232

*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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 5,640,032	\$ 606,232	\$ (3,508,478)

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 10: 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.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2021, the City recognized pension expense of \$373,847.

At September 30, 2021, 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	\$ 43,731	\$ 60,441
Changes in actuarial assumptions	61,219	-
Difference between projected and actual investment earnings	-	965,100
Contributions subsequent to the measurement date	588,787	-
<b>Total TMRS</b>	<b>\$ 693,737</b>	<b>\$ 1,025,541</b>

\$588,787 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	TMRS
Year ending September 30:	
2022	\$ (324,858)
2023	58,167
2024	(596,996)
2025	(56,904)
2026	-
Thereafter	-
<b>Total</b>	<b>\$ (920,591)</b>



**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 10: 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 79th 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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

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

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.

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, 2021, 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, 2021, total contributions (dues, prior service, and interest on prior service financing) of \$3,744 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.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

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

The most recent completed biennial actuarial valuation as of August 31, 2021 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.

Net Pension Liability

The System's net pension liability was measured as of August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2021.

	<b>System 100.00%</b>	<b>City 0.078%</b>
Total pension liability	\$ 155,683,765	\$ 121,433
Plan fiduciary net position	144,969,613	113,075
Net pension liability	\$ 10,714,152	\$ 8,358
Plan fiduciary net position as a percentage of the total pension liability		93.1%

*Actuarial Assumptions*

The total pension liability in the August 31, 2021 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, 2021**

**NOTE 10: 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, 2021 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, 2021**

**NOTE 10: 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	\$ 27,314	\$ 8,358	\$ (4,298)

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

At August 31, 2021, the City reported a liability of \$8,358 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2021. 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 (.078%) 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, 2020 through August 31, 2021.

For the year ended September 30, 2021, the City recognized pension expense of \$10.

At September 30, 2021, 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	\$ -	\$ 331
Changes in actuarial assumptions	-	12
Difference between projected and actual experience	-	7,825
Net difference between projected and actual investment earnings on pension plan investments	-	-
Total TESRS	\$ -	\$ 8,168

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 10: 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:

	TESRS
Year ending September 30:	
2022	\$ (2,207)
2023	(1,359)
2024	(2,565)
2025	(2,037)
Total	\$ (8,168)

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS**

***Plan Description and Benefits***

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

***Employees covered by benefit terms***

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	90
Inactive employees entitled to but not yet receiving benefits	19
Active employees	184
Total	293

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 11: 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 0.18% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.32% in calendar 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$30,251 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*	2.00%
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, 2020.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

*Discount Rate*

	<b>Total OPEB Liability (a)</b>
Balance at 12/31/2019	\$ 620,152
Changes for the year	
Service cost	41,122
Interest	17,525
Change of benefit terms	-
Difference between expected/actual experience	(34,832)
Changes of assumptions	90,235
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(6,854)
Administrative expense	-
Other changes	-
Net changes	107,196
Balance at 12/31/2020	\$ 727,348

*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 2.00%, as well as what the City's total OPEB liability would have been of it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate:

	<b>1% Decrease in Discount Rate (1.00%)</b>	<b>Discount Rate (2.00%)</b>	<b>1% Increase in Discount Rate (3.00%)</b>
City's total OPEB liability	\$ 877,750	\$ 727,348	\$ 610,501

*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, 2021**

**NOTE 11: 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, 2021 the City recognized OPEB expense of \$86,072.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 62,809	\$ 117,972
Changes in actuarial assumptions	142,167	14,247
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	21,959	-
<b>Total OPEBs</b>	<b>\$ 226,935</b>	<b>\$ 132,219</b>

\$21,959 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, 2021. 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:	
2022	\$ 27,425
2023	24,503
2024	12,091
2025	6,815
2026	1,923
Thereafter	-
<b>Total</b>	<b>\$ 72,757</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 2021 was \$30,258, which equaled the required contributions each year.

**City of Mineral Wells, Texas**  
**Notes to Financial Statements**  
**September 30, 2021**

**NOTE 12: 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. \$7,670,651 of the funds have been spent as of September 30, 2021.

