

CITY OF MULESHOE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

City Of Muleshoe, Texas
Annual Financial Report
For The Year Ended September 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
 FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis (Required Supplementary Information).....	3
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position - Enterprise Fund.....	18
Statement of Revenues, Expenses, and Changes in	
Fund Net Position - Enterprise Fund.....	19
Statement of Cash Flows - Proprietary Funds.....	20
Notes to the Financial Statements	21
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedules:	
General Fund.....	41
Economic Development.....	42
Schedule of the City's Proportionate Share of the	
Net Pension Liability - Texas Municipal Retirement System.....	43
Schedule of City's Contributions - Texas Municipal Retirement System.....	44
Schedule of the City's Proportionate Share of the	
Net OPEB Liability - OPEB Plan.....	45
Notes to Required Supplementary Information.....	46

Financial Section

RANDALL L. FIELD, P.C.
214 WEST SECOND
MULESHOE, TEXAS 79347

Independent Auditor's Report

To the City Council
City Of Muleshoe, Texas
215 South First Street
Muleshoe, Texas 79347

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City Of Muleshoe, Texas ("the City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Of Muleshoe, Texas as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions, and schedule of the City's proportionate share of the net OPEB liability and schedule of City OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Randall L. Field, P.C.

Muleshoe, Texas
February 19, 2021

CITY OF MULESHOE, TEXAS

Management's Discussion and Analysis For Year Ended September 30, 2020

This section of City of Muleshoe annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net positions were \$9,279,554 at September 30, 2020. Of this amount, \$292,824 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- During the year, the City's total net position increased by \$ 569,482.
- The total cost of the City's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$ 875,949.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Enterprise fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the City's Annual Financial Report

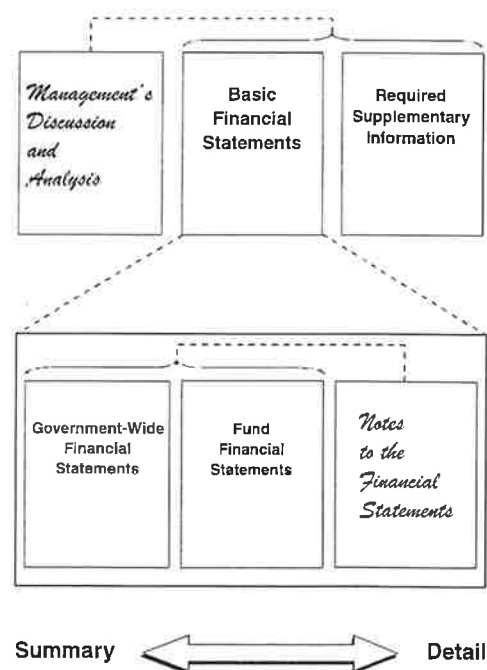


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF MULESHOE, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2020

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Government-wide	Governmental Funds	Fund Statements Enterprise Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses
<i>Required financial statements</i>	☐ Statement of net position	☐ Balance sheet	☐ Statement of net position
	☐ Statement of Activities	☐ Statement of revenues, expenditures & changes in fund balance	☐ Statement of revenues, expenses & changes in fund net position
			☐ Statement of cash flow
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities both financial and capital, short-term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payments is due during the year or soon thereafter	All revenues and expenses during year, regardless when cash is received or paid

CITY OF MULESHOE, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2020

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes and grants finance most of these activities. The business-type activities of the city include the water and sewer and airport operations.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long term focus of the government wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Enterprise funds*—Services for which the City charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provide in the government-wide and fund statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The City's combined net positions were \$9,349,924 at September 30, 2020.

The largest portion of the City's net position reflects its investments in capital assets (e.g. land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital 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 MULESHOE, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2020

CITY OF MULESHOE'S NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,681,128	\$ 2,186,142	\$ 1,366,589	\$ 1,344,018	\$ 4,047,717	\$ 3,530,160
Restricted assets	-	-	93,635	89,590	93,635	89,590
Capital assets	5,861,458	6,270,429	6,214,779	6,127,090	12,076,237	12,397,519
Deferred outflow of resources	749,310	1,084,078	169,680	266,346	918,990	1,350,424
Total Assets and Deferred Outflow of Resources	9,291,896	9,540,649	7,844,683	7,827,044	17,136,579	17,367,693
Other liabilities	173,446	187,262	165,097	354,938	338,543	542,200
Long-term liabilities	3,753,674	4,627,970	2,878,111	3,083,497	6,631,785	7,711,467
Deferred inflows of resources	687,071	261,706	199,626	71,878	886,697	333,584
Total Liabilities and Deferred Inflows of Resources	4,614,191	5,076,938	3,242,834	3,510,313	7,857,025	8,587,251
Net Position:						
Net Investment in Capital Assets	3,791,458	3,939,402	3,690,534	3,423,564	7,481,992	7,362,966
Restricted	1,504,728	1,322,562	-	-	1,504,728	1,322,562
Unrestricted	(618,481)	(798,253)	911,315	893,167	292,834	94,914
Total Net Position	\$ 4,677,705	\$ 4,463,711	\$ 4,601,849	\$ 4,316,731	\$ 9,279,554	\$ 8,780,442

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$292,834 may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2020, the City is able to report positive balances in all three categories of Net Position for the governmental as a whole.

Analysis of the City's Operations

The City's total revenues were \$5,418,463. A significant portion, \$2,213,749 of the City's revenue comes from taxes. \$2,640,895 relates to charges for services, while only \$217,721 comes from operating grants.

Governmental Activities: Governmental activities increased Net Position after transfers by \$569,482. Governmental program revenues and expenses remained similar to prior year.

Business-type Activities: The Water and Sewer fund had an increase in net position for the year and there were no significant variations in revenue or expense in relation to prior year.

