



City of Mineral Wells, Texas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2022

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INTRODUCTORY SECTION



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September 30, 2022

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**City of Mineral Wells, Texas
Official Roster
September 30, 2022**

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

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

We did not audit the financial statements of Palo Pinto County Municipal Water District No. 1, which represent 56 percent, 49 percent, and 13 percent, respectively, of the assets, net position, and revenues of the business-type activities as of September 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. 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 Palo Pinto County Municipal Water District No. 1, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Restatement of Fund Balance and Net Position

As described in Note 2 to the financial statements, the prior year fund balance and net position have been restated in the amounts of \$1,215,992 in the general fund, \$1,542,987 in the nonmajor governmental funds, \$1,215,992 in the internal service fund, \$1,191,167 in the governmental activities, and \$394,775 in the business-type activities. Our opinions are not modified with respect to these matters.

Change in Accounting Principle

As described in Note 2 to the financial statements, the City implemented GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 21, the budgetary comparison information on page 119, the GASB required pension schedules on pages 108 through 115, the GASB required other post-employment benefit schedules on 116 through 117, and the notes to the required supplementary information on pages 120 through 122 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

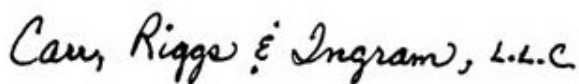
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Carr, Riggs & Ingram, LLC
Dallas, Texas
July 10, 2023

City of Mineral Wells, Texas
Management's Discussion and Analysis
September 30, 2022

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, 2022.

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 \$88,007,724 (net position). Of this amount, \$18,505,404 (unrestricted net position) may be used to meet the City's ongoing obligations.

The City's total net position increased by \$2,576,393. The City's operations increased governmental activities by \$1,920,758 and increased the business-type activities by \$2,241,577. Comparatively, at the end of FY 2021, the City's total net position increased by \$2,542,668, governmental activities had increased by \$850,645 and business-type activities had increased by \$1,692,023.

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$13,102,940. \$7,480,034 is available for spending at the City's discretion (unassigned fund balance). Comparatively, at the end of FY 2021, the City's governmental funds reported combined fund balances of \$13,224,279. \$5,438,499 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 \$7,480,034 or 45.2 percent of total General Fund expenditures. Comparatively, at the end of FY 2021, unassigned fund balance for the General Fund was \$5,438,499 or 35.9 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, 2022

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 24-27 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 eleven 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 fund financial statements can be found on pages 28-35 of this report.

City of Mineral Wells, Texas
Management's Discussion and Analysis
September 30, 2022

Proprietary Funds. The City maintains one type 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.

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 36-45 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 46-106 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 108-122 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 \$88,007,724 at September 30, 2022. This \$88,007,724 (see table below) represents the City's total net position. By comparison, at the end of FY 2021, total net position was \$85,431,331. Total net position increased by \$2,576,393 since last year.

The largest portion of the City's net position (69.2 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.

City of Mineral Wells, Texas
Management's Discussion and Analysis
September 30, 2022

It is important to note that of the City's total net position, \$8,614,900 represents resources that are "restricted", meaning they are subject to external restrictions on how they may be used. The \$18,505,404 balance of "unrestricted" net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and Other Assets	\$ 21,141,004	\$ 16,910,275	\$ 22,016,848	\$ 26,379,918	\$ 43,157,852	\$ 43,290,193
Capital Assets, net	28,539,952	27,175,063	58,180,758	53,610,934	86,720,710	80,785,997
Total Assets	49,680,956	44,085,338	80,197,606	79,990,852	129,878,562	124,076,190
Deferred Outflows of Resources	682,222	641,991	266,462	278,681	948,684	920,672
Liabilities						
Long-Term Liabilities	9,155,691	9,017,125	22,847,485	23,088,220	32,003,176	32,105,345
Other Liabilities	5,857,073	3,285,868	1,233,044	3,008,390	7,090,117	6,294,258
Total Liabilities	15,012,764	12,302,993	24,080,529	26,096,610	39,093,293	38,399,603
Deferred Inflows of Resources	3,072,062	875,575	654,167	290,353	3,726,229	1,165,928
Net Position						
Net Investment in Capital Assets	19,534,348	18,566,963	41,353,072	38,937,470	60,887,420	57,504,433
Restricted	5,728,317	7,847,915	2,886,583	2,849,710	8,614,900	10,697,625
Unrestricted	7,015,687	5,133,883	11,489,717	12,095,390	18,505,404	17,229,273
Total Net Position	\$ 32,278,352	\$ 31,548,761	\$ 55,729,372	\$ 53,882,570	\$ 88,007,724	\$ 85,431,331

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, 2022

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 1,791,717	\$ 1,667,835	\$ 16,919,262	\$ 12,372,831	\$ 18,710,979	\$ 14,040,666
Operating grants and contributions	692,124	404,716	-	259,532	692,124	664,248
General revenues						
Property taxes	6,602,817	5,786,591	-	-	6,602,817	5,786,591
Other taxes	6,479,276	5,409,015	-	-	6,479,276	5,409,015
Other	354,027	619,785	1,035,379	586,740	1,389,406	1,206,525
Total revenues	15,919,961	13,887,942	17,954,641	13,219,103	33,874,602	27,107,045
Expenses						
Administrative	1,629,731	1,154,302	-	-	1,629,731	1,154,302
Finance	634,843	594,630	-	-	634,843	594,630
Information technology	20,302	492,342	-	-	20,302	492,342
Fleet maintenance	886,561	820,666	-	-	886,561	820,666
Police department	3,696,397	3,784,686	-	-	3,696,397	3,784,686
Fire/EMS	3,418,393	3,077,399	-	-	3,418,393	3,077,399
Inspections	468,814	325,436	-	-	468,814	325,436
Streets	2,347,956	2,100,346	-	-	2,347,956	2,100,346
Sanitation	212,814	226,317	-	-	212,814	226,317
Parks and recreation	1,141,875	1,040,870	-	-	1,141,875	1,040,870
Cemetery	284,507	307,008	-	-	284,507	307,008
Library	350,637	339,966	-	-	350,637	339,966
Economic development	213,430	227,083	-	-	213,430	227,083
Hotel occupancy	370,570	185,313	-	-	370,570	185,313
Interest on long-term debt	221,361	199,380	-	-	221,361	199,380
Water and sewer	-	-	10,018,868	7,063,593	10,018,868	7,063,593
PPCMWD No. 1	-	-	1,573,677	1,317,608	1,573,677	1,317,608
Airport operations	-	-	2,066,701	-	2,066,701	-
Drainage utility	-	-	168,433	1,307,432	168,433	1,307,432
Total expenses	15,898,191	14,875,744	13,827,679	9,688,633	29,725,870	24,564,377
Change in net position before transfers	21,770	(987,802)	4,126,962	3,530,470	4,148,732	2,542,668
Transfers	1,885,385	1,838,447	(1,885,385)	(1,838,447)	-	-
Change in net position	1,907,155	850,645	2,241,577	1,692,023	4,148,732	2,542,668
Net position - beginning of year	31,548,761	30,698,116	53,882,570	52,190,547	85,431,331	82,888,663
Restatement of net position (Note 2)	(1,191,167)	-	(394,775)	-	(1,585,942)	-
Net position - beginning of year, as restated	30,357,594	30,698,116	53,487,795	52,190,547	83,845,389	82,888,663
Net position - end of year	\$ 32,264,749	\$ 31,548,761	\$ 55,729,372	\$ 53,882,570	\$ 87,994,121	\$ 85,431,331

City of Mineral Wells, Texas
Management's Discussion and Analysis
September 30, 2022

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 \$7,480,034. 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 45.2 percent of total general fund expenditures, while total fund balance represents 45.2 percent of that same amount.

Other Items. The American Rescue Plan Act has a total fund balance of \$12,955 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, Airport Operations, and Nonmajor Enterprise Funds are \$6,928,083, \$3,576,470, 567,991 and \$420,516, respectively.

General Fund Budgetary Highlights. It is the practice of the City to budget very conservatively. Revenues in 2021-22 were \$1,395,862 more than budgeted with sales and use taxes coming in at \$979,891 more than budgeted. Actual expenses were 3.0 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, 2022 amounts to \$86,720,710 (net of depreciation and amortization). This investment in capital assets includes land, buildings, equipment, streets and water/sewer systems, airport runways, improvements other than buildings, and right to use lease assets.

City of Mineral Wells, Texas
Management's Discussion and Analysis
September 30, 2022

The General Fund acquired an alerting system, chip spreader, roller, playground equipment, and freightliner and completed a portion of street improvements and the downtown revitalization project. The Water and Sewer fund purchased vehicles, a tractor, and finished various utility improvement projects. Additional information on the City's capital assets can be found in Note 7 of this report.

Long-Term Liabilities. At the end of the fiscal year, the City had total long-term liabilities of \$32,003,176. \$1,406,633 of the long-term debt is in the form of agreements with the Texas Department of Agriculture that were used to acquire and/or rehabilitate facilities to attract and/or retain businesses. \$17,025,000 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 2022-2023 Fiscal Year is \$37,465,722, which is an increase of \$539,008, or 1.5% from the 2021-2022 Adopted Annual Budget of \$36,926,714.

Despite continuing supply chain and employment attrition issues, the City continued its upward trend of growth in Fiscal Year 2021-2022. In the coming months, the City will receive its comprehensive plan and its parks and recreation open spaces plan, providing a vision for the future of the community. A majority of the 2018 General Obligation Bond Project has been completed throughout the City, and reconstruction and rehabilitation of various City streets have been completed. In addition, the Texas Department of Agriculture Community Development Block Grant Projects have been completed, greatly enhancing the City's Downtown pedestrian access and the Southwestern thoroughfare. Approximately \$1.5M of the City's allocated American Rescue Plan Act funds has been spent on various equipment to satisfy multiple departments' needs.

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 a continuing influx of new retail, commercial, and food-related businesses and the ongoing renovation and restoration of the Baker Hotel. Approximately \$2.2M remains of the City's allocated American Rescue Plan Act funds. These funds have been committed to the purchase of police department vehicles, various equipment in the public works department, and replacing and restocking water meters throughout the City.