**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 13: RESTRICTED NET POSITION**

The government-wide statement of net position reports \$10,697,625 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, 2021**

**NOTE 14: FUND BALANCE**

Fund balances on the modified accrual basis were classified as follows as of September 30, 2021:

	General Fund	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances				
Nonspendable				
Woodland Park permanent fund	\$ -	\$ -	\$ 604,358	\$ 604,358
Restricted for				
Debt service	-	-	1,668,443	1,668,443
Capital projects	-	-	4,104,580	4,104,580
Police	-	-	9,384	9,384
Hotel/Motel occupancy	-	-	35,158	35,158
Economic development	-	93	1,086,578	1,086,671
Library	-	-	277,186	277,186
Unassigned	5,438,499	-	-	5,438,499
Total fund balances	\$ 5,438,499	\$ 93	\$ 7,785,687	\$ 13,224,279

**NOTE 15: 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 16: CONCENTRATIONS**

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of Texas. 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, 2021**

**NOTE 17: 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.

## **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 31,</b>	
<b>Fiscal Year</b>	<b>2021</b>	<b>2020</b>
<b>Measurement Date</b>	<b>2021</b>	<b>2020</b>
Proportion of the net pension liability	0.00078	0.00154
Proportionate share of the net pension liability	\$ 8,358	\$ 38,825
State's proportionate share of the net pension liability associated with the City	5,445	25,082
<b>Total</b>	<b>\$ 13,803</b>	<b>\$ 63,907</b>
Plan fiduciary net position as a percentage of the total pension liability	93.10%	83.20%

\* The amounts presented were determined as of August 31. 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 31,				
2019	2018	2017	2016	2015
2019	2018	2017	2016	2015
0.00193	0.0016	0.00174	0.00216	0.00251
\$ 54,707	\$ 34,641	\$ 50,683	\$ 57,656	\$ 45,611
34,265	17,321	26,727	30,652	23,297
\$ 88,972	\$ 51,962	\$ 77,410	\$ 88,308	\$ 68,908
80.20%	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 August 31,</b>	<b>2021</b>	<b>2020</b>
Actuarially determined contribution	\$ 3,744	\$ 7,164
Contributions in relation to the actuarially determined contribution	(3,744)	(7,164)
Contribution deficiency (excess)	\$ -	\$ -

\* The amounts presented were determined as of August 31. 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>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 8,634	\$ 7,674	\$ 7,848	\$ 7,956	\$ 10,224	\$ 11,376
(8,634)	(7,674)	(7,848)	(7,956)	(10,224)	(11,376)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

*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>2020</b>	<b>2019</b>
<b>Total Pension Liability</b>		
Service cost	\$ 1,123,022	\$ 1,015,462
Interest (on the total pension liability)	2,363,406	2,254,838
Changes of benefit terms	-	-
Difference between expected and actual experience	(80,901)	98,397
Change of assumptions	-	137,741
Benefit payments, including refunds of employee contributions	(1,940,824)	(1,962,792)
<b>Net Change in Total Pension Liability</b>	<b>1,464,703</b>	<b>1,543,646</b>
<b>Total Pension Liability - Beginning</b>	<b>35,422,321</b>	<b>33,878,675</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 36,887,024</b>	<b>\$ 35,422,321</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 863,560	\$ 763,758
Contributions - employee	489,548	432,480
Net investment income	2,598,907	4,691,958
Benefit payments, including refunds of employee contributions	(1,940,824)	(1,962,792)
Administrative expense	(16,841)	(26,546)
Other	(656)	(798)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,993,694</b>	<b>3,898,060</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>34,287,098</b>	<b>30,389,038</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 36,280,792</b>	<b>\$ 34,287,098</b>
<b>Net Pension Liability - Ending</b>	<b>\$ 606,232</b>	<b>\$ 1,135,223</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.36%	96.80%
Covered Payroll	\$ 9,790,954	\$ 8,649,595
Net Pension Liability as a Percentage of Covered Payroll	6.19%	13.12%