The following table provides a summary for the City's operations for year ended September 30, 2020

CITY OF MULESHOE, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2020

CITY OF MULESHOE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for service	\$ 1,070,439	1,075,599	1,570,456	1,570,456	2,640,895	2,646,055
Operating grants	217,721	4,002	-	-	217,721	4,002
Capital grants	297,600	1,521,549	-	-	-	-
General Revenues:						
Property taxes	1,119,955	1,094,881	-	-	1,119,955	1,094,881
Sales taxes	781,741	727,181	-	-	781,741	727,181
Franchise taxes	261,196	265,336	-	-	261,196	265,336
Occupancy taxes	50,857	56,648	-	-	50,857	56,648
Investment earnings	23,680	50,472	47,418	47,418	71,098	97,890
Miscellaneous	-	1,320	-	-	-	1,320
Total revenues	\$ 3,823,189	4,796,988	1,617,874	1,617,874	5,143,463	4,891,993
Expenses:						
General government	478,124	486,186	-	-	478,124	486,186
Police	1,063,582	1,096,363	-	-	1,063,582	1,096,363
Fire	138,322	155,757	-	-	138,322	155,757
Streets	378,867	568,929	-	-	378,867	568,929
Maintenance Equipment	74,528	79,070	-	-	74,528	79,070
Sanitation	513,138	570,906	-	-	513,138	570,906
Health and Welfare	-	6,174	-	-	-	6,174
Parks	67,073	72,891	-	-	67,073	72,891
Swimming Pool	139,423	156,977	-	-	139,423	156,977
Library	228,190	240,952	-	-	228,190	240,952
Municipal Court	73,128	81,469	-	-	73,128	81,469
Golf Course	68,271	68,032	-	-	68,271	68,032
Code Enforcement	61,960	56,406	-	-	61,960	56,406
Economic Development	168,486	170,934	-	-	168,486	170,934
Interest on Long-Term Debt	58,097	62,479	-	-	58,097	62,479
Training Facility	4,253	4,669	-	-	4,253	4,669
Water and Sewer	-	-	1,248,877	1,248,877	1,248,877	1,248,877
Airport	107,262	73,621	-	-	107,262	73,621
Total Expenses	\$ 3,022,704	3,951,815	1,248,877	1,248,877	4,871,581	5,200,692
Increases in Net Position						
Before Transfers	200,485	845,173	368,997	368,997	569,482	1,214,170
Transfers	13,509	361,009	(13,509)	(361,009)	-	-
Increases in Net Position	213,994	1,206,182	355,488	7,988	569,482	1,214,170
Net Position- October 1	4,463,711	3,257,529	4,316,731	4,308,743	8,780,442	7,566,272
Net Position- September 30	\$ 4,677,705	4,463,711	4,672,219	4,316,731	9,349,924	8,780,442

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

CITY OF MULESHOE, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2020

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

At the end of the current fiscal year, the City of Muleshoe's governmental funds reported combined ending fund balances of \$2,380,677. Approximately \$852,246 constitutes unassigned fund balance and \$23,703 is assigned for capital expenditures for equipment. The remaining is either nonspendable or restricted.

In the general fund, the City budgeted for a increase in the fund balance on a budgeted basis of \$6,656. However due to expenditures being less than expected and revenue being less than expected and transfer more than expected the actual fund balance decreased \$337,754 for the fiscal year 2020.

Enterprise Funds- The City's enterprise fund statements provide the same type of information found in the governmental-wide financial statements, but in more detail. Unrestricted net position of the respective enterprise fund or Water and Sewer Fund was \$911,315.

General Fund Budgetary Highlights

Over the course of the year, the City did not revise its budget. Actual expenditures were \$90,924 below the final budget amounts and resources available were \$252,064 more than the final budgeted amount.

CAPITAL ASSETS

At the end of 2020, the City had invested \$22,414,699 in a broad range of capital assets, including land, equipment, buildings, and vehicles.

CITY OF MULESHOE'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 612,284	\$ 612,284	\$ 833,127	\$ 833,127	1,445,411	1,445,411
Construction in progress	-	59,666	-	-	-	59,666
Buildings and improvements	4,368,423	4,368,423	206,804	206,804	4,575,227	4,575,227
Machinery and equipment	4,143,739	4,066,947	826,540	816,540	4,970,279	4,883,487
Water and sewer system	-	-	8,993,048	8,605,157	8,993,048	8,605,157
Airport improvements	2,155,952	2,155,952	-	-	2,155,952	2,155,952
Infrastructure	274,782	274,782	-	-	274,782	274,782
Totals at historical cost	11,555,180	11,538,054	10,859,519	10,461,628	22,414,699	21,999,682
Total accumulated depreciation	(5,693,722)	(5,267,625)	(4,644,740)	(4,334,538)	(10,338,462)	(9,602,163)
Net capital assets	<u>\$5,861,458</u>	<u>\$6,270,429</u>	<u>\$6,214,779</u>	<u>\$6,127,090</u>	<u>\$12,076,237</u>	<u>\$12,397,519</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

CITY OF MULESHOE, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2020

DEBT ADMINISTRATION

At year-end, the City had \$6,432,540 in outstanding capital leases, notes, net pension liability and landfill closure cost. More detailed information about the City's debt is presented in the notes to the financial statements.

CITY OF MULESHOE'S LONG TERM DEBT

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Certificates of obligation	\$2,070,000	2,304,000	2,325,000	2,485,000	4,395,000	4,789,000
Capital Lease	-	27,027				27,027
Landfill closure cost	318,745	312,339			318,745	312,339
Net pension liability	1,260,781	1,862,353	325,339	506,007	1,586,120	2,368,360
OPEB liability	104,148	122,251	28,527	33,964	132,675	156,215
Total notes payable	<u>\$3,753,674</u>	<u>4,627,970</u>	<u>2,678,866</u>	<u>3,024,971</u>	<u>6,432,540</u>	<u>7,652,941</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City Council adopted a tax rate of \$0.7852 per \$100 evaluation to fund the Maintenance and Operation needs and Debt Service of the city. This tax rate is the effective tax rate..