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
September 30, 2022				
Assets				
Current assets				
Cash and cash equivalents	\$ 5,896,234	\$ 4,947,100	\$ 10,843,334	\$ 1,035,602
Investments	6,021,307	5,608,466	11,629,773	-
Receivables				
Taxes, net	1,608,605	-	1,608,605	75,277
Intergovernmental	180,021	-	180,021	-
Customer, net	472,781	1,929,288	2,402,069	-
Leases	154,734	-	154,734	-
Other	93,052	3,047	96,099	-
Prepaid expenses	-	8,899	8,899	-
Inventory	-	236,178	236,178	-
Internal Balances	(70,653)	70,653	-	-
Total current assets	14,356,081	12,803,631	27,159,712	1,110,879
Noncurrent assets				
Restricted cash and cash equivalents	4,010,338	5,818,990	9,829,328	-
Restricted investments	482,768	3,053,361	3,536,129	-
Leases, net of current portion	1,049,304	-	1,049,304	-
Capital assets, not being depreciated	3,106,237	23,884,512	26,990,749	-
Capital assets, being depreciated	73,800,054	81,982,999	155,783,053	-
Less accumulated depreciation	(48,366,339)	(47,686,753)	(96,053,092)	-
Net pension asset	1,242,513	340,866	1,583,379	-
Total noncurrent assets	35,324,875	67,393,975	102,718,850	-
Total assets	49,680,956	80,197,606	129,878,562	1,110,879
Deferred outflows				
Deferred outflows related to pensions	573,893	242,716	816,609	-
Deferred outflows related to OPEB	108,329	23,746	132,075	-
Total deferred outflows	682,222	266,462	948,684	-
Total assets and deferred outflows	\$ 50,363,178	\$ 80,464,068	\$ 130,827,246	\$ 1,110,879

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

September 30, 2022	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Mineral Wells Economic Development Corporation
Liabilities				
Current liabilities				
Accounts payable	\$ 1,158,767	\$ 433,178	\$ 1,591,945	\$ 1,086
Fringe benefits payable	83,451	30,846	114,297	-
Accrued payroll	256,328	110,998	367,326	-
Other accrued liabilities	16,213	9,801	26,014	-
Due to state	14,312	-	14,312	-
Unearned revenue	3,777,018	66,870	3,843,888	-
Deposits held for others	-	350,062	350,062	-
Long-term liabilities, current	686,754	1,719,267	2,406,021	-
Total current liabilities	5,992,843	2,721,022	8,713,865	1,086
Noncurrent liabilities				
Net pension liability	29,952	-	29,952	-
Total OPEB liability	521,032	231,289	752,321	-
Long-term liabilities, net of current portion	8,468,937	21,128,218	29,597,155	-
Total noncurrent liabilities	9,019,921	21,359,507	30,379,428	-
Total liabilities	15,012,764	24,080,529	39,093,293	1,086
Deferred inflows				
Deferred inflows related to pensions	1,806,401	649,594	2,455,995	-
Deferred inflows related to OPEB	72,843	4,573	77,416	-
Deferred inflows related to leases	1,192,818	-	1,192,818	-
Total deferred inflows	3,072,062	654,167	3,726,229	-
Net position				
Net investment in capital assets	19,534,348	41,353,072	60,887,420	-
Restricted for				
Debt service	182,206	2,330,900	2,513,106	-
Capital projects	3,187,963	-	3,187,963	-
Special revenue	1,751,282	-	1,751,282	-
Woodland Park	606,866	-	606,866	-
Endowment	-	555,683	555,683	-
Unrestricted	7,015,687	11,489,717	18,505,404	1,109,793
Total net position	32,278,352	55,729,372	88,007,724	1,109,793
Total liabilities, deferred inflows, and net position	\$ 50,363,178	\$ 80,464,068	\$ 130,827,246	\$ 1,110,879

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, 2022

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Administrative	\$ 1,629,731	\$ 217,386	\$ -
Finance	634,843	129,471	-
Information technology	20,302	-	-
Fleet maintenance	886,561	-	-
Police department	3,696,397	362,371	642,331
Fire/EMS	3,418,393	609,166	49,793
Inspections	468,814	180,458	-
Streets	2,347,956	8,155	-
Sanitation	212,814	98,676	-
Parks and recreation	1,141,875	98,510	-
Cemetery	284,507	83,703	-
Library	350,637	3,821	-
Economic development	213,430	-	-
Hotel occupancy	370,570	-	-
Interest and other charges	221,361	-	-
Total governmental activities	15,884,588	1,791,717	692,124
Business-type activities			
Water and sewer	10,018,868	12,669,373	-
PPCMWD No. 1	1,573,677	2,136,180	-
Airport operations	2,066,701	1,933,408	-
Drainage utility	168,433	180,301	-
Total business-type activities	13,827,679	16,919,262	-
Total primary government	\$ 29,712,267	\$ 18,710,979	\$ 692,124
Component unit			
Economic Development	\$ 1,277,108	\$ -	\$ -
General revenues and transfers			
Taxes			
Property taxes			
Sales and use taxes			
Franchise taxes			
Occupancy taxes			
Investment income			
Interest earned on leases			
Insurance recoveries			
Other revenue			
Donations			
Gain from sale of assets			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning of year, as originally stated			
Restatement of net position (see note 2)			
Net position - beginning, as restated			
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	
\$ (1,412,345)	\$ -	\$ (1,412,345)	\$ -	-
(505,372)	-	(505,372)	-	-
(20,302)	-	(20,302)	-	-
(886,561)	-	(886,561)	-	-
(2,691,695)	-	(2,691,695)	-	-
(2,759,434)	-	(2,759,434)	-	-
(288,356)	-	(288,356)	-	-
(2,339,801)	-	(2,339,801)	-	-
(114,138)	-	(114,138)	-	-
(1,043,365)	-	(1,043,365)	-	-
(200,804)	-	(200,804)	-	-
(346,816)	-	(346,816)	-	-
(213,430)	-	(213,430)	-	-
(370,570)	-	(370,570)	-	-
(221,361)	-	(221,361)	-	-
(13,400,747)	-	(13,400,747)	-	-
-	2,650,505	2,650,505	-	-
-	562,503	562,503	-	-
-	(133,293)	(133,293)	-	-
-	11,868	11,868	-	-
-	3,091,583	3,091,583	-	-
(13,400,747)	3,091,583	(10,309,164)	-	-
-	-	-	(1,277,108)	-
6,602,817	-	6,602,817	-	-
4,606,891	-	4,606,891	408,739	-
1,465,770	-	1,465,770	-	-
406,615	-	406,615	-	-
117,102	111,933	229,035	4,399	-
7,569	-	7,569	-	-
13,102	56,036	69,138	-	-
141,054	-	141,054	-	-
-	819,160	819,160	-	-
75,200	48,250	123,450	-	-
1,885,385	(1,885,385)	-	-	-
15,321,505	(850,006)	14,471,499	413,138	-
1,920,758	2,241,577	4,162,335	(863,970)	-
31,548,761	53,882,570	85,431,331	1,973,763	-
(1,191,167)	(394,775)	(1,585,942)	-	-
30,357,594	53,487,795	83,845,389	1,973,763	-
\$ 32,278,352	\$ 55,729,372	\$ 88,007,724	\$ 1,109,793	-

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

City of Mineral Wells, Texas
Balance Sheet
Governmental Funds

September 30, 2022	General Fund	American Rescue Plan Act
Assets		
Cash and cash equivalents	\$ 1,782,265	\$ 3,789,973
Investments	5,404,555	-
Receivables		
Taxes, net	1,160,880	-
Intergovernmental	180,021	-
Customer, net	408,884	-
Leases	-	-
Other	93,047	-
Due from other funds	176,146	-
Total assets	\$ 9,205,798	\$ 3,789,973
Liabilities, deferred inflows of resources, and fund balances		
Liabilities		
Accounts payable	\$ 1,156,934	\$ -
Fringe benefits payable	83,451	-
Accrued payroll	256,328	-
Other accrued liabilities	16,213	-
Due to state	14,312	-
Unearned revenue	-	3,777,018
Due to other funds	-	-
Total liabilities	1,527,238	3,777,018
Deferred Inflows of Resources		
Unavailable revenue - property taxes	72,324	-
Unavailable revenue - franchise taxes	126,202	-
Unavailable revenue - leases	-	-
Total deferred inflows of resources	198,526	-
Fund balances		
Nonspendable	-	-
Restricted	-	12,955
Unassigned	7,480,034	-
Total fund balances	7,480,034	12,955
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,205,798	\$ 3,789,973

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	4,334,334	\$	9,906,572
	1,099,520		6,504,075
	447,725		1,608,605
	-		180,021
	63,897		472,781
	1,204,038		1,204,038
	5		93,052
	-		176,146
\$	7,149,519	\$	20,145,290
\$	1,833	\$	1,158,767
	-		83,451
	-		256,328
	-		16,213
	-		14,312
	-		3,777,018
	246,799		246,799
	248,632		5,552,888
	98,118		170,442
	-		126,202
	1,192,818		1,192,818
	1,290,936		1,489,462
	606,866		606,866
	5,003,085		5,016,040
	-		7,480,034
	5,609,951		13,102,940
\$	7,149,519	\$	20,145,290

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, 2022

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

Fund balances - total governmental funds	\$	13,102,940
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		28,539,952
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Some assets, including net pension assets are not available to pay in the current
period and therefore is not reported in the funds

Net pension asset		1,242,513
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Certain taxes 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		296,644
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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		573,893
Deferred outflows of resources related to OPEBs		108,329
Deferred inflows of resources related to pensions		(1,806,401)
Deferred inflows of resources related to OPEBs		(72,843)

Some liabilities, including bonds payable, unamortized premium, 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

Bonds and notes payable		(9,005,604)
Compensated absences		(150,087)
Net pension liability		(29,952)
OPEB liability		(521,032)

Total net position - governmental activities	\$	32,278,352
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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, 2022	General Fund	American Rescue Plan Act
Revenues		
Taxes		
Property taxes	\$ 5,544,707	\$ -
Sales and use taxes	4,606,891	-
Franchise taxes	1,456,716	-
Occupancy taxes	-	-
Intergovernmental		
Federal operating grants	690,201	-
State operating grants	1,923	-
Charges for services	543,004	-
Permits and fees	1,065,754	-
Lease revenue		
Interest earned on leases	-	-
Investment income	67,212	12,862
Other revenue	141,054	-
Insurance recoveries	13,102	-
Total revenues	14,130,564	12,862
Expenditures		
Current		
General administration	1,583,516	-
Finance	665,762	-
Fleet maintenance	895,379	-
Police department	3,695,364	-
Fire and EMS	3,236,922	-
Inspections	481,174	-
Streets	1,392,615	-
Sanitation department	214,240	-
Parks and recreation	968,402	-
Cemetery	286,410	-
Library	339,852	-
Economic development	136,547	-
Hotel occupancy tax	-	-
Capital outlay	2,338,905	-
Debt service		
Principal	290,271	-
Interest and other charges	26,891	-
Total expenditures	16,552,250	-
Excess (deficiency) of revenues over expenditures	(2,421,686)	12,862
Other financing sources (uses)		
Proceeds from sale of general capital assets	54,500	-
Proceeds from notes payable	977,731	-
Transfers in	2,214,998	-
Transfers (out)	-	-
Total other financing sources (uses)	3,247,229	-
Net change in fund balance	825,543	12,862
Fund balance - beginning of year, as originally stated	5,438,499	93
Fund balance - restatement (Note 2)	1,215,992	-
Fund balance - beginning of year, as restated	6,654,491	93
Fund balance - end of year	\$ 7,480,034	\$ 12,955

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	949,769	\$	6,494,476
	-		4,606,891
	-		1,456,716
	406,615		406,615
	-		690,201
	-		1,923
	-		543,004
	-		1,065,754
	182,959		182,959
	7,569		7,569
	37,028		117,102
	-		141,054
	-		13,102
	1,583,940		15,727,366
	-		1,583,516
	-		665,762
	-		895,379
	1,070		3,696,434
	-		3,236,922
	-		481,174
	2,040		1,394,655
	-		214,240
	-		968,402
	-		286,410
	864		340,716
	82,086		218,633
	370,570		370,570
	938,438		3,277,343
	319,308		609,579
	193,400		220,291
	1,907,776		18,460,026
	(323,836)		(2,732,660)
	20,700		75,200
	-		977,731
	-		2,214,998
	(329,613)		(329,613)
	(308,913)		2,938,316
	(632,749)		205,656
	7,785,687		13,224,279
	(1,542,987)		(326,995)
	6,242,700		12,897,284
\$	5,609,951	\$	13,102,940

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, 2022

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

Net change in fund balances - total governmental funds	\$	205,656
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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		3,277,343
Depreciation expense		(1,912,454)

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

Change in unavailable revenue related to taxes receivable		117,395
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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

Pension related items		627,996
OPEB related items		(47,043)

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.