\* The amounts presented were determined as of December 31. 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,				
2018	2017	2016	2015	2014
\$ 958,663	\$ 901,422	\$ 873,843	\$ 793,213	\$ 721,608
2,172,937	2,083,766	2,005,609	2,002,024	1,930,010
-	-	-	-	-
(13,653)	1,263	(262,015)	(556,504)	(439,509)
-	-	-	154,810	-
(1,903,189)	(1,484,855)	(1,461,845)	(1,181,095)	(1,257,183)
1,214,758	1,501,596	1,155,592	1,212,448	954,926
32,663,917	31,162,321	30,006,729	28,794,281	27,839,355
\$ 33,878,675	\$ 32,663,917	\$ 31,162,321	\$ 30,006,729	\$ 28,794,281
\$ 701,889	\$ 692,142	\$ 665,728	\$ 677,539	\$ 699,904
402,461	387,542	376,008	358,271	346,582
(962,720)	3,966,274	1,839,795	40,373	1,492,992
(1,903,189)	(1,484,855)	(1,461,845)	(1,181,095)	(1,257,183)
(18,624)	(20,564)	(20,786)	(24,593)	(15,587)
(973)	(1,042)	(1,120)	(1,215)	(1,282)
(1,781,156)	3,539,497	1,397,780	(130,720)	1,265,426
32,170,194	28,630,697	27,232,917	27,363,637	26,098,211
\$ 30,389,038	\$ 32,170,194	\$ 28,630,697	\$ 27,232,917	\$ 27,363,637
\$ 3,489,637	\$ 493,723	\$ 2,531,624	\$ 2,773,812	\$ 1,430,644
89.70%	98.49%	91.88%	90.76%	95.03%
\$ 8,049,224	\$ 7,750,836	\$ 7,520,165	\$ 7,165,427	\$ 6,893,077
43.35%	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 December 31,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 863,560	\$ 763,758	\$ 701,889
Contributions in relation to the actuarially determined contribution	(863,560)	(763,758)	(701,889)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 9,790,954	\$ 8,649,595	\$ 8,049,224
Contributions as a percentage of covered payroll	8.82%	8.77%	8.77%

\* The amounts presented were determined as of December 31. 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>2017</b>		<b>2016</b>		<b>2015</b>		<b>2014</b>	
\$	692,142	\$	665,728	\$	677,539	\$	699,904
(692,142)		(665,728)		(677,539)		(699,904)	
\$	-	\$	-	\$	-	\$	-
\$	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\***

	Plan Year Ended December 31,	
	2020	2019
<b>Total OPEB Liability</b>		
Service cost	\$ 41,122	\$ 33,733
Interest (on the total OPEB liability)	17,525	23,356
Changes of benefit terms	-	-
Difference between expected and actual experience	(34,832)	(141,958)
Change of assumptions	90,235	94,952
Benefit payments, including refunds of employee contributions	(6,854)	(5,190)
<b>Net Change in Total OPEB Liability</b>	107,196	4,893
<b>Total OPEB Liability - Beginning</b>	620,152	615,259
<b>Total OPEB Liability - Ending</b>	<b>\$ 727,348</b>	<b>\$ 620,152</b>
Covered Payroll	\$ 9,790,954	\$ 8,649,595
Total OPEB Liability as a Percentage of Covered Payroll	7.43%	7.17%

The amounts presented were determined as of December 31. 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,			
2018		2017	
\$	35,417	\$	31,003
	15,814		15,156
	-		-
	137,581		-
	(31,206)		33,576
	(4,830)		(5,426)
	152,776		74,309
	462,483		388,174
\$	615,259	\$	462,483
\$	8,049,224	\$	7,750,836
	7.64%		5.97%

*See notes to required supplementary information.*

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

For the Year Ended September 30, 2021	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Property taxes	\$ 5,013,216	\$ 5,013,216	\$ 4,985,828	\$ (27,388)
Sales and use taxes	3,327,000	3,327,000	3,923,815	596,815
Franchise taxes	1,285,000	1,285,000	1,331,609	46,609
Intergovernmental				
Federal operating grants	208,707	208,707	402,497	193,790
State operating grants	2,799	2,799	2,219	(580)
Charges for services	609,680	609,680	509,887	(99,793)
Permits and fees	1,066,900	1,066,900	1,130,876	63,976
Investment income	60,000	60,000	6,236	(53,764)
Miscellaneous	69,500	69,500	143,263	73,763
Insurance recoveries	-	-	8,296	8,296
Total revenues	11,642,802	11,642,802	12,444,526	801,724
Expenditures				
Current				
General administration	1,173,010	1,173,010	1,083,663	89,347
Finance	735,007	735,007	609,266	125,741
Information technology	496,323	496,323	481,143	15,180
Fleet maintenance	778,832	778,832	825,431	(46,599)
Police department	3,775,035	3,775,035	3,653,824	121,211
Fire and EMS	2,700,411	2,700,411	2,848,265	(147,854)
Inspections	426,011	426,011	334,244	91,767
Streets	1,247,458	1,247,458	1,157,768	89,690
Sanitation department	171,598	171,598	227,007	(55,409)
Parks and recreation	837,077	837,077	849,954	(12,877)
Cemetery	318,847	318,847	305,088	13,759
Library	332,745	332,745	319,882	12,863
Capital outlay	225,140	225,140	2,067,092	(1,841,952)
Debt service				
Principal	235,502	235,502	274,558	(39,056)
Interest and other charges	10,774	10,774	14,055	(3,281)
Total expenditures	13,612,630	13,612,630	15,134,174	(1,521,544)
Excess (deficiency) of revenues				
over expenditures	(1,969,828)	(1,969,828)	(2,689,648)	(719,820)
Other financing sources (uses)				
Proceeds from sale of general capital assets	-	-	143,261	143,261
Proceeds from bonds and notes payable	-	-	750,000	750,000
Transfers in	1,839,427	1,839,427	1,839,378	(49)
Total other financing sources (uses)	1,839,427	1,839,427	2,732,639	893,212
Net change in fund balance	(130,401)	(130,401)	42,991	173,392
Fund balance - beginning of year	3,522,187	3,522,187	5,395,508	1,873,321
Fund balance - end of year	\$ 3,391,786	\$ 3,391,786	5,438,499	\$ 2,046,713