Capital improvement funds allocated in the General Fund Include:

Police Department - Equipment, radios, computer equipment, crime scene equipment, vehicle, and lease purchase debt - \$60,505.

Street Department – Equipment - \$6,000

Parks Department – Lighting for walking trail, playground equipment, and irrigation system - \$66,800

Library - Building improvements, computer equipment, books and media \$18,500

Employee salaries were increased 3.8% in the FY2020-2021 Budget. The salary increases were a combination of cost of living adjustments and merit increases and were made possible because of efficiencies within each department. Salary adjustments were not dependent on any increase in revenues i.e. tax rate, sales taxes, fees for service, etc.

Medical insurance costs increased 5% for FY2020-2021. The city offers a consumer driven insurance option to employees. This plan allows employees to choose from eight (8) medical plans that provide various deductibles, out-of-pocket expenses co-pays. The employee chooses the plan that best fits his/her situation. The city contributes \$616.42 toward employee medical coverage and \$475 for dependent coverage. Any medical insurance cost above the city's contribution is paid by the employee. The city also provides \$44.40 for employee dental and vision insurance. Salaries and employee benefits account for 35% of the city's total FY2020-2021 budget.

CITY OF MULESHOE, TEXAS

Management's Discussion and Analysis
For Year Ended September 30, 2020

The FY2020-2021 Annual Operating Budget for the City of Muleshoe is the product of many hours of deliberation and consideration by the City Council, Department Heads, Administrative, and Financial staff. The City firmly believes that this financial plan indicates the commitment of the city to continue to provide excellent efficient services to the citizens of Muleshoe and provides a plan to implement and develop growth within the city. In order to maintain fiscal stability, the City of Muleshoe maintains an Unreserved Fund Balance in each fund to meet unforeseen emergencies that may arise and to address future major capital improvement projects

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager.

Basic Financial Statements

CITY OF MULESHOE, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,068,402	\$ 1,191,418	\$ 3,259,820
Receivables (net of allowances for uncollectibles):			
Property Taxes- Delinquent	132,941	--	132,941
Accounts	195,506	168,132	363,638
Notes Receivable	132,745	--	132,745
Due from Other Governments	151,534	--	151,534
Deferred Expenditures	--	7,039	7,039
Restricted assets:			
Cash and cash equivalents			
Customer Meter Deposits	--	93,635	93,635
Capital Assets			
Land	612,284	833,127	1,445,411
Buildings and Improvements	4,368,423	206,804	4,575,227
Machinery and Equipment	4,143,739	826,540	4,970,279
Water and Sewer System	--	8,993,048	8,993,048
Airport Improvements	2,155,952	--	2,155,952
Infrastructure	274,782	--	274,782
Less Accumulated Depreciation	(5,693,722)	(4,644,740)	(10,338,462)
Total Assets	<u>8,542,586</u>	<u>7,675,003</u>	<u>16,217,589</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows Related to Pensions	637,109	165,190	802,299
Deferred Outflows Related to OPEB	17,613	4,490	22,103
Deferred Outflows Related to Refunding Bonds	94,588	--	94,588
Total Deferred Outflows of Resources	<u>749,310</u>	<u>169,680</u>	<u>918,990</u>
LIABILITIES			
Accounts payable	124,769	48,693	173,462
Accrued wages	42,741	12,819	55,560
Payable from Restricted Assets:			
Customer Deposits	--	93,635	93,635
Accrued Interest Payable	5,936	9,950	15,886
Noncurrent Liabilities:			
Due within one year	240,000	165,000	405,000
Due in more than year	2,148,745	2,359,245	4,507,990
Net Pension Liability	1,260,781	325,339	1,586,120
OPEB Liability	104,148	28,527	132,675
Total Liabilities	<u>3,927,120</u>	<u>3,043,208</u>	<u>6,970,328</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflow Related to Pension	678,019	196,994	875,013
Deferred Inflow Related OPEB	9,052	2,632	11,684
Total Deferred Inflows of Resources	<u>687,071</u>	<u>199,626</u>	<u>886,697</u>
NET POSITION:			
Net Investment in Capital Assets	3,791,458	3,690,534	7,481,992
Restricted For:			
Debt Service	53,275	--	53,275
Street Maintenance	168,408	--	168,408
Drug Seizure Proceeds	243	--	243
Economic Development	1,181,595	--	1,181,595
Hotel/Motel Occupancy Tax	101,207	--	101,207
Unrestricted	(618,481)	911,315	292,834
Total Net Position	<u>\$ 4,677,705</u>	<u>\$ 4,601,849</u>	<u>\$ 9,279,554</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
<i>General Government</i>	\$ 478,124	\$ 57,512	\$ --	\$ --
<i>Police</i>	1,063,582	--	203,187	22,600
<i>Fire</i>	138,322	--	14,534	--
<i>Streets</i>	378,867	2,722	--	--
<i>Maintenance Equipment</i>	74,528	--	--	--
<i>Sanitation</i>	513,138	873,354	--	--
<i>Parks</i>	67,073	4,663	--	--
<i>Swimming Pool</i>	139,423	36,260	--	--
<i>Library</i>	228,190	615	--	--
<i>Municipal Court</i>	73,128	51,867	--	--
<i>Golf Course</i>	68,271	15,600	--	--
<i>Code Enforcement</i>	61,960	--	--	--
<i>Economic Development and Assistance</i>	168,486	--	--	--
<i>Airport</i>	107,262	27,846	--	--
<i>Training Facility</i>	4,253	--	--	--
<i>Interest on Long-Term Debt</i>	58,097	--	--	--
Total Governmental Activities	<u>3,622,704</u>	<u>1,070,439</u>	<u>492,721</u>	<u>22,600</u>
Business-type Activities:				
<i>Water and Sewer</i>	1,368,376	1,652,490	--	--
Total Business-type Activities	<u>1,368,376</u>	<u>1,652,490</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 4,991,080</u>	<u>\$ 2,722,929</u>	<u>\$ 492,721</u>	<u>\$ 22,600</u>
General Revenues:				
<i>Property Taxes</i>				
<i>Sales Taxes</i>				
<i>Franchise Taxes</i>				
<i>Occupancy</i>				
<i>Unrestricted Investment Earnings</i>				
<i>Transfers</i>				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (420,612)		\$ (420,612)
(837,795)		(837,795)
(123,788)		(123,788)
(376,145)		(376,145)
(74,528)		(74,528)
360,216		360,216
(62,410)		(62,410)
(103,163)		(103,163)
(227,575)		(227,575)
(21,261)		(21,261)
(52,671)		(52,671)
(61,960)		(61,960)
(168,486)		(168,486)
(79,416)		(79,416)
(4,253)		(4,253)
(58,097)		(58,097)
<u>(2,036,944)</u>		<u>(2,036,944)</u>
<u>--</u>	\$ 284,114	<u>284,114</u>
<u>--</u>	<u>284,114</u>	<u>284,114</u>
<u>(2,036,944)</u>	<u>284,114</u>	<u>(1,752,830)</u>
1,119,955	--	1,119,955
781,741	--	781,741
261,196	--	261,196
50,857	--	50,857
23,680	14,512	38,192
13,509	13,508	--
<u>2,250,938</u>	<u>1,004</u>	<u>2,251,942</u>
213,994	285,118	499,112
4,463,711	4,316,731	8,780,442
<u>\$ 4,677,705</u>	<u>\$ 4,601,849</u>	<u>\$ 9,279,554</u>