Decrease in accrued compensated absences		6,414
Proceeds from the issuance of notes payable		(977,731)
Principal payments on bonds and notes payable and capital leases		609,579
Amortization of bond premium		13,603

Change in net position of governmental activities	\$	1,920,758
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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
Municipal Water
District No. 1

September 30, 2022

Water and Sewer

Assets

Current assets

Cash and cash equivalents	\$ 2,836,232	\$ 1,167,279
Investments	2,987,998	2,589,512
Receivables		
Customers, net	1,888,200	-
Other	3,047	-
Prepaid expenses	-	8,899
Inventory	190,705	-
Due from other funds	246,799	-

Total current assets	8,152,981	3,765,690
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Noncurrent assets

Restricted cash and cash equivalents	-	5,802,990
Restricted investments	-	3,053,361
Capital assets, not being depreciated	2,305,228	21,384,421
Capital assets, being depreciated	44,672,036	28,083,629
Less accumulated depreciation	(24,138,266)	(17,389,572)
Net pension asset	308,082	-

Total noncurrent assets	23,147,080	40,934,829
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Total assets	31,300,061	44,700,519
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Deferred outflows of resources

Deferred outflows related to pension	230,761	-
Deferred outflows related to OPEB	22,197	-

Total deferred outflows of resources	252,958	-
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Total assets and deferred outflows
of resources

	\$ 31,553,019	\$ 44,700,519
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The accompanying notes are an integral part of these financial statements.

Business-Type Activities Enterprise Funds			Governmental Activities
Nonmajor Proprietary Funds -			Internal Service Fund
Airport Operations	Drainage Utility	Total	
\$ 586,387	\$ 357,202	\$ 4,947,100	\$ -
30,956	-	5,608,466	-
21,139	19,949	1,929,288	-
-	-	3,047	-
-	-	8,899	-
45,473	-	236,178	-
-	43,365	290,164	-
683,955	420,516	13,023,142	-
16,000	-	5,818,990	-
-	-	3,053,361	-
194,863	-	23,884,512	-
8,844,834	382,500	81,982,999	-
(5,983,602)	(175,313)	(47,686,753)	-
32,784	-	340,866	-
3,104,879	207,187	67,393,975	-
3,788,834	627,703	80,417,117	-
11,955	-	242,716	-
1,549	-	23,746	-
13,504	-	266,462	-
\$ 3,802,338	\$ 627,703	\$ 80,683,579	\$ -

(Continued)

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
Municipal Water
District No. 1

September 30, 2022

Water and Sewer

Liabilities

Current liabilities

Accounts payable	\$ 310,828	\$ 122,350
Fringe benefits payable	29,496	-
Accrued payroll	103,180	-
Other accrued liabilities	9,801	-
Unearned revenue	-	66,870
Deposits held for others	350,062	-
Due to other funds	103,073	-
Long-term liabilities, current	301,000	1,353,473

Total current liabilities	1,207,440	1,542,693
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Noncurrent liabilities

Net OPEB liability	218,516	-
Long-term liabilities, net of current portion	5,120,744	15,873,823

Total noncurrent liabilities	5,339,260	15,873,823
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Total liabilities	6,546,700	17,416,516
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Deferred inflows of resources

Deferred inflows related to pension	610,303	-
Deferred inflows related to OPEB	3,991	-

Total deferred inflows of resources	614,294	-
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Net position

Net investment in capital assets	17,463,942	20,820,950
Restricted for debt service	-	2,330,900
Restricted for endowments	-	555,683
Unrestricted	6,928,083	3,576,470

Total net position	24,392,025	27,284,003
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Total liabilities, deferred inflows of resources, and net position	\$ 31,553,019	\$ 44,700,519
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The accompanying notes are an integral part of these financial statements.

Business-Type Activities Enterprise Funds			Governmental Activities
Nonmajor Proprietary Funds -			Internal Service Fund
Airport Operations	Drainage Utility	Total	
\$ -	\$ -	\$ 433,178	\$ -
1,350	-	30,846	-
7,818	-	110,998	-
-	-	9,801	-
-	-	66,870	-
-	-	350,062	-
116,438	-	219,511	-
64,812	61,469	1,780,754	-
190,418	61,469	3,002,020	-
12,773	-	231,289	-
(50,322)	122,486	21,066,731	-
(37,549)	122,486	21,298,020	-
152,869	183,955	24,300,040	-
39,291	-	649,594	-
582	-	4,573	-
39,873	-	654,167	-
3,041,605	23,232	41,349,729	-
-	-	2,330,900	-
-	-	555,683	-
567,991	420,516	11,493,060	-
3,609,596	443,748	55,729,372	-
\$ 3,802,338	\$ 627,703	\$ 80,683,579	\$ -

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

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

	Business-Type Activities Enterprise Funds	
	Water and Sewer	Palo Pinto County Municipal Water District No. 1
For the Year Ended September 30, 2022		
Operating revenues		
Water sales	\$ 9,036,070	\$ 2,131,676
Connections	102,413	-
Sewer	3,530,890	-
Drainage utility fees	-	-
Oil and gas	-	-
Rentals	-	-
Other	32,900	4,504
Total operating revenues	12,702,273	2,136,180
Operating expenses		
General administration	-	568,384
Public works administration	2,509,208	-
Water distribution and sewer	1,846,385	-
Hilltop water treatment plant	2,014,207	-
Wastewater plants	1,400,800	-
Facility maintenance	646,066	-
City utility service	324,634	-
Drainage utility	-	-
Airport	-	-
Waterworks and sewer system	6,017	-
Depreciation and amortization expense	1,112,735	488,426
Total operating expenses	9,860,052	1,056,810
Operating income (loss)	2,842,221	1,079,370
Non-operating revenues (expenses)		
Gain on disposal of assets	48,250	-
Donations	819,160	-
Insurance recoveries	49,086	-
Interest expense	(191,716)	(516,867)
Investment income	15,916	95,827
Total non-operating revenues (expenses)	740,696	(421,040)
Income (loss) before contributions and transfers	3,582,917	658,330
Transfers out	(1,850,385)	-
Change in net position	1,732,532	658,330
Net position - beginning of year	22,659,493	26,625,673
Net position, restatement (note 2)	-	-
Total net position, beginning, as restated	22,659,493	26,625,673
Net position - end of year	\$ 24,392,025	\$ 27,284,003

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

Business-Type Activities Enterprise Funds			Governmental Activities
Nonmajor Proprietary Fund -			Internal Service Fund
Airport Operations	Drainage Utility	Total	
\$ -	\$ -	\$ 11,167,746	\$ -
-	-	102,413	-
-	-	3,530,890	-
-	180,301	180,301	-
1,685,681	-	1,685,681	-
247,727	-	247,727	-
5,581	-	42,985	-
1,938,989	180,301	16,957,743	-
-	-	568,384	-
-	-	2,509,208	-
-	-	1,846,385	-
-	-	2,014,207	-
-	-	1,400,800	-
-	-	646,066	-
-	-	324,634	-
-	7,880	7,880	-
1,710,004	-	1,710,004	-
-	-	6,017	-
360,645	153,000	2,114,806	-
2,070,649	160,880	13,148,391	-
(131,660)	19,421	3,809,352	-
-	-	48,250	-
-	-	819,160	-
6,950	-	56,036	-
(1,633)	(7,553)	(717,769)	-
190	-	111,933	-
5,507	(7,553)	317,610	-
(126,153)	11,868	4,126,962	-
-	(35,000)	(1,885,385)	-
(126,153)	(23,132)	2,241,577	-
3,735,749	466,880	53,487,795	1,215,992
-	-	-	(1,215,992)
3,735,749	466,880	53,487,795	-
\$ 3,609,596	\$ 443,748	\$ 55,729,372	\$ -

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
For the Year Ended September 30, 2022	Water and Sewer	Municipal Water District No. 1
Cash flows from operating activities		
Cash received from user charges	\$ 12,328,454	\$ 2,140,315
Cash payments to employees for services	(2,710,415)	(79,430)
Cash payments to suppliers for goods and services	(5,643,878)	(336,115)
Net cash provided (used) by operating activities	3,974,161	1,724,770
Cash flows from noncapital financing activities		
Grant revenue	214,532	-
Miscellaneous income	49,086	-
Transfers and interfund activity	(1,827,515)	-
Net cash provided (used) by noncapital financing activities	(1,563,897)	-
Cash flows from investing activities		
Reclassification from cash to investments	(2,686)	-
Interest on investments	15,916	95,827
Net cash provided (used) by investing activities	13,230	95,827
Cash flows from capital and related financing activities		
Acquisition of capital assets	(2,586,019)	(4,104,850)
Proceeds from sale of capital assets	48,250	-
Interest paid	(191,716)	(527,890)
Principal payments on bonds, loans, notes payable, and capital leases	(290,501)	(1,151,169)
Net cash provided (used) by capital and related financing activities	(3,019,986)	(5,783,909)
Net (decrease) increase in cash and cash equivalents	(596,492)	(3,963,312)
Cash and cash equivalents - beginning of year, as originally stated	3,432,724	16,576,454
Cash and cash equivalents - restatement	-	-
Cash and cash equivalents - beginning of year, as restated	3,432,724	16,576,454
Cash and cash equivalents - end of year	\$ 2,836,232	\$ 12,613,142

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

Business-Type Activities Enterprise Funds			Governmental Activities
Nonmajor Proprietary Funds -			Internal Service Fund
Airport Operations	Drainage Utility	Total	
\$ 1,978,461	\$ 178,657	\$ 16,625,887	\$ -
(15,521)	-	(2,805,366)	-
(1,762,169)	(7,880)	(7,750,042)	-
200,771	170,777	6,070,479	-
-	-	214,532	-
6,950	-	56,036	-
76,639	(42,978)	(1,793,854)	-
83,589	(42,978)	(1,523,286)	-
(190)	-	(2,876)	-
190	-	111,933	-
-	-	109,057	-
-	-	(6,690,869)	-
-	-	48,250	-
(1,633)	(7,553)	(728,792)	-
(21,325)	(48,647)	(1,511,642)	-
(22,958)	(56,200)	(8,883,053)	-
261,402	71,599	(4,226,803)	-
340,985	285,603	20,635,766	901,653
-	-	-	(901,653)
340,985	285,603	20,635,766	-
\$ 602,387	\$ 357,202	\$ 16,408,963	\$ -

(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
For the Year Ended September 30, 2022	Water and Sewer	Municipal Water District No. 1
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 2,842,221	\$ 1,079,370
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization	1,112,735	488,426
Donation of capital asset	819,160	-
Noncash pension and OPEB expense	(207,727)	-
Changes in assets, liabilities and deferred outflows of resources		
Receivables, net	(376,072)	4,135
Inventory	26,223	101,868
Accounts payable	(236,828)	52,791
Accrued payroll	14,357	(1,820)
Fringe benefits	(3,228)	-
Retainage payable	(18,336)	-
Compensated absences	(4,609)	-
Other accrued liabilities	4,012	-
Deposits held for others	2,253	-
Net cash provided (used) by operating activities	\$ 3,974,161	\$ 1,724,770

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

Business-Type Activities Enterprise Funds			Governmental Activities
Nonmajor Proprietary Funds -			Internal Service Fund
Airport Operations	Drainage Utility	Total	
\$ (131,660)	\$ 19,421	\$ 3,809,352	\$ -
360,645	153,000	2,114,806	-
-	-	819,160	-
(14,893)	-	(222,620)	-
39,472	(1,644)	(334,109)	-
(14,811)	-	113,280	-
(21,859)	-	(205,896)	-
1,175	-	13,712	-
114	-	(3,114)	-
(15,495)	-	(33,831)	-
(1,917)	-	(6,526)	-
-	-	4,012	-
-	-	2,253	-
\$ 200,771	\$ 170,777	\$ 6,070,479	\$ -

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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 85% 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, 2022, 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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

The *Airport Operations Fund* accounts for the activities of the City's airport operations.