*See notes to required supplementary information.*

**City of Mineral Wells, Texas**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2021**

**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 2020 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.

**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, 2021**

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

**Valuation Date:** August 31, 2020

**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, 2021**

**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 2020 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.

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

## **Supplementary Information**

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

	Special Revenue			
	Hotel/Motel Occupancy Tax	Police Department Forfeitures	TIF Zone #2	Library Trust
<b>September 30, 2021</b>				
<b>Assets</b>				
Unrestricted cash	\$ 6,375	\$ 9,384	\$ 761,503	\$ 277,186
Restricted cash	-	-	-	-
Receivables				
Taxes, net	-	-	335,655	-
Customer, net	29,714	-	-	-
Lease receivables	-	-	-	-
Miscellaneous receivables	-	-	-	-
Unrestricted investments	-	-	-	-
<b>Total assets</b>	<b>\$ 36,089</b>	<b>\$ 9,384</b>	<b>\$ 1,097,158</b>	<b>\$ 277,186</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 931	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<b>931</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes	-	-	59,429	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>59,429</b>	<b>-</b>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	35,158	9,384	1,037,729	277,186
<b>Total fund balances</b>	<b>35,158</b>	<b>9,384</b>	<b>1,037,729</b>	<b>277,186</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 36,089</b>	<b>\$ 9,384</b>	<b>\$ 1,097,158</b>	<b>\$ 277,186</b>

Special Revenue		Debt Service		Capital Projects		Permanent Fund		
Economic Development Fund	Total Special Revenue Funds	Debt Service		Street		Woodland Park		Total Nonmajor Governmental Funds
\$ 22,067	\$ 1,076,515	\$ 118,803	\$ -	\$ -	\$ -	\$ -	\$ 1,195,318	
-	-	-	3,428,736	261,159			3,689,895	
-	335,655	9,326	-	-	-		344,981	
-	29,714	-	-	-	-		29,714	
-	-	1,542,986	-	-	-		1,542,986	
-	-	-	-	-	27,071		27,071	
26,782	26,782	-	755,124	316,128			1,098,034	
\$ 48,849	\$ 1,468,666	\$ 1,671,115	\$ 4,183,860	\$ 604,358	\$ 7,927,999			
\$ -	\$ 931	\$ -	\$ 79,280	\$ -	\$ 80,211			
-	931	-	79,280	-	80,211			
-	59,429	2,672	-	-	62,101			
-	59,429	2,672	-	-	62,101			
-	-	-	-	604,358	604,358			
48,849	1,408,306	1,668,443	4,104,580	-	7,181,329			
48,849	1,408,306	1,668,443	4,104,580	604,358	7,785,687			
\$ 48,849	\$ 1,468,666	\$ 1,671,115	\$ 4,183,860	\$ 604,358	\$ 7,927,999			