CITY OF MULESHOE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Economic Development	Other Governmental Funds	Total Governmental Funds
ASSETS:				
<i>Cash and cash equivalents</i>	\$ 657,291	\$ 1,100,529	\$ 310,582	\$ 2,068,402
Receivables (net of allowances for uncollectibles):				
<i>Property Taxes- Delinquent</i>	110,004	--	22,937	132,941
<i>Accounts</i>	189,758	--	5,748	195,506
<i>Notes Receivable</i>	--	132,745	--	132,745
<i>Due from other funds</i>	50,325	--	5,988	56,313
<i>Due from Other Governments</i>	150,319	--	1,215	151,534
Total Assets	<u>1,157,697</u>	<u>1,233,274</u>	<u>346,470</u>	<u>2,737,441</u>
LIABILITIES				
<i>Accounts payable</i>	\$ 124,242	\$ 527	\$ --	\$ 124,769
<i>Accrued wages</i>	41,514	1,227	--	42,741
<i>Due to other funds</i>	5,988	49,925	400	56,313
Total Liabilities	<u>171,744</u>	<u>51,679</u>	<u>400</u>	<u>223,823</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue- Property Taxes	110,004	--	22,937	132,941
Total Deferred Inflows of Resources	<u>110,004</u>	<u>--</u>	<u>22,937</u>	<u>132,941</u>
FUND BALANCES				
Restricted Fund Balances				
Retirement of Long-Term debt	--	--	53,275	53,275
Economic Development	--	1,181,595	--	1,181,595
Hotel/Motel Occupancy Tax	--	--	101,207	101,207
Drug Seizure Proceeds	--	--	243	243
Street Maintenance	--	--	168,408	168,408
Assigned Fund Balances				
Capital Expenditures for Equipment	23,703	--	--	23,703
<i>Unassigned</i>	852,246	--	--	852,246
Total Fund Balance	<u>875,949</u>	<u>1,181,595</u>	<u>323,133</u>	<u>2,380,677</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 1,157,697</u>	<u>\$ 1,233,274</u>	<u>\$ 346,470</u>	<u>\$ 2,737,441</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total fund balances - governmental funds balance sheet \$ 2,380,677

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not reported in the funds.	5,861,458
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	132,941
Deferred Resource Outflows related to debt refunding are not reported in the funds.	94,587
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,070,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(5,936)
Landfill Closure liabilities which are not due and payable in the current period are not reported in the funds.	(318,745)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(1,260,781)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(678,018)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	637,109
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(104,148)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(9,052)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	17,613

Net position of governmental activities - Statement of Net Position \$ 4,677,705

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Economic Development	Other Governmental Funds	Total Governmental Funds
Revenue:				
Property Taxes	\$ 891,190	\$ --	\$ 240,671	\$ 1,131,861
Sales Taxes	522,405	129,668	129,668	781,741
Franchise Taxes	261,196	--	--	261,196
Occupancy Taxes	--	--	50,857	50,857
Licenses and permits	13,379	--	--	13,379
Intergovernmental	240,321	--	275,000	515,321
Charges for services	956,305	--	--	956,305
Fines	52,286	--	--	52,286
Interest	6,413	14,195	3,072	23,680
Miscellaneous	48,469	--	--	48,469
Total revenues	<u>2,991,964</u>	<u>143,863</u>	<u>699,268</u>	<u>3,835,095</u>
Expenditures:				
Current:				
General government	438,405	--	615	439,020
Police	944,435	--	1,049	945,484
Fire	63,816	--	--	63,816
Streets	332,998	--	--	332,998
Maintenance Equipment	70,408	--	--	70,408
Sanitation	455,680	--	--	455,680
Parks	50,451	--	--	50,451
Swimming Pool	61,461	--	--	61,461
Library	208,449	--	--	208,449
Municipal Court	68,997	--	--	68,997
Golf Course	60,476	--	--	60,476
Code Enforcement	57,754	--	--	57,754
Economic development and assistance	--	119,937	45,523	165,460
Airport	19,837	--	--	19,837
Training Facility	4,253	--	--	4,253
Capital outlay	76,793	--	286,276	363,069
Debt service:				
Principal	27,028	--	234,000	261,028
Interest and fiscal charges	1,079	--	44,614	45,693
Debt issuance cost and fees	--	--	292	292
Total expenditures	<u>2,942,320</u>	<u>119,937</u>	<u>612,369</u>	<u>3,674,626</u>
Excess (deficiency) of revenues (under) expenditures	49,644	23,926	86,899	160,469
Other financing sources (uses):				
Operating transfers in	300,000	--	71,341	371,341
Operating transfers out	(11,890)	--	--	(11,890)
Total other financing sources (uses)	<u>288,110</u>	<u>--</u>	<u>71,341</u>	<u>359,451</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	337,754	23,926	158,240	519,920
Fund balances October 1	538,195	1,157,669	164,893	1,860,757
Fund balances September 30	<u>\$ 875,949</u>	<u>\$ 1,181,595</u>	<u>\$ 323,133</u>	<u>\$ 2,380,677</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds	\$ 519,920
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	(426,097)
The depreciation of capital assets used in governmental activities is not reported in the funds.	363,068
Transfer of capital assets to Enterprise Fund decrease net position in the SOA but not in the funds.	(345,942)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(11,906)
Landfill Closure expenses not requiring the use of current financial resources are not reported as expenditures	(6,406)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	234,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	27,027
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(12,898)
(Increase) decrease in accrued interest from beginning of period to end of period.	787
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(119,297)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(8,263)
Change in net position of governmental activities - Statement of Activities	<u>\$ 213,994</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS**STATEMENT OF NET POSITION****ENTERPRISE FUND**