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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, 2022 was \$225,534.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables

Property taxes - 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.

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 \$198,344 in the general fund and \$16,210 in the debt service fund.

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 \$174,592 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.

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.

Leases receivable - Leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Right to Use Lease Assets

The City has recorded intangible right to use lease assets as a result of implementing GASB Statement No. 87. The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right to use lease assets are amortized on a straight-line basis over the term of the related lease. See Note 7 for more information.

Accrued Payroll

Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2022, 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 two types that related to reporting under GASB 75, which total \$816,609 and \$132,075, 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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, deferred inflows- property taxes (\$170,442), deferred inflows – franchise taxes (\$126,202), and deferred inflows-leases (\$1,192,818), which arises under the modified accrual basis of accounting that qualifies for reporting in this category. The amounts are further explained in Note 5. The City has two types of items that qualify for reporting in this category related to reporting under GASB 68 and one types that related to reporting under GASB 75, which total \$2,455,995 and \$77,416, 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.

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

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 Liabilities

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.

Bonds and Notes Payable - 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.

Leases - The City has entered into agreements to lease unit hangars for the airport. In addition, Palo Pinto County Municipal Water District No. 1 has entered into a land lease. The lease liabilities qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at October 1, 2021. See Note 8 for more information.

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.

Texas Department of Agriculture Agreements - The City has entered into agreements with the Texas Department of Agriculture to lease unit hangars for the airport. In addition, Palo Pinto County Municipal Water District No. 1 has entered into a land lease. The lease liabilities qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at October 1, 2021. See Note 8 for more information.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2022, the City had \$606,866 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, 2022, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$5,016,040 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 \$5,802,990 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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2022

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 asset, 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, July 10, 2023. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

During the fiscal year ended September 30, 2022, the City adopted GASB Statement No. 87, *Leases*, GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, and GASB Statement No. 93, *Replacement of Interbank Offered Rates*.

The implementation of GASB Statement No. 87 had a significant impact on the City. See Note 2 regarding the restatement of balances. The implementation of GASB Statement No. 89, 92, and 93 did not affect the City in a material manner.

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

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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In March 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*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for varying dates depending on the requirement.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 2: RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLE

During fiscal year 2022, the City had to restate fund balance and net position for the following.

	General Fund	Nonmajor Governmental Funds	Governmental Activities
Beginning balance, as originally stated	\$ 5,438,499	\$ 7,785,687	\$ 31,548,761
Restatement for leases receivable	-	(1,542,987)	(1,542,987)
Restatement due to insurance presentation	1,215,992	-	394,775
Restatement of Texas Department of Agriculture agreements	-	-	(42,955)
Beginning balance, as restated	\$ 6,654,491	\$ 6,242,700	\$ 30,357,594

	Internal Service Fund	Business -Type Activities
Beginning balance, as originally stated	\$ 1,215,992	\$ 53,882,570
Restatement for leases receivable	-	-
Restatement due to insurance presentation	(1,215,992)	(394,775)
Restatement of Texas Department of Agriculture agreements	-	-
Beginning balance, as restated	\$ -	\$ 53,487,795

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 2: RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLE (Continued)

During fiscal year 2022, the City implemented GASB Statement No. 87, *Leases*. The City was required to reclassify all leases as right to use lease assets and lease liabilities as of October 1, 2021 for which they were the lessee.

	Proprietary Funds			
	Palo Pinto County Municipal Water District No. 1	Airport Operations	Business -Type Activities	
Assets				
Buildings and improvements	\$ -	\$ (265,732)	\$ (265,732)	
Right to use lease assets	50,101	265,732	315,833	
Accumulated depreciation	-	87,236	87,236	
Accumulated amortization	-	(87,236)	(87,236)	
Total assets	\$ 50,101	\$ -	\$ 50,101	
Liabilities				
Capital leases	\$ -	\$ (32,472)	\$ (32,472)	
Leases	50,101	32,472	82,573	
Total liabilities	\$ 50,101	\$ -	\$ 50,101	

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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 component unit's deposits were not fully secured at the balance sheet date by FDIC coverage and pledged securities.

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents	\$ 10,843,334
Restricted cash and cash equivalents	9,829,328
Component unit cash and cash equivalents	1,035,602
<hr/>	
Total cash and cash equivalents	21,708,264
Plus outstanding checks	912,490
Less outstanding deposits	(479,879)
Less petty cash	(1,817)
<hr/>	
Bank balance of deposits	\$ 22,139,058
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Investments

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

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

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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

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

The City's investments at September 30, 2022 include the following:

Investment	Credit Rating**	Average Maturities	Percentage of Total Investments	Balance at September 30, 2022
City of Mineral Wells				
Tex-Pool	AAAm	29 days	0.01%	\$ 992
TexSTAR Pool	AAAm	22 days	24.52%	3,718,555
TexSTAR Cash Reserve	AAAm	16 days	100.00%	5,642,873
East West Bank	n/a	315 days	20.93%	3,174,098
Titan Bank	n/a	1 year	10.27%	1,557,030
Southside Bank	n/a	1 year	7.07%	1,072,354
Total investments			162.79%	\$ 15,165,902

** Based on Moody's rating

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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.

NOTE 5: RECEIVABLES

Receivables as of September 30, 2022, are as follows for governmental activities:

	General Fund	Nonmajor Governmental Funds	Total
Taxes			
Property taxes	\$ 341,973	\$ 463,935	\$ 805,908
Sales taxes	831,883	-	831,883
Franchise taxes	185,368	-	185,368
Less allowance for doubtful accounts	(198,344)	(16,210)	(214,554)
Leases	-	1,204,038	1,204,038
Intergovernmental			
Federal operating grants	180,021	-	180,021
Customer	583,476	63,897	647,373
Less allowance for doubtful accounts	(174,592)	-	(174,592)
Other			
Miscellaneous	93,047	5	93,052
Total receivable, net	\$ 1,842,832	\$ 1,715,665	\$ 3,558,497

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$170,442, franchise tax revenues in the amount of \$126,202, and lease revenue in the amount of \$1,192,818 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, 2022

NOTE 5: RECEIVABLES (Continued)

Lease Receivables

The City has a total of nine leases with various customers for the use of buildings. These leases range from two years to 15 years in length with flat rent income over the life of the leases. The incremental borrowing rate was 2.35% for all leases. The City recognized \$182,959 in lease income and \$7,569 in interest earned on leases in fiscal year 2022.

The following table represents the future payments that are included in the leases receivable.

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 154,734	\$ 26,599	\$ 181,333
2024	139,842	23,158	163,000
2025	132,919	19,877	152,796
2026	121,556	16,944	138,500
2027	124,441	14,059	138,500
2028-2032	521,254	28,459	549,713
2033-2037	9,292	46	9,338
Totals	\$ 1,204,038	\$ 129,142	\$ 1,333,180

Receivables as of September 30, 2022, are as follows for the business-type activities:

	Water and Sewer	Airport Operations	Nonmajor Proprietary Fund	Total
Customer	\$ 1,924,635	\$ 50,353	\$ 19,949	\$ 1,994,937
Less allowance for doubtful accounts	(36,435)	(29,214)	-	(65,649)
Other				
Miscellaneous	3,047	-	-	3,047
Total receivable, net	\$ 1,891,247	\$ 21,139	\$ 19,949	\$ 1,932,335

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 5: RECEIVABLES (Continued)

Receivables as of September 30, 2022, are as follows for the component unit:

	Mineral Wells Economic Development Corporation
Taxes	
Sales taxes	\$ 75,277
Total receivable	\$ 75,277

NOTE 6: TRANSFERS AND INTERFUND BALANCES

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2022, is as follows:

Transfer In	Transfer Out	Amount
General	TIF Zone #2	\$ 329,613
General	Water and Sewer	1,850,385
General	Drainage Utility	35,000
Total		\$ 2,214,998

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
Water and Sewer	Street Capital Projects	\$ 246,799
General	Airport Operations	116,438
General	Water and Sewer	59,708
Drainage Utility	Water and Sewer	43,365
Total		\$ 466,310

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 7: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended September 30, 2022. Land and Construction in Progress are not subject to depreciation.