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

	Special Revenue			
	Hotel/Motel Occupancy Tax	Police Department Forfeitures	TIF Zone #2	Library Trust
<b>For the Year Ended September 30, 2021</b>				
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ 603,303	\$ -
Occupancy taxes	212,231	-	-	-
Charges for services	-	-	-	-
Investment income	11	5	359	83
Other revenue	-	-	-	303,307
<b>Total revenues</b>	<b>212,242</b>	<b>5</b>	<b>603,662</b>	<b>303,390</b>
Expenditures				
Current				
Streets	-	-	-	-
Library	-	-	-	34
Economic development	-	-	146,296	-
Hotel/motel occupancy	185,313	-	-	-
Capital outlay	-	-	-	25,720
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>185,313</b>	<b>-</b>	<b>146,296</b>	<b>25,754</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>26,929</b>	<b>5</b>	<b>457,366</b>	<b>277,636</b>
Other financing sources (uses)				
Transfers (out)	(931)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(931)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>25,998</b>	<b>5</b>	<b>457,366</b>	<b>277,636</b>
Fund balances - beginning of year, as originally stated	9,160	9,379	580,363	(450)
Fund balances - restatement (note 2)	-	-	-	-
Fund balances - beginning of year, as restated	9,160	9,379	580,363	(450)
<b>Fund balances - end of year</b>	<b>\$ 35,158</b>	<b>\$ 9,384</b>	<b>\$ 1,037,729</b>	<b>\$ 277,186</b>



Special Revenue		Debt Service	Capital Projects	Permanent Fund		Total Nonmajor Governmental Funds
Economic Development Fund	Total Special Revenue Funds	Debt Service	Street	Woodland Park		
\$ -	\$ 603,303	\$ 383,495	\$ -	\$ -	\$ -	\$ 986,798
-	212,231	-	-	-	-	212,231
-	-	-	-	27,072	-	27,072
23	481	69	13,239	1,538	-	15,327
-	303,307	2	-	-	-	303,309
23	1,119,322	383,566	13,239	28,610	-	1,544,737
-	-	-	2,000	-	-	2,000
-	34	-	-	-	-	34
-	146,296	-	-	-	-	146,296
-	185,313	-	-	-	-	185,313
-	25,720	-	113,157	-	-	138,877
-	-	329,681	-	-	-	329,681
-	-	198,900	-	-	-	198,900
-	357,363	528,581	115,157	-	-	1,001,101
23	761,959	(145,015)	(101,918)	28,610	-	543,636
-	(931)	-	-	-	-	(931)
-	(931)	-	-	-	-	(931)
23	761,028	(145,015)	(101,918)	28,610	-	542,705
48,826	647,278	75,792	4,206,498	575,748	-	5,505,316
-	-	1,737,666	-	-	-	1,737,666
48,826	647,278	1,813,458	4,206,498	575,748	-	7,242,982
\$ 48,849	\$ 1,408,306	\$ 1,668,443	\$ 4,104,580	\$ 604,358	\$ -	\$ 7,785,687

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

<b>September 30, 2021</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Total Nonmajor Proprietary Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 324,985	\$ 285,603	\$ 610,588
Investments	30,766	-	30,766
Receivables			
Intergovernmental	45,000	-	45,000
Customer, net	15,611	18,305	33,916
Inventory	30,662	-	30,662
Due from other funds	-	35,387	35,387
<b>Total current assets</b>	<b>447,024</b>	<b>339,295</b>	<b>786,319</b>
<b>Noncurrent assets</b>			
Restricted cash and cash equivalents	16,000	-	16,000
Capital assets, not being depreciated	194,863	-	194,863
Capital assets, being depreciated	8,844,834	382,500	9,227,334
Less: accumulated depreciation	(5,622,957)	(22,313)	(5,645,270)
<b>Total noncurrent assets</b>	<b>3,432,740</b>	<b>360,187</b>	<b>3,792,927</b>
<b>Total assets</b>	<b>3,879,764</b>	<b>699,482</b>	<b>4,579,246</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pension	9,750	-	9,750
Deferred outflows related to OPEB	4,116	-	4,116
<b>Total deferred outflows of resources</b>	<b>13,866</b>	<b>-</b>	<b>13,866</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,893,630</b>	<b>\$ 699,482</b>	<b>\$ 4,593,112</b>

<b>September 30, 2021</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Total Nonmajor Proprietary Funds</b>
Liabilities			
Current liabilities			
Accounts payable	\$ 21,859	\$ -	\$ 21,859
Fringe benefits payable	1,236	-	1,236
Retainage payable	15,495	-	15,495
Accrued payroll	6,643	-	6,643
Due to other funds	39,799	-	39,799
Long-term liabilities, current	26,585	48,639	75,224
Total current liabilities	111,617	48,639	160,256
Noncurrent liabilities			
Net pension liability	7,732	-	7,732
Total OPEB liability	12,311	-	12,311
Long-term liabilities, net of current portion	11,147	183,963	195,110
Total noncurrent liabilities	31,190	183,963	215,153
Total liabilities	142,807	232,602	375,409
Deferred inflows of resources			
Deferred inflows related to pension	12,668	-	12,668
Deferred inflows related to OPEB	2,406	-	2,406
Total deferred inflows of resources	15,074	-	15,074
Net position			
Net investment in capital assets	3,384,268	127,585	3,511,853
Unrestricted net position	351,481	339,295	690,776
Total Net Position	3,735,749	466,880	4,202,629
Total liabilities, deferred inflows of resources, and net position	\$ 3,893,630	\$ 699,482	\$ 4,593,112