SEPTEMBER 30, 2020

	Enterprise Fund Water and Sewer Fund
ASSET	
Current Assets:	
<i>Cash and cash equivalents</i>	\$ 1,191,418
Receivables (net of allowances for uncollectibles):	
<i>Accounts</i>	168,132
<i>Deferred Expenditures</i>	7,039
<i>Total Current Assets</i>	<u>1,366,589</u>
Non-Current Assets:	
Restricted assets:	
<i>Cash and cash equivalents</i>	
<i>Customer Meter Deposits</i>	93,635
<i>Capital assets</i>	
Land	833,127
Buildings and Improvements	206,804
Machinery and Equipment	826,540
Water and Sewer System	8,993,048
Less Accumulated Depreciation	<u>(4,644,740)</u>
Total Non-Current Assets	<u>6,308,414</u>
Total Assets	<u><u>7,675,003</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	165,190
Deferred Outflows Related to OPEB	4,490
Total Deferred Outflows of Resources	<u>\$ 169,680</u>
LIABILITIES	
Current Liabilities:	
<i>Accounts payable</i>	\$ 48,693
<i>Accrued expenses</i>	9,950
<i>Accrued wages</i>	12,819
<i>Current portion of long-term obligations</i>	165,000
Total Current Liabilities	<u>236,462</u>
Payable from Restricted Assets:	
<i>Customer Deposits</i>	<u>93,635</u>
Noncurrent Liabilities	
<i>Long-term obligation payable after one year</i>	2,359,245
<i>Net Pension Liability</i>	325,339
<i>OPEB Liability</i>	28,527
Total Noncurrent Liabilities	<u>2,713,111</u>
Total Liabilities	<u><u>3,043,208</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pensions	196,994
Deferred Inflow Related to OPEB	2,632
Total Deferred Inflows of Resources	<u>199,626</u>
NET POSITION	
<i>Investment in capital assets</i>	3,690,534
<i>Unrestricted (Deficit)</i>	911,315
Total Net Position	<u>\$ 4,601,849</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
<i>Charges for services</i>	\$ 1,615,531
<i>Rents</i>	35,368
<i>Miscellaneous</i>	1,591
Total Operating Revenues	<u>1,652,490</u>
OPERATING EXPENSES:	
<i>Personnel services</i>	540,896
<i>Supplies</i>	45,759
<i>Maintenance</i>	196,153
<i>Other charges</i>	213,821
<i>Depreciation</i>	310,201
Total Operating Expenses	<u>1,306,830</u>
Operating Income (Loss)	<u>345,660</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Interest revenue</i>	14,512
<i>Interest expense</i>	(61,546)
Total Non-operating Revenues (Expenses)	<u>(47,034)</u>
Net Income (Loss) before Transfers	298,908
<i>Capital contributions</i>	345,942
<i>Interfund operating transfers out</i>	(359,450)
Change in net position	<u>285,118</u>
Net Position at October 1,	4,316,731
Net Position at September 30,	<u><u>\$ 4,601,849</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS

STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,629,450
Cash Payments to Employees for Services	(537,691)
Cash Payments to Other Suppliers for Goods and Services	(449,789)
Net Cash Provided (Used) by Operating Activities	<u>641,970</u>
Cash Flows from Non-capital Financing Activities:	
Operating Transfers From (To) Other Funds	(359,450)
Capital Contribution	345,942
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(13,508)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition or Construction of Capital Assets	(397,890)
Interest and principal on debt	(240,827)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(638,717)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	14,512
Net Cash Provided (Used) for Investing Activities	<u>14,512</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,257
Cash and Cash Equivalents at Beginning of Year	1,280,796
Cash and Cash Equivalents at End of Year	<u>\$ 1,285,053</u>
Classified As:	
Current Assets	\$ 1,191,418
Restricted Assets	93,635
Totals	<u>\$ 1,285,053</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 345,660
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	310,201
Change In Assets and Liabilities:	
Decrease (Increase) in Receivables	(23,040)
Decrease (Increase) in Deferred Expenditures	681
Decrease (Increase) in Deferred Outflows of Resources	96,666
Increase (Decrease) in Accounts Payable and Accrued Expenses	(33,886)
Increase (Decrease) in Customer Deposits	4,045
Increase (Decrease) in Net Pension Liability	(180,668)
Increase (Decrease) in OPEB Liability	(5,437)
Increase (Decrease) in Deferred Inflow of Resources	127,748
Total Adjustments	<u>296,310</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 641,970</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Significant Accounting Policies

The City of Muleshoe was incorporated on January 1, 1926, and adopted the Home Rule Charter in accordance with the statutes of the State of Texas on July 3, 1960. The City of Muleshoe, hereinafter called the City, operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, public improvements, planning, and general administrative services.