Governmental activities	Beginning Balance October 1, 2021	Increases	Decreases	Transfers	Ending Balance September 30, 2022
Capital assets not being depreciated					
Land	\$ 2,031,143	\$ -	\$ -	\$ -	\$ 2,031,143
Construction in progress	455,091	1,984,197	(1,364,194)	-	1,075,094
Total capital assets not being depreciated	2,486,234	1,984,197	(1,364,194)	-	3,106,237
Capital assets being depreciated					
Buildings and improvements	6,388,028	10,800	-	-	6,398,828
Improvements other than buildings	2,128,354	722,807	-	(34,386)	2,816,775
Infrastructure	54,128,898	641,387	-	-	54,770,285
Equipment and vehicles	8,017,897	1,190,284	(347,001)	34,386	8,895,566
Furniture and fixtures	826,538	92,062	-	-	918,600
Total capital assets being depreciated	71,489,715	2,657,340	(347,001)	-	73,800,054
Total capital assets	73,975,949	4,641,537	(1,711,195)	-	76,906,291
Accumulated depreciation					
Buildings and improvements	(3,545,237)	(304,529)	-	230,642	(3,849,766)
Improvements other than buildings	(1,729,320)	(44,841)	-	(230,642)	(1,774,161)
Infrastructure	(35,403,204)	(908,533)	-	-	(36,311,737)
Equipment and vehicles	(5,341,779)	(630,247)	347,001	-	(5,625,025)
Furniture and fixtures	(781,346)	(24,304)	-	-	(805,650)
Total accumulated depreciation	(46,800,886)	(1,912,454)	347,001	-	(48,366,339)
Governmental activities capital assets, net	\$ 27,175,063	\$ 2,729,083	\$ (1,364,194)	\$ -	\$ 28,539,952

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 7: CAPITAL ASSETS (Continued)

Depreciation expense for the year ended September 30, 2022 was charged to the functions of the governmental activities as follows:

Administrative	\$ 82,652
Fleet maintenance	1,742
Police	206,344
Fire and emergency medical services	358,735
Inspections	4,945
Information technology	20,302
Streets, including infrastructure	996,140
Parks & recreation	205,171
Cemetery	12,349
Library	24,074
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Total depreciation expense - governmental activities	<u>\$ 1,912,454</u>

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 7: CAPITAL ASSETS (Continued)

Business-type activities	Beginning Balance October 1, 2021 (As Restated)*	Increases	Decreases	Transfers	Ending Balance September 30, 2022
Capital assets not being depreciated					
Land	\$ 4,405,061	\$ 3,573,959	\$ -	\$ -	\$ 7,979,020
Construction in progress	15,902,199	1,026,753	(1,023,460)	-	15,905,492
Total capital assets being depreciated	20,307,260	4,600,712	(1,023,460)	-	23,884,512
Capital assets being depreciated					
Buildings and improvements	4,609,612	-	-	-	4,609,612
Improvements other than buildings	15,055,300	-	-	-	15,055,300
Infrastructure	6,011,747	-	-	-	6,011,747
Distribution System	16,204,059	2,799,724	(166,387)	26,301,717	45,139,113
Collection System	6,658,112	-	-	-	6,658,112
Equipment and vehicles	30,173,950	425,028	(162,771)	(26,301,717)	4,134,490
Furniture and fixtures	58,792	-	-	-	58,792
Right-to-use lease asset	315,833	-	-	-	315,833
Total capital assets being depreciated	79,087,405	3,224,752	(329,158)	-	81,982,999
Total capital assets	99,394,665	7,825,464	(1,352,618)	-	105,867,511
Accumulated depreciation					
Buildings and improvements	(3,873,376)	(184,184)	-	880,573	(3,176,987)
Improvements other than buildings	(7,525,497)	(287,785)	-	(880,573)	(8,693,855)
Infrastructure	(4,043,294)	(257,931)	-	-	(4,301,225)
Distribution System	(8,068,853)	(781,407)	-	(15,263,367)	(24,113,627)
Collection System	(4,359,649)	(132,690)	-	-	(4,492,339)
Equipment and Vehicles	(17,721,605)	(453,189)	161,683	15,263,367	(2,749,744)
Furniture and fixtures	(54,120)	(920)	-	-	(55,040)
Accumulated Amortization					-
Right-to-use lease asset	(87,236)	(16,700)	-	-	(103,936)
Total accumulated depreciation	(45,733,630)	(2,114,806)	161,683	-	(47,686,753)
Business-type activities capital assets, net	\$ 53,661,035	\$ 5,710,658	\$ (1,190,935)	\$ -	\$ 58,180,758

*The notes required restatement due to the implementation of GASB Statement No. 87. There is no impact on net position.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 7: CAPITAL ASSETS (Continued)

Depreciation expense for the year ended September 30, 2022 was charged to business-type activities as follows:

Water and sewer	\$ 1,112,735
PPCMWD No. 1	488,426
Airport operations	360,645
Nonmajor proprietary fund	153,000
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Total depreciation expense -business-type activities	\$ 2,114,806
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NOTE 8: LONG-TERM LIABILITIES

Governmental Activities

During the year ended September 30, 2022, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance September 30, 2021 (As restated)*	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Go Bonds - Streets	\$ 4,905,000	\$ -	\$ 140,000	\$ 4,765,000	\$ 145,000
2018 Bond Premium	299,263	-	13,603	285,660	13,603
Sales Tax Payable	732,921	-	73,908	659,013	73,908
Note Payable - FFB - PD 2019	37,916	-	37,916	-	-
Note Payable - FFB - Streets	170,457	-	36,250	134,207	37,162
Note Payable - FFB - STR 2020	23,771	-	15,754	8,017	8,017
Note Payable - FFB - PD 2020	145,786	-	72,078	73,708	73,708
Note Payable - FFB - FD 2021	750,000	-	54,365	695,635	55,724
Note Payable - FFB - STR 2021	-	977,731	-	977,731	129,545
Compensated absences	156,501	224,001	230,415	150,087	150,087
TX Department of Agriculture Agreements	1,585,941	-	179,308	1,406,633	-
	<hr/>				
Totals	\$ 8,807,556	\$ 1,201,732	\$ 853,597	\$ 9,155,691	\$ 686,754
	<hr/>				

*The balances required restatements, see Note 2 for further explanation.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

General Obligation Bond – Streets

At September 30, 2022, the City had one GO bond outstanding. The GO bond information is as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
GO Bonds Streets	03/08/18	02/01/43	4.000%	\$ 5,215,000	\$ 4,765,000

The annual requirements to amortize the GO Bond as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
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	175,000	162,100	337,100
2028-2032	975,000	698,700	1,673,700
2033-2037	1,200,000	482,000	1,682,000
2038-2042	1,460,000	216,600	1,676,600
2043	330,000	6,600	336,600
Totals	\$ 4,765,000	\$ 2,279,700	\$ 7,044,700

2018 Bond Premium

At September 30, 2022, the City has a 2018 Bond Premium in the amount of \$285,660 that it will straight-line amortize for the life of the bond.

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
2018 Bond Premium	03/08/18	02/01/43	4.000%	\$ 340,072	\$ 285,660

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

The annual requirements to amortize the 2018 Bond Premium as of September 30, 2022, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal
2023	\$ 13,603
2024	13,603
2025	13,603
2026	13,603
2027	13,603
2028-2032	68,014
2033-2037	68,014
2038-2042	68,014
2043	13,603
Totals	\$ 285,660

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, 2022 was \$659,013.

Fiscal Year Ending September 30,	Payments
2023	\$ 73,908
2024	73,908
2025	73,908
2026	73,908
2027	73,908
2028-2030	289,473
Totals	\$ 659,013

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Note Payable – FFB – Streets

At September 30, 2022, the City had one Note Payable – FFB – Streets as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB - Streets	5/22/2020	2/28/2026	2.50%	\$ 224,387	\$ 134,207

The annual requirements to amortize the Note Payable – FFB – Streets as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
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	20,142
Totals	\$ 134,207	\$ 6,794	\$ 141,001

Note Payable – FFB – STR 2020

At September 30, 2022, the City had one Note Payable – FFB – STR 2020 as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB - STR 2020	5/22/2020	2/28/2023	2.35%	\$ 46,962	\$ 8,017

The annual requirements to amortize the Note Payable – STR 2020 as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 8,017	\$ 94	\$ 8,111
Totals	\$ 8,017	\$ 94	\$ 8,111

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Note Payable – FFB – PD 2020

At September 30, 2022, the City had one Note Payable – FFB – PD 2020 as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB - PD 2020	9/4/2020	8/31/2023	2.35%	\$ 216,250	\$ 73,708

The annual requirements to amortize the Note Payable – FFB – PD 2020 as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 73,708	\$ 1,303	\$ 75,011
Totals	\$ 73,708	\$ 1,303	\$ 75,011

Note Payable – FFB – FD 2021

At September 30, 2022, the City had one Note Payable – FFB – FD 2021 as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB - FD 2021	6/4/2021	6/4/2033	2.50%	\$ 750,000	\$ 695,635

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

The annual requirements to amortize the Note Payable – FFB – FD 2021 as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
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	61,509	11,606	73,115
2028-2032	331,396	34,180	365,576
2033	71,333	1,783	73,116
Totals	\$ 695,635	\$ 108,634	\$ 804,268

Note Payable – FFB – STR 2021

At September 30, 2022, the City had one Note Payable – FFB – STR 2021 as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB - STR 2021	12/17/2021	12/17/2028	2.50%	\$ 977,731	\$ 977,731

The annual requirements to amortize the Note Payable – FFB – STR 2021 as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 129,545	\$ 24,443	\$ 153,988
2024	132,784	21,205	153,989
2025	136,103	17,885	153,988
2026	139,506	14,482	153,988
2027	142,993	10,995	153,988
2028-2029	296,800	11,176	307,976
Totals	\$ 977,731	\$ 100,186	\$ 1,077,917

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

Texas Department of Agriculture Agreements

During a previous fiscal year, the City obtained ten 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 were 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 expanded operations in Mineral Wells.

After the initial projects were completed, the Texas Department of Agriculture created ten agreements with the City which were equivalent to the total amount of the grants. The agreements will be repaid to the State by the City from lease revenues received from the companies who lease the facilities from the City. The City is obligated in some manner to the State for the repayment of the agreements; 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 agreements, the City has accounted for the loans as TX Department of Agriculture Contracts in the governmental activities column of the statement of net position. The debt service fund has been used to record the receivable and deferred inflows of resources from the lease of the facilities.

The tenants of the facilities have options to purchase the facilities at any time after the expiration of five years from the date the State contract is closed-out. The purchase price is the original amount of the loan less the sum of (a) the full amount of all fixed rental payments actually received by the City; and (b) any and all amount actually paid by the tenant to the City under the project agreement as a result of recoupment of the Texas Capital Fund grant by the Texas Department of Agriculture. At September 30, 2022, the City had nine agreements with the Texas Department of Agriculture outstanding.

Accrued Compensated Absences

The liability for accrued compensated absences for governmental activities was \$150,087 at year-end, which is a decrease of \$6,414 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, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

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, 2022:

	Balance September 30, 2021 (As Restated)*	Additions	Retirements	Balance September 30, 2022	Due Within One Year
GO bond WW&S projects	\$ 1,600,000	\$ -	\$ 45,000	\$ 1,555,000	\$ 50,000
GO bond Hwy 180 W project	3,445,000	-	100,000	3,345,000	105,000
2018 bond premium	307,870	-	13,994	293,876	13,994
Note Payable - FFB	232,602	-	48,647	183,955	50,322
Note Payable - FFB VEH 2020	105,574	-	70,047	35,533	35,533
Note Payable - FFB JTR 2020	168,409	-	35,814	132,595	36,715
Note Payable - FFB CAM 2020	38,704	-	25,652	13,052	13,052
Revenue bonds	18,160,000	-	1,135,000	17,025,000	1,170,000
Bond premium	3,967	-	2,381	1,586	-
Interest payable	175,420	508,225	516,867	166,778	166,778
Compensated absences	56,557	88,574	95,100	50,031	50,031
Leases - Palo Pinto	-	33,932	-	33,932	16,695
Leases	32,472	-	21,325	11,147	11,147
Totals	\$ 24,326,575	\$ 630,731	\$ 2,109,827	\$ 22,847,485	\$ 1,719,267

*The notes require restatement due to the implementation of GASB Statement No. 87. There is no impact on net position.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Business-Type Activities (Continued)

General Obligation Bond WW&S Projects

At September 30, 2022, the City had a GO Bond WW&S Projects outstanding. The GO Bond WW&S Projects is as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
GO Bond WW&S Projects	03/08/18	02/01/43	4.000%	\$ 1,705,000	\$ 1,555,000

The annual requirements to amortize the GO Bond WW&S Projects as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
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	55,000	52,900	107,900
2028-2032	320,000	228,000	548,000
2033-2037	390,000	157,400	547,400
2038-2042	480,000	70,600	550,600
2043	105,000	2,100	107,100
Totals	\$ 1,555,000	\$ 743,700	\$ 2,298,700

GO Bond Hwy 180 W Project

At September 30, 2022, the City had one GO Bond Hwy 180 W Project outstanding. The GO Bond Hwy 180 W Project is as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
GO Hwy 180 W Project	03/08/18	02/01/43	4.000%	\$ 3,660,000	\$ 3,345,000

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Business-Type Activities (Continued)

The annual requirements to amortize the GO Bond Hwy 180 W Project as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
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	120,000	113,600	233,600
2028-2032	685,000	490,100	1,175,100
2033-2037	840,000	337,600	1,177,600
2038-2042	1,025,000	151,700	1,176,700
2043	230,000	4,600	234,600
Totals	\$ 3,345,000	\$ 1,597,900	\$ 4,942,900

Bond Premium

At September 30, 2022, the City has a 2018 Bond Premium in the amount of \$293,876 that it will straight-line amortize for the life of the bond.