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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, 2021</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Total Nonmajor Proprietary Funds</b>
Operating revenues			
Drainage utility fees	\$ -	\$ 178,372	\$ 178,372
Oil and gas	721,475	-	721,475
Rentals	234,548	-	234,548
Other	4,363	-	4,363
Operating grants	45,000	-	45,000
<b>Total operating revenues</b>	<b>1,005,386</b>	<b>178,372</b>	<b>1,183,758</b>
Operating expenses			
Drainage utility	-	1,504	1,504
Airport	924,375	-	924,375
Depreciation expense	369,213	-	369,213
<b>Total operating expenses</b>	<b>1,293,588</b>	<b>1,504</b>	<b>1,295,092</b>
<b>Operating income (loss)</b>	<b>(288,202)</b>	<b>176,868</b>	<b>(111,334)</b>
Non-operating revenues (expenses)			
Insurance recoveries	4,700	-	4,700
Interest expense	(3,142)	(9,198)	(12,340)
Interest earned	11	-	11
<b>Total non-operating revenues (expenses)</b>	<b>1,569</b>	<b>(9,198)</b>	<b>(7,629)</b>
Income (loss) before contributions and transfers	(286,633)	167,670	(118,963)
Transfers (out)	-	(35,000)	(35,000)
Change in net position	(286,633)	132,670	(153,963)
Net position - beginning of year	4,022,382	334,210	4,356,592
<b>Net position - end of year</b>	<b>\$ 3,735,749</b>	<b>\$ 466,880</b>	<b>\$ 4,202,629</b>

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

<b>For the Year Ended September 30, 2021</b>	<b>Airport Operations</b>	<b>Drainage Utility</b>	<b>Total Nonmajor Proprietary Funds</b>
Cash flows from operating activities			
Cash received from user charges	\$ 1,041,511	\$ 175,909	\$ 1,217,420
Cash payments to employees for services	(263,773)	-	(263,773)
Cash payments to suppliers for goods and services	(584,041)	(1,504)	(585,545)
Net cash provided (used) by operating activities	193,697	174,405	368,102
Cash flows from noncapital financing activities			
Miscellaneous income	4,700	-	4,700
Transfers and interfund activity	14,317	(43,122)	(28,805)
Net cash provided (used) by noncapital financing activities	19,017	(43,122)	(24,105)
Cash flows from investing activities			
Reclassification from cash to investments	(12)	-	(12)
Interest on investments	11	-	11
Net cash provided (used) by investing activities	(1)	-	(1)
Cash flows from capital and related financing activities			
Acquisition of capital assets	-	-	-
Interest paid	(3,142)	(9,198)	(12,340)
Principal payments on bonds, loans, and notes payable	(29,607)	(47,003)	(76,610)
Net cash provided (used) by capital and related financing activities	(32,749)	(56,201)	(88,950)
Net (decrease) increase in cash and cash equivalents	179,964	75,082	255,046
Cash and cash equivalents - beginning of year	161,021	210,521	371,542
Cash and cash equivalents - end of year	\$ 340,985	\$ 285,603	\$ 626,588

<b>For the Year Ended September 30, 2021</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)	\$ (288,202)	\$ 176,868	\$ (111,334)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	369,213	-	369,213
Disposal of capital assets	85,676	-	85,676
Noncash pension and OPEB expense	(6,560)	-	(6,560)
Changes in assets and liabilities:			
Receivables, net	36,125	(2,463)	33,662
Inventory	(3,168)	-	(3,168)
Accrued payroll	613	-	613
Net cash provided (used) by operating activities	\$ 193,697	\$ 174,405	\$ 368,102

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2022. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **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, LLC*

Carr, Riggs & Ingram, LLC  
Dallas, Texas  
May 31, 2022

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**City of Mineral Wells, Texas  
Schedule of Findings and Responses  
September 30, 2021**

**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?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements?                           | No         |

**City of Mineral Wells, Texas  
Schedule of Findings and Responses  
September 30, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None noted

**SECTION III – PRIOR YEAR FINDINGS**

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