The basic financial statements of City Of Muleshoe, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. ("GAAP") promulgated by the Governmental Accounting Standards No. 69 of the American Institute of Certified Public Accountants.

The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City. The City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." The city receives support from various organizations; however, none of these organizations meet the criteria specified by GASB Statement No. 39 to be included in the City's financial statements.

In conformity with generally accepted accounting principles, the following financial statements of component units have been included in the City's financial statements as blended component units.

They are:

<u>Name of Component Unit</u>	<u>Brief Description of Activities and Relationship to City</u>	<u>Reporting Funds</u>
Muleshoe Economic Development Corporation	Promote, Assist and Enhance Economic Development in the City. Governed by a five member board of directors appointed by the Mayor and City Council.	Special Revenue Fund

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

All budgets, programs and policies must be submitted to the City Council for approval.

Joint Ventures

The City of Muleshoe has the following joint ventures at September 30, 2020. The City of Muleshoe is in conjunction with the County of Bailey, Texas, Muleshoe Independent School District, Muleshoe Area Hospital District and High Plains Underground Water Conservation District No. 1 to create Bailey Central Appraisal District pursuant to the laws of the State of Texas, for the appraisal and collection of property taxes. Bailey Central Appraisal District is governed by a five-member board composed of three appointees by Muleshoe School District and one by the County of Bailey, Texas, and the City of Muleshoe. Each taxing entity is liable for its share of the cost of operating Bailey Central Appraisal District. In accordance with the agreement with each taxing entities, excess funds will be paid annually at the discretion of Bailey Central Appraisal District. All known costs and refunds have been shown in current financial statements. Complete financial statements for Bailey Central Appraisal District can be obtained from Bailey Central Appraisal District, 302 Main, Muleshoe, Texas.

Related Organization

The following organization was excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organization.

<u>Related Organizations</u>	<u>Brief Description of Activities and Relationship to the City</u>
Housing Authority of Muleshoe	Administer Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the Governing Board are appointed by the Mayor and approved by the City Council. The City has no significant influence over the management, budget, or policies of the Housing Authority of Muleshoe. The Authority reports independently.

Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Economic Development. This fund accounts for sale tax revenue used for economic development.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for the operation of the City's water and sewer utility. Activities of this fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All cost are through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

In addition, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds: The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund.

Debt Service Fund: The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

b. Measurement Focus, Basis of Accounting

Government-wide and Enterprise Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and enterprise fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Bond premiums and discounts, as well as bond issuance cost are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premium received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's equity in the pooled cash accounts are available upon demand and are considered to "cash equivalents" when preparing these financial statements.

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The City has contract with Bailey Central Appraisal District for the collection of property taxes.

The City is permitted by the State of Texas to levy taxes up to \$2.50 per \$100 of assessed valuation. Within this \$2.50 maximum, there is no legal limit upon the amount of taxes which may be levied for the debt service. The tax rate to finance general government service for the year ended September 30, 2020 was \$0.6176 per \$100 which means that the City has a tax margin of \$1.8824 per \$100 and could raise up to \$2,655,301 additional a year from the present assessed valuation of \$141,059,344 before the limit is reached.

Allowances for uncollectible are based upon historical experience in collecting property taxes. In accordance with Texas Property Tax Code Sec. 33.05 Limitation on Collection of Taxes:

- * Personal property may not be seized and a suit may not be filed:
 - To collect a tax on personal property that has been delinquent more than four years; or
 - To collect a tax on real property that has been delinquent more than 20 years.

CITY OF MULESHOE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

- A tax delinquent for more than the limitation period prescribed by this section and any penalty and interest on the tax is presumed paid unless a suit to collect the tax is pending.
- The collector for a taxing unit shall cancel and remove from the delinquent tax roll tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years if there is no pending litigation concerning the delinquent taxes at the time of the cancellation and removal.

Allowances for uncollectible tax receivables within the General Fund General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories

Supply inventories are recorded by the purchase method. Under the purchase method inventory items are expensed at the time a liability is created. Because the City had an insignificant amount of inventory at year end, no amounts have been shown on the financial statement.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the 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. A capitalization threshold of \$5,000 is used.

The City (defined as a phase 3 government in GASB Statement No. 34 "Basic Financial Statements-Management's Discussion and Analysis- for State and Local Government") has elected not to retroactively rereport general infrastructure assets, therefore general infrastructure assets acquired or constructed prior to July 1, 2003 are not reported in the financial statements.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment	3-5
Computer Equipment	3-5

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

f. Unpaid Vacation and Sick Pay

The City does not have an obligation to pay unpaid sick pay on termination of an employee and unpaid vacation does not accumulate from year to year. Therefore, such amounts are not accrued by the City

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. 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 or expenses. Reimbursements occur 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 In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 15, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Total expenditures may not exceed total appropriation for any budgeted fund without amending the budget.
5. GASB Statement No. 34 Requires that budgetary comparison statements for the General Fund and major special funds be presented in the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis).
6. Budgets for the General and Economic Development Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end.

Budgeted amount are as originally adopted, or as amended by the City Council throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

j. Restricted Assets

These assets consist of cash restricted for customer meter deposits.

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

k. Fund Equity

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation. Debt services resources are to be used for future servicing of the Certificates of Obligations and are structured through debt covenants. Taxes collected for Economic Development, Hotel/Motel Occupancy, and Street Maintenance, and proceeds received in Drug Seizures are restricted by enabling legislation that requires the revenue to be used for specific purposes.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position on the Government-wide Statement:

In the government-wide statements, net position are reported in the three components- invested in capital assets net of related debt, restricted, and unrestricted. Invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or notes issued to acquire, construct or improve those assets. Restricted net position are reported when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments or by enabling legislation. Unrestricted net position that do not meet the definition of either of the first categories of net position.