Note Payable – FFB

At September 30, 2022, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB	2/6/2018	2/28/2026	3.43%	\$ 390,000	\$ 183,955

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Business-Type Activities (Continued)

The annual requirements to amortize the Note Payable as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 50,322	\$ 5,879	\$ 56,201
2024	52,063	4,138	56,201
2025	53,864	2,337	56,201
2026	27,706	474	28,180
Totals	\$ 183,955	\$ 12,828	\$ 196,783

Note Payable – FFB VEH 2020

At September 30, 2022, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB VEH 2020	5/22/2020	2/28/2023	2.35%	\$ 208,751	\$ 35,533

The annual requirements to amortize the Note Payable as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 35,533	\$ 419	\$ 35,952
Totals	\$ 35,533	\$ 419	\$ 35,952

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Business-Type Activities (Continued)

Note Payable – FFB JTR 2020

At September 30, 2022, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB JTR 2020	5/22/2020	2/28/2026	2.50%	\$ 221,690	\$ 132,595

The annual requirements to amortize the Note Payable as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 36,715	\$ 3,087	\$ 39,802
2024	37,639	2,163	39,802
2025	38,586	1,216	39,802
2026	19,655	246	19,901
Totals	\$ 132,595	\$ 6,712	\$ 139,307

Note Payable – FFB CAM 2020

At September 30, 2022, the City had one Note Payable outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Note Payable - FFB CAM 2020	5/22/2020	2/28/2023	2.35%	\$ 76,465	\$ 13,052

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Business-Type Activities (Continued)

The annual requirements to amortize the Note Payable as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 13,052	\$ 153	\$ 13,206
Totals	\$ 13,052	\$ 153	\$ 13,206

Leases

At September 30, 2022, the City had one business-type capital lease outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
2007 Master lease	2/15/2008	2/15/2023	6.000%	225,000	\$ 11,147

The annual requirements to amortize the 2007 Master lease as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 11,147	\$ 334	\$ 11,481
Totals	\$ 11,147	\$ 334	\$ 11,481

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

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, 2022
Series 2015B	11/19/2015	6/1/2045	0.77%-3.680%	\$ 7,185,000	\$ 6,130,000
Series 2015A	11/19/2015	6/1/2045	0.45%-3.210%	9,915,000	8,380,000
Series 2011	11/8/2011	6/1/2023	2.00%-3.375%	6,990,000	395,000
Series 2009B	6/26/2009	6/1/2028	2.63%-3.680%	3,200,000	1,280,000
Series 2009A	6/26/2009	6/1/2029	0%	2,400,000	840,000
Totals					\$ 17,025,000

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

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
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	840,000	419,398	1,259,398
2028-2032	3,180,000	1,817,395	4,997,395
2033-2037	3,150,000	1,378,074	4,528,074
2038-2042	3,720,000	822,620	4,542,620
2043-2045	2,555,000	176,254	2,731,254
Totals	\$ 17,025,000	\$ 6,480,530	\$ 23,505,530

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

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 2009B 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, 2022 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 \$408,331 and the balance in the reserve was \$411,000 at September 30, 2022.

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, 2022, 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 \$905,208 and the balance in the reserve was \$912,000 at September 30, 2022.

Leases

At September 30, 2022, the City had one business-type capital lease outstanding as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	September 30, 2022
Land Lease	4/1/2020	4/1/2024	3.25%	\$ 50,101	\$ 33,932

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 8: LONG-TERM LIABILITIES (Continued)

Business-Type Activities (Continued)

Palo Pinto County Municipal Water District No. 1

The annual requirements to amortize the 2007 Master lease as of September 30, 2022, including interest payments, are as follows:

<i>Fiscal Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2023	\$ 16,695	\$ 1,103	\$ 17,798
2024	17,237	561	17,798
Totals	\$ 33,932	\$ 1,664	\$ 35,596

Accrued Compensated Absences

The liability for accrued compensated absences for business-type activities was \$50,031 at year-end, which is a decrease of \$6,526 from the prior year. Compensated absences are liquidated by the respective funds in which they are accrued.

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 Intergovernmental Risk Pool (TML-IRP) for risk management services. These services include workers' compensation coverage and a wide range of comprehensive liability and property coverage. TML-IRP is a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for the City of Mineral Wells. The City pays contributions or premiums to the pool for insurance coverage.

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	133
Inactive employees entitled to but not yet receiving benefits	137
Active employees	182
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Total	452
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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 2021 and 2022, respectively. The city's contributions to TMRS for the year ended September 30, 2022, were \$818,964, and were equal to the required contributions.

Net Pension Liability (Asset)

The city's Net Pension Liability (Asset) (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability (Asset) in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

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

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with this change first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short -term and long-term funding needs of TMRS.

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).

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected rate of return (Arithmetic)
International equity	35.00%	6.35%
Core fixed income	6.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	12.00%	4.15%
Real estate	12.00%	4.75%
Absolute return	5.00%	4.00%
Private equity	10.00%	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, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
Balance at 12/31/2020	\$ 36,887,024	\$ 36,280,792	\$ 606,232
Changes for the year			
Service cost	1,089,094	-	1,089,094
Interest	2,458,430	-	2,458,430
Change of benefit terms	-	-	-
Difference between expected/actual experience	262,246	-	262,246
Changes of assumptions	-	-	-
Contributions - employer	-	818,964	(818,964)
Contributions - employee	-	477,254	(477,254)
Net investment income	-	4,724,898	(4,724,898)
Benefit payments, including refunds of employee contributions	(2,020,767)	(2,020,767)	-
Administrative expense	-	(21,884)	21,884
Other changes	-	149	(149)
Net changes	1,789,003	3,978,614	(2,189,611)
Balance at 12/31/2021	\$ 38,676,027	\$ 40,259,406	\$ (1,583,379)

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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 (asset)	\$ 3,733,044	\$ (1,583,379)	\$ (5,922,663)

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.

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

For the year ended September 30, 2022, the City recognized pension benefit of \$63,123.

At September 30, 2022, 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	\$ 204,771	\$ 34,935
Changes in actuarial assumptions	22,958	-
Difference between projected and actual investment earnings	-	2,420,910
Contributions subsequent to the measurement date	576,694	-
Total TMRS	\$ 804,423	\$ 2,455,845

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

\$576,694 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 (asset) for the year ending September 30, 2022. 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	\$ (323,149)
2023	(978,312)
2024	(471,466)
2025	(455,189)
2026	-
Thereafter	-
Total	\$ (2,228,116)

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 annual comprehensive 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.

Benefits Provided

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

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS)

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

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

Funding Policy

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

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

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, 2022, total contributions (dues, prior service, and interest on prior service financing) of \$3,534 were paid into TESRS by the City. This was equal to the required contributions for the period.

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

The most recent completed biennial actuarial valuation as of August 31, 2022 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022.

	System 100.00%	City 0.073%
Total pension liability	\$ 165,375,669	\$ 120,724
Plan fiduciary net position	124,345,593	90,772
Net pension liability	\$ 41,030,076	\$ 29,952

Plan fiduciary net position as a percentage of the total pension liability	75.2%
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City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2022 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.

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:

Asset Class	Target allocation	Long-term expected rate of return (arithmetic)
Equities		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Master limited partnership	5%	6.61%
Real Estate	10%	4.48%
Multi asset income	5%	3.86%
Fixed income	30%	1.95%
Cash	0%	0.00%
Total / Weighted Average	100.00%	4.60%

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 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.

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	\$ 46,986	\$ 29,952	\$ 16,158

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

At August 31, 2022, the City reported a liability of \$29,952 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2022. 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 (0.073%) 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, 2021 through August 31, 2022.

For the year ended September 30, 2022, the City recognized pension expense of \$6,329.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,140	\$ -
Changes in actuarial assumptions	-	150
Difference between projected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	11,046	-
Total TESRS	\$ 12,186	\$ 150

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:	
2023	\$ 3,473
2024	2,156
2025	2,251
2026	4,156
Total	\$ 12,036

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	89
Inactive employees entitled to but not yet receiving benefits	23
Active employees	182
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Total	294
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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 0.32% and 0.31% in calendar 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$30,252 and were equal to the required contributions.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liability

Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	1.84%
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, 2022

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2020	\$ 727,348
Changes for the year	
Service cost	42,953
Interest	14,805
Change of benefit terms	-
Difference between expected/actual experience	(37,250)
Changes of assumptions	21,646
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(17,181)
Administrative expense	-
Other changes	-
Net changes	24,973
Balance at 12/31/2021	\$ 752,321

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:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
City's total OPEB liability	\$ 908,506	\$ 752,321	\$ 630,785

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.

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

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, 2022 the City recognized OPEB expense of \$82,188.

At September 30, 2022, 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	\$ -	\$ 77,416
Changes in actuarial assumptions	110,139	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	21,936	-
Total OPEBs	\$ 132,075	\$ 77,416

\$21,936 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

	OPEB
Year ending September 30:	
2022	\$ 21,508
2023	9,096
2024	3,820
2025	(1,072)
2026	(629)
Thereafter	-
Total	\$ 32,723

City of Mineral Wells, Texas
Notes to Financial Statements
September 30, 2022

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB (Continued)

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 2022 was \$30,252, which equaled the required contributions each year.

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. \$11,280,120 of the funds have been spent as of September 30, 2022.

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 \$8,614,900 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, 2022

NOTE 14: FUND BALANCE

Fund balances on the modified accrual basis were classified as follows as of September 30, 2022:

	General Fund	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances				
Nonspendable				
Woodland Park permanent fund	\$ -	\$ -	\$ 606,866	\$ 606,866
Restricted for				
Debt service	-	-	176,295	176,295
Capital projects	-	-	3,187,948	3,187,948
Police	-	-	29,167	29,167
Hotel/Motel occupancy	-	-	71,394	71,394
Economic development	-	12,955	1,260,034	1,272,989
Library	-	-	278,247	278,247
Unassigned	7,480,034	-	-	7,480,034
Total fund balances	\$ 7,480,034	\$ 12,955	\$ 5,609,951	\$ 13,102,940

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, 2022

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*

	August 31,		
Fiscal Year	2022	2021	2020
Measurement Date	2022	2021	2020
Proportion of the net pension liability	0.00073	0.00078	0.00154
Proportionate share of the net pension liability	\$ 29,952	\$ 8,358	\$ 38,825
State's proportionate share of the net pension liability associated with the City	20,611	5,445	25,082
Total	\$ 50,563	\$ 13,803	\$ 63,907
Plan fiduciary net position as a percentage of the total pension liability	75.20%	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*

As of and for the Year Ended August 31,	2022	2021	2020
Actuarially determined contribution	\$ 3,534	\$ 3,744	\$ 7,164
Contributions in relation to the actuarially determined contribution	(3,534)	(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

See notes to required supplementary information.

2019	2018	2017	2016	2015	2014
\$ 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*

Plan Year Ended December 31,	2021	2020	2019
Total Pension Liability			
Service cost	\$ 1,089,094	\$ 1,123,022	\$ 1,015,462
Interest (on the total pension liability)	2,458,430	2,363,406	2,254,838
Changes of benefit terms	-	-	-
Difference between expected and actual experience	262,246	(80,901)	98,397
Change of assumptions	-	-	137,741
Benefit payments, including refunds of employee contributions	(2,020,767)	(1,940,824)	(1,962,792)
Net Change in Total Pension Liability	1,789,003	1,464,703	1,543,646
Total Pension Liability - Beginning	36,887,024	35,422,321	33,878,675
Total Pension Liability - Ending	\$ 38,676,027	\$ 36,887,024	\$ 35,422,321
Plan Fiduciary Net Position			
Contributions - employer	\$ 818,964	\$ 863,560	\$ 763,758
Contributions - employee	477,254	489,548	432,480
Net investment income	4,724,898	2,598,907	4,691,958
Benefit payments, including refunds of employee contributions	(2,020,767)	(1,940,824)	(1,962,792)
Administrative expense	(21,884)	(16,841)	(26,546)
Other	149	(656)	(798)
Net Change in Plan Fiduciary Net Position	3,978,614	1,993,694	3,898,060
Plan Fiduciary Net Position - Beginning	36,280,792	34,287,098	30,389,038
Plan Fiduciary Net Position - Ending (b)	\$ 40,259,406	\$ 36,280,792	\$ 34,287,098
Net Pension Liability (Asset) - Ending	\$ (1,583,379)	\$ 606,232	\$ 1,135,223
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.09%	98.36%	96.80%
Covered Payroll	\$ 9,545,081	\$ 9,790,954	\$ 8,649,595
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-16.59%	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.

2018	2016	2015	2014
\$ 958,663	\$ 873,843	\$ 793,213	\$ 721,608
2,172,937	2,005,609	2,002,024	1,930,010
-	-	-	-
(13,653)	(262,015)	(556,504)	(439,509)
-	-	154,810	-
(1,903,189)	(1,461,845)	(1,181,095)	(1,257,183)
1,214,758	1,155,592	1,212,448	954,926
32,663,917	30,006,729	28,794,281	27,839,355
\$ 33,878,675	\$ 31,162,321	\$ 30,006,729	\$ 28,794,281
\$ 701,889	\$ 665,728	\$ 677,539	\$ 699,904
402,461	376,008	358,271	346,582
(962,720)	1,839,795	40,373	1,492,992
(1,903,189)	(1,461,845)	(1,181,095)	(1,257,183)
(18,624)	(20,786)	(24,593)	(15,587)
(973)	(1,120)	(1,215)	(1,282)
(1,781,156)	1,397,780	(130,720)	1,265,426
32,170,194	27,232,917	27,363,637	26,098,211
\$ 30,389,038	\$ 28,630,697	\$ 27,232,917	\$ 27,363,637
\$ 3,489,637	\$ 2,531,624	\$ 2,773,812	\$ 1,430,644
89.70%	91.88%	90.76%	95.03%
\$ 8,049,224	\$ 7,520,165	\$ 7,165,427	\$ 6,893,077
43.35%	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*

Plan Year Ended December 31,	2021	2020	2019
Actuarially determined contribution	\$ 818,964	\$ 863,560	\$ 763,758
Contributions in relation to the actuarially determined contribution	(818,964)	(863,560)	(763,758)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 9,545,081	\$ 9,790,954	\$ 8,649,595
Contributions as a percentage of covered payroll	8.58%	8.82%	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.

2018	2017	2016	2015	2014
\$ 701,889	\$ -	\$ 665,728	\$ 677,539	\$ 699,904
(701,889)	-	(665,728)	(677,539)	(699,904)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,049,224	\$ -	\$ 7,520,165	\$ 7,165,427	\$ 6,893,077
8.77%	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,	2021	2020
Total OPEB Liability		
Service cost	\$ 42,953	\$ 41,122
Interest (on the total OPEB liability)	14,805	17,525
Changes of benefit terms	-	-
Difference between expected and actual experience	(37,250)	(34,832)
Change of assumptions	21,646	90,235
Benefit payments, including refunds of employee contributions	(17,181)	(6,854)
Net Change in Total OPEB Liability	24,973	107,196
Total OPEB Liability - Beginning	727,348	620,152
Total OPEB Liability - Ending	\$ 752,321	\$ 727,348
Covered Payroll	\$ 9,545,081	\$ 9,790,954
Total OPEB Liability as a Percentage of Covered Payroll	7.88%	7.43%

*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.

2019	2018	2017
\$ 33,733	\$ 35,417	\$ 31,003
23,356	15,814	15,156
-	-	-
(141,958)	137,581	-
94,952	(31,206)	33,576
(5,190)	(4,830)	(5,426)
4,893	152,776	74,309
615,259	462,483	388,174
\$ 620,152	\$ 615,259	\$ 462,483
\$ 8,649,595	\$ 8,049,224	\$ 7,750,836
7.17%	7.64%	5.97%

See notes to required supplementary information.

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

For the Year Ended September 30, 2022	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Property taxes	\$ 5,382,889	\$ 5,382,889	\$ 5,544,707	\$ 161,818
Sales and use taxes	3,627,000	3,627,000	4,606,891	979,891
Franchise taxes	1,284,000	1,284,000	1,456,716	172,716
Intergovernmental				
Federal operating grants	486,730	486,730	690,201	203,471
State operating grants	2,799	2,799	1,923	(876)
Charges for services	629,750	629,750	543,004	(86,746)
Permits and fees	1,162,034	1,162,034	1,065,754	(96,280)
Investment income	10,000	10,000	67,212	57,212
Other revenue	149,500	149,500	141,054	(8,446)
Insurance recoveries	-	-	13,102	13,102
Total revenues	12,734,702	12,734,702	14,130,564	1,395,862
Expenditures				
Current				
General administration	2,118,555	2,118,555	1,583,516	535,039
Finance	661,101	661,101	665,762	(4,661)
Fleet maintenance	890,539	890,539	895,379	(4,840)
Police department	3,920,889	3,920,889	3,695,364	225,525
Fire and EMS	3,056,503	3,056,503	3,236,922	(180,419)
Inspections	501,687	501,687	481,174	20,513
Streets	1,327,263	1,327,263	1,392,615	(65,352)
Sanitation department	198,296	198,296	214,240	(15,944)
Parks and recreation	893,491	893,491	968,402	(74,911)
Cemetery	287,127	287,127	286,410	717
Library	418,382	418,382	339,852	78,530
Economic development	147,458	147,458	136,547	10,911
Capital outlay	1,404,730	1,404,730	2,338,905	(934,175)
Debt service				
Principal	219,309	219,309	290,271	(70,962)
Interest and other charges	24,752	24,752	26,891	(2,139)
Total expenditures	16,070,082	16,070,082	16,552,250	(482,168)
Excess (deficiency) of revenues over expenditures	(3,335,380)	(3,335,380)	(2,421,686)	913,694
Other financing sources (uses)				
Proceeds from sale of general capital assets	-	-	54,500	54,500
Proceeds from notes payable	-	-	977,731	977,731
Transfers in	2,125,120	2,125,120	2,214,998	89,878
Total other financing sources (uses)	2,125,120	2,125,120	3,247,229	1,122,109
Net change in fund balance	(1,210,260)	(1,210,260)	825,543	2,035,803
Fund balance - beginning of year, as originally stated	7,567,865	7,567,865	5,438,499	(2,129,366)
Fund balance - restatement (Note 2)	-	-	1,215,992	1,215,992
Fund balance - beginning of year, as restated	7,567,865	7,567,865	6,654,491	(913,374)
Fund balance - end of year	\$ 6,357,605	\$ 6,357,605	7,480,034	\$ 1,122,429

See notes to required supplementary information.

City of Mineral Wells, Texas
Notes to Required Supplementary Information
For the Year Ended September 30, 2022

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	24 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generated basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

City of Mineral Wells, Texas
Notes to Required Supplementary Information
For the Year Ended September 30, 2022

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

Valuation Date: August 31, 2022

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	PubS-2010 (public safety) below-median income mortality tables for employees and retirees, projected for mortality improvement generationally using projection scale MP-2019

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, 2022

**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	<p>Service retirees: 2019 Municipal Retirees of Texas Mortality Tables, The rates are projected on a fully generational basis with scale UMP.</p> <p>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.</p>

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
September 30, 2022				
Assets				
Cash and cash equivalents	\$ 7,497	\$ 29,167	\$ 867,074	\$ 278,247
Investments	-	-	-	-
Receivables				
Taxes, net	-	-	435,986	-
Intergovernmental	-	-	-	-
Customer, net	63,897	-	-	-
Leases	-	-	-	-
Other	-	-	-	-
Total assets	\$ 71,394	\$ 29,167	\$ 1,303,060	\$ 278,247
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	92,207	-
Unavailable revenue - leases	-	-	-	-
Total deferred inflows of resources	-	-	92,207	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	71,394	29,167	1,210,853	278,247
Total fund balances	71,394	29,167	1,210,853	278,247
Total liabilities, deferred inflows of resources, and fund balances	\$ 71,394	\$ 29,167	\$ 1,303,060	\$ 278,247

Special Revenue		Debt Service	Capital Projects	Permanent Fund		Total Nonmajor Governmental Funds
Economic Development Fund	Total Special Revenue Funds	Debt Service	Street	Woodland Park		
\$ 22,225	\$ 1,204,210	\$ 161,075	\$ 2,678,839	\$ 290,210	\$ 4,334,334	
26,956	26,956	-	755,908	316,656	1,099,520	
-	435,986	11,739	-	-	447,725	
-	-	-	-	-	-	
-	63,897	-	-	-	63,897	
-	-	1,204,038	-	-	1,204,038	
-	-	5	-	-	5	
<u>\$ 49,181</u>	<u>\$ 1,731,049</u>	<u>\$ 1,376,857</u>	<u>\$ 3,434,747</u>	<u>\$ 606,866</u>	<u>\$ 7,149,519</u>	
\$ -	\$ -	\$ 1,833	\$ -	\$ -	\$ 1,833	
-	-	-	246,799	-	246,799	
-	-	1,833	246,799	-	248,632	
-	92,207	5,911	-	-	98,118	
-	-	1,192,818	-	-	1,192,818	
-	92,207	1,198,729	-	-	1,290,936	
-	-	-	-	606,866	606,866	
49,181	1,638,842	176,295	3,187,948	-	5,003,085	
49,181	1,638,842	176,295	3,187,948	606,866	5,609,951	
<u>\$ 49,181</u>	<u>\$ 1,731,049</u>	<u>\$ 1,376,857</u>	<u>\$ 3,434,747</u>	<u>\$ 606,866</u>	<u>\$ 7,149,519</u>	