Unrestricted net position are assets available for use by the City for legal purpose. As of September 30, 2020, the City's unrestricted net position were a negative balance of \$618,481. The negative amount is a result of governments recognizing a liability, such as claims and judgments,

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

compensated absences, pensions, OPED and loans, on the governmental-wide statements of net position as soon as the obligation is incurred. Because governments raise resources based on when liabilities are to be paid rather than when they are incurred, a negative balance in the unrestricted position occurs. A deficit in unrestricted net position provides a measure of how much the District has already committed its future resources.

4. 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 or deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Texas Municipal Retirement System Supplement Death Benefits Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TMRS fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$438,199 and the bank balance was \$515,610. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City has invested in the Local Government Investment Cooperative (LOGIC) .

LOGIC is organized pursuant to the Interlocal Cooperation Act of the State of Texas, Chapter 791 of the Texas Government Code as amended, and is designed to provide participating local governments with an investment vehicle for local funds not required to be spent immediately and available for investment in securities with maturities and returns generally greater than those for money market instruments. LOGIC invests in investments authorized under the Public Funds Investment Act. Chapter 2256 of the Texas Government Code.

The City's temporary investments at September 30, 2020 are shown below.

	Carrying Amount	Market Value	Average Maturity (DAYS)
LOGIC	\$ 2,913,075	2,913,075	40

The market values investment in LOGIC is based on quoted market values. The investments are reported by the School District at amortized cost in accordance with Governmental Accounting Standards Board Statement (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." All gains/losses that are reported in the financial statements are for realized gains/losses. In accordance with GASB 31, no unrealized gains/losses were recognized.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Custodial credit risk for investment is the risk that in the event for the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of outer parties. The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The City's cash deposits at September 30, 2020 were

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. Since the City's deposits are covered by depository insurance and pledged securities, it has no custodial credit risk for deposits.

c. Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investment in any one issuer (other than U.S. Treasury Securities, Mutual Funds, and External Investment Pools) That represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2020, all of the City's investment are in the bank investments completely covered by pledged securities, or an external investment pool.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

D. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 612,284	\$ --	\$ --	\$ 612,284
Construction in progress	59,666	286,276	(345,942)	(0)
Total capital assets not being depreciated	671,950	286,276	(345,942)	612,284
<i>Capital assets being depreciated:</i>				
Buildings and improvements	4,368,423	--	--	4,368,423
Machinery and Equipment	4,066,947	76,793	--	4,143,739
Infrastructure	274,782	--	--	274,782
Airport Improvements	2,155,952	--	--	2,155,952
Total capital assets being depreciated	10,866,104	76,793	--	10,942,896
Less accumulated depreciation for:				
Buildings and improvements	(1,703,397)	(147,073)	--	(1,850,470)
Machinery and Equipment	(3,171,102)	(192,043)	--	(3,363,145)
Infrastructure	(38,469)	(5,496)	--	(43,965)
Airport Improvements	(354,657)	(81,485)	--	(436,143)
Total accumulated depreciation	(5,267,626)	(426,097)	--	(5,693,722)
Total capital assets being depreciated, net	5,598,478	(349,304)	--	5,249,174
Governmental activities capital assets, net	\$ 6,270,428	\$ (63,028)	\$ (345,942)	\$ 5,861,458

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 833,127	\$ --	\$ --	\$ 833,127
Total capital assets not being depreciated	833,127	--	--	833,127
<i>Capital assets being depreciated:</i>				
Buildings and improvements	206,804	--	--	206,804
Machinery and Equipment	816,540	10,000	--	826,540
Water and Sewer System	8,605,157	387,890	--	8,993,048
Total capital assets being depreciated	9,628,501	397,890	--	10,026,392
Less accumulated depreciation for:				
Buildings and improvements	(71,303)	(6,327)	--	(77,631)
Machinery and Equipment	(662,369)	(37,932)	--	(700,300)
Water and Sewer System	(3,600,866)	(265,942)	--	(3,866,808)
Total accumulated depreciation	(4,334,538)	(310,201)	--	(4,644,740)
Total capital assets being depreciated, net	5,293,963	87,689	--	5,381,652
Business-type activities capital assets, net	\$ 6,127,090	\$ 87,689	\$ --	\$ 6,214,779

Depreciation was charged to Governmental Activities functions as follows:

General Government	\$ 19,899
Police	60,368
Fire	74,506
Streets	32,854
Sanitation	41,203
Parks	16,622
Swimming Pool	77,962
Library	7,463
Golf Course	7,795
Airport	87,425
	<u>\$ 426,097</u>

Depreciation was charged to Business-type Activities functions as follows:

Water and Sewer	<u>\$ 310,201</u>
-----------------	-------------------

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 400	Short-term loans
General Fund	Economic Development	49,925	Reimbursement of Sales Tax
Debt Service Fund	General Fund	5,988	Reimbursement of Taxes
	Total	<u>\$ 56,313</u>	

All amounts due are scheduled to be repaid within one year.