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
For the Year Ended September 30, 2022				
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ 578,093	\$ -
Occupancy taxes	406,615	-	-	-
Lease revenue	-	-	-	-
Interest earned on leases	-	-	-	-
Investment income	191	153	6,730	1,925
Total revenues	406,806	153	584,823	1,925
Expenditures				
Current				
Police department	-	1,070	-	-
Streets	-	-	-	-
Library	-	-	-	864
Economic development	-	-	82,086	-
Hotel occupancy tax	370,570	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	370,570	1,070	82,086	864
Excess (deficiency) of revenues over	36,236	(917)	502,737	1,061
Other financing sources (uses)				
Proceeds from sale of general capital assets	-	20,700	-	-
Transfers (out)	-	-	(329,613)	-
Total other financing sources (uses)	-	20,700	(329,613)	-
Net change in fund balances	36,236	19,783	173,124	1,061
Fund balances - beginning of year, as originally st	35,158	9,384	1,037,729	277,186
Fund balances - restatement (note 2)	-	-	-	-
Fund balances - beginning of year, as restated	35,158	9,384	1,037,729	277,186
Fund balances - end of year	\$ 71,394	\$ 29,167	\$ 1,210,853	\$ 278,247

Special Revenue		Debt Service	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
Economic Development Fund	Total Special Revenue Funds	Debt Service	Street	Woodland Park	
\$ -	\$ 578,093	\$ 371,676	\$ -	\$ -	\$ 949,769
-	406,615	-	-	-	406,615
-	-	182,959	-	-	182,959
-	-	7,569	-	-	7,569
332	9,331	1,343	23,846	2,508	37,028
332	994,039	563,547	23,846	2,508	1,583,940
-	1,070	-	-	-	1,070
-	-	-	2,040	-	2,040
-	864	-	-	-	864
-	82,086	-	-	-	82,086
-	370,570	-	-	-	370,570
-	-	-	938,438	-	938,438
-	-	319,308	-	-	319,308
-	-	193,400	-	-	193,400
-	454,590	512,708	940,478	-	1,907,776
332	539,449	50,839	(916,632)	2,508	(323,836)
-	20,700	-	-	-	20,700
-	(329,613)	-	-	-	(329,613)
-	(308,913)	-	-	-	(308,913)
332	230,536	50,839	(916,632)	2,508	(632,749)
48,849	1,408,306	1,668,443	4,104,580	604,358	7,785,687
-	-	(1,542,987)	-	-	(1,542,987)
48,849	1,408,306	125,456	4,104,580	604,358	6,242,700
\$ 49,181	\$ 1,638,842	\$ 176,295	\$ 3,187,948	\$ 606,866	\$ 5,609,951

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COMPLIANCE SECTION



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

The Honorable Mayor and City Council
City of Mineral Wells, Texas
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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 10, 2023. Our report includes a reference to other auditors who audited the financial statements of the Palo Pinto County Municipal Water District No.1 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.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-005 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-002, 2022-003, and 2022-004 to be significant deficiencies.

Report on Compliance and Other Matters

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

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

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

Carr, Riggs & Ingram, LLC
Dallas, Texas
July 10, 2023

City of Mineral Wells, Texas
Schedule of Findings and Responses
September 30, 2022

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? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

SECTION II – FINANCIAL STATEMENT FINDINGS

2022-001 – Trial Balance Maintenance and Account Reconciliation – Material Weakness

Condition: Several material audit adjustments were necessary to properly state balances at year-end, they include:

- An adjustment of \$153,000 was necessary to properly reflect the Drainage Utility fund equipment accumulated depreciation.
- An adjustment of \$75,222 was necessary to properly include the depreciation expense related to department 2100 which was not included in the original depreciation schedule.
- Two adjustments in the amount of \$18,336 and \$15,495, respectively were necessary to properly adjust retainage liability to zero for the water and airport funds.
- An adjustment of \$2,042 was required to properly reconcile the due to and from balances activity related to the transfers from the water fund to fixed assets.
- An adjustment in the amount of \$23,191 was necessary to properly adjust deferred revenue for the subsequent collections of franchise taxes.
- An adjustment in the amount of \$1,368,750 to properly record the transfer of capital assets in the waste water fund and the water fund for current year capital outlay expenses.
- An adjustment of \$290,998 was necessary to properly reflect the transfers for capital assets to the general fund.
- Two adjustments in the amount of \$29,714 and \$93,611, respectively were necessary to properly adjust accounts receivable for the hotel occupancy taxes.
- An adjustment in the amount of \$465,488 was necessary to properly reflect the sales tax receivable incorrectly recorded as donation revenue.
- Two adjustments in the amount of \$1,884,784 and \$1,892,234, respectively were necessary to properly reflect unearned revenue for American Rescue Plan Act funding.
- An adjustment in the amount of \$6,414 to properly adjust the compensated absences liability for the government wide activities.
- An adjustment in the amount of \$2,084,053 to properly reflect the activity of the insurance accounts.

City of Mineral Wells, Texas
Schedule of Findings and Responses
September 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 – Trial Balance Maintenance and Account Reconciliation – Material Weakness (Continued)

- A restatement of \$1,215,992 and \$394,775 to properly classify the insurance fund as a governmental fund and within the governmental activities.

Criteria: Monthly maintenance of the trial balance and preparation of annual financial statements and related note disclosures in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate and useful information is available to management and those charged with governance.

Effect: Not having proper controls over trial balance maintenance could result in inaccurate account balances and material adjustments.

Cause: Internal controls were not in place to ensure that monthly general ledger account reconciliations were completed and reviewed for all significant accounts during the fiscal year.

Auditors' Recommendation: Management should implement a monthly or quarterly financial closing process to assure that all significant matters impacting the financial statements are evaluated for compliance with GAAP and reconciled regularly.

Views of Responsible Officials and Planned Corrective Action: Finance Department is currently undergoing many changes throughout the department. That being said, a majority of the issues in this finding were a result of human error, caused mainly due to undermanned and overworked personnel. We will continue to audit our processes and become more efficient moving forward.

Responsible Official: Finance Director

Timeline and Estimated Completion Date: September 30, 2023

City of Mineral Wells, Texas
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SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2022-002 – Inadequate Controls over Journal Entries – Significant Deficiency

Condition: The City has accepted practices in place that require journal entries be proposed by one individual and reviewed by another, as is appropriate. However, this process is not consistently documented and it was noted during test work that in some cases, the controls were not adequate. This resulted in errors where several journal entries were posted to incorrect accounts.

Criteria: Appropriate internal controls over general ledger activity requires establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Effect: Not having proper review of journal entry preparation could result in journal entries being posted to the system incorrectly as well as causing material misstatements to the financial statements.

Cause: Management does not have adequate controls in place to review the preparation of journal entries posted to the general ledger.

Auditors' Recommendation: We recommend that the City implement a procedure to verify that journal entries are accurately prepared.

Views of Responsible Officials and Planned Corrective Action: Along with monthly financial statements, a digital listing of journal entries will be presented to the Finance Director for review and approval.

Responsible Official: Finance Director

Timeline and Estimated Completion Date: September 30, 2023

City of Mineral Wells, Texas
Schedule of Findings and Responses
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SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2022-003 – Pledged Collateral Requirements and Bank Reconciliations – Significant Deficiency

Condition: The City's bank balances for several banks were not properly collateralized in the amount of \$1,030,680 at year end. For one bank reconciliation, the City had stale checks that dated back to fiscal year 2020.

Criteria: The Public Funds Collateral Act § 2257.022 requires public funds to be collateralized up to at least 100% of all city funds in excess of FDIC coverage. Additionally, the Texas Uniform Commercial Code § 4.404 states that banks are not obligated to pay checks more than six months old but may charge a customer's account made thereafter in good faith.

Effect: The City could potentially lose money if the bank were to accept stale checks. The City's cash balance may be misstated by the amount of the stale dated checks and they are not in compliance with policy.

Cause: The City did not ensure that collateral was properly pledged at year-end. The City overlooked the stale-dated checks during the bank reconciliation process in the year.

Auditors' Recommendation: We recommend that the City work with their banking institutions to ensure that their balances are properly collateralized. We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be implemented.

Views of Responsible Officials and Planned Corrective Action: The City will work on effective communication regarding procedures over stale checks and follow up with financial institutions on a monthly and quarterly basis to ensure pledged collateral requirements are met.

Responsible Official: Finance Director

Timeline and Estimated Completion Date: September 30, 2023

**City of Mineral Wells, Texas
Schedule of Findings and Responses
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SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2022-004 – Budgetary Conditions – Significant Deficiency

Condition: The general fund budget was over expended by \$482,168.

Criteria: The Texas Local Government Code § 102.009(b) requires the City, with the exception of an emergency, to spend municipal funds only in strict compliance with the budget. The governing body may make changes to the budget for municipal purposes through ordinance.

Effect: The City may need to supplement the budget deficits with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: The City has internal controls in place to monitor budget versus available cash, however the City did not budget sufficient revenue for this fund or amend the budget for additional needs.

Auditors' Recommendations: Budget deficits for future years should be reviewed to ensure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Views of Responsible Officials of Auditee and Planned Corrective Action: The City will amend the budget when appropriate, specifically, if a capital expenditure is approved and financed during the fiscal year that was outside the scope of the approved budget.

Responsible Official: Finance Director

Timeline and Due Date of Completion: September 30, 2023

City of Mineral Wells, Texas
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SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2022-005 – Inadequate Controls over the Preparation of the Schedule of Grants – Material Weakness

Condition: The City does not have a procedure in place to ensure the information included in the SEFA is accurate and complete as the City included \$435,145 of expenditures classified as federal but were related to local and matching funds.

Criteria: The state and federal agencies rely on the information included in the financial statement and reports to make decisions. It is the responsibility of City management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

Effect: An incorrect SEFA could delay an audit beyond the reporting deadline and cause unnecessary audit costs. Once the non-federal expenditures were removed, the City no longer met the financial threshold for a required single audit.

Cause: The City did not ensure that only federal expenditures were included in the SEFA preparation.

Auditors' Recommendation: We recommend that the City establish and implement internal controls to ensure financial information that is used to prepare the SEFA is complete and accurate.

Views of Responsible Officials and Planned Corrective Action: The City will work on increasing knowledge of requirements of SEFA moving forward.

Responsible Official: Finance Director

Timeline and Estimated Completion Date: September 30, 2023

SECTION III – SUMMARY OF PRIOR YEAR FINDINGS

No prior year findings.