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Water and Sewer Fund	General fund	\$ 300,000	Supplement other funds sources
Water and Sewer Fund	Debt Service Fund	59,450	Payment of Debt
General fund	Other Governmental Funds	11,891	Matching Cost Grant
	Total	<u>\$ 371,341</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General Obligation					
Refunding Bond Series 2015	\$ 2,304,000	\$ --	\$ 234,000	\$ 2,070,000	\$ 240,000
Capital leases	27,027	--	27,027	--	--
Notes Payable	--	--	--	--	--
Net Pension Liability *	1,862,353	--	601,572	1,260,781	
OPEB Liability *	122,251	--	18,103	104,148	
Estimated Liability for Landfill Closure Cost*	312,339	6,406	--	318,745	--
Total governmental activities	<u>\$ 4,627,970</u>	<u>\$ 6,406</u>	<u>\$ 880,702</u>	<u>\$ 3,753,674</u>	<u>\$ 240,000</u>

Business-type activities:

Certificates of Obligation					
Series 2016	\$ 2,485,000	\$ --	\$ 160,000	\$ 2,325,000	165,000
Certificates of Obligation					
Issuance Premium	218,526	--	19,282	199,244	--
Net Pension Liability *	506,007	--	180,668	325,339	--
OPEB Liability *	33,964	--	5,437	28,527	
Total business-type activities	<u>\$ 3,243,497</u>	<u>\$ --</u>	<u>\$ 359,950</u>	<u>\$ 2,878,110</u>	<u>\$ 165,000</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
OPEB Liability *	Governmental	General
Estimated Liability for Landfill Closure Cost	Governmental	General
Net Pension Liability *	Business-type	Water and Sewer

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020, are as follows:

CITY OF MULESHOE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Year Ending September 30,</u>	Governmental Activities		
	Principal	Interest	Total
2021	\$ 240,000	\$ 39,780	\$ 279,780
2022	246,000	34,823	280,823
2023	252,000	29,743	281,743
2024	257,000	24,551	281,551
2025	261,000	19,268	280,268
2026-2030	814,000	25,153	839,153
2031-2035	--	--	--
Totals	<u>\$ 2,070,000</u>	<u>\$ 173,318</u>	<u>\$ 2,243,318</u>

<u>Year Ending September 30,</u>	Business-type Activities		
	Principal	Interest	Total
2021	\$ 165,000	\$ 77,300	\$ 242,300
2022	165,000	73,175	238,175
2023	170,000	68,150	238,150
2024	175,000	62,975	237,975
2025	180,000	57,650	237,650
2026-2030	1,010,000	191,725	1,201,725
2031-2035	460,000	18,600	478,600
Totals	<u>\$ 2,325,000</u>	<u>\$ 549,575</u>	<u>\$ 2,874,575</u>

Certificates of Obligation

On November 1, 2015, City of Muleshoe issued General Obligation Refunding Bond Series 2015 of 2,855,000 due in various annual installments of \$32,00 to \$278,000 through 2028 at interest of 2.04%, to refund the City's outstanding City of Muleshoe, Texas Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2007, of \$2,655,000 with interest and pay the costs of issuing the bonds.

The City of Muleshoe issued Tax and Waterworks and Sewer System Revenue Certificate of Obligation, Series 2016, in the amount of \$2,795,000, dated November 10, 2016, for the following purposes: improvements to the city waterworks and sewer system treatment plant and professional services rendered in relation to such projects. The City of Muleshoe pledge the net revenues of City's Waterworks and System and the levy and collection of direct ad valorem tax on taxable property within the City of Muleshoe for payment on the certificates of Obligation, therefore the liability for the Certificate of Obligation is recorded in the financial statement of the Water and Sewer Fund.

The Certificates of Obligation are secure by a continuing direct annual ad valorem tax on all taxable property within the city sufficient to provide for the payment of principal of and interest on the obligations payable.

The City entered into a lease-purchase agreement for a 2018 International Dump Truck on February 1, 2018, with Community First National Bank, Manhattan, KS for a total cost of \$53,611. This lease-purchase is to be paid in annual payments of \$28,107 each at an interest rate of 4 percent. The payments are secured with a security interest under the Uniform Commercial Code on 2018 International Dump Truck.

<u>September 30</u>	Principal	Interest	Total
2020	\$ 27,027	\$ 1,079	\$ 28,107
Total	<u>\$ 27,027</u>	<u>\$ 1,079</u>	<u>\$ 28,107</u>

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

1. Plan Description The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. 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.

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	29
Active employees	32
Total covered employees	<u>89</u>

3. 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 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.05% and 19.32% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$280,973, and were equal to the required contributions.

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.65% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2019, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the five-year period January 1, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Global Equities	35%
Core Fixed Income	10%
Non-Core Fixed Income	20%
Real Estate	10%
Real Return	10%
Absolute Return	10%
Private Equity	5%
Cash Equivalents	
Total	100%

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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.

	Increase (Decrease)		
	\$ Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 10,714,424	\$ 8,346,064	\$ 2,368,360
Changes for the year			
Service cost	219,988	--	219,988
Interest	713,760	--	713,760
Change of benefit terms	--	--	--
Difference between expected and actual experience	(115,108)	--	(115,108)
Changes of assumptions	27,191	--	27,191
Contributions - employer	--	248,235	(248,235)
Contributions - employee	--	97,041	(97,041)
Net investment income	--	1,289,945	(1,289,945)
Benefit payments, including refunds of employee contributions	(500,385)	(500,385)	--
Administrative expense	--	(7,291)	7,291
Other changes	--	(219)	219
Net changes	\$ 345,446	\$ 1,127,326	\$ (781,880)
Balance at 12/31/2019	\$ 11,059,870	\$ 9,473,390	\$ 1,586,480

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 3,056,218	\$ 1,586,120	\$ 371,318

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.

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

For the year ended September 30, 2020, the City recognized pension expense of \$433,003

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 67,585	\$ 75,140
Changes in actuarial assumptions	\$ 17,750	\$ --
Difference between projected and actual investment earnings	\$ 507,921	\$ 799,873
Contributions subsequent to the measurement date	\$ 209,043	\$ --
Total	\$ 802,299	\$ 875,013

\$209,043 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending Dec. 31:	
2020	\$ (50,884)
2021	\$ (109,545)
2022	\$ 23,990
2023	\$ (145,317)
Thereafter	\$ --

I. Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered through TML MultiState IEBP. The City paid premiums of \$557 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. Under this plan, the City is not liable for costs incurred beyond the premiums paid.

J. Commitments and Contingencies

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney, such matters will not have a materially adverse effect on the City's financial position at September 30, 2020.

The City has been the recipient of numerous grants-in-aid, for which it is required to comply with specific terms and agreements as well as applicable Federal and State laws and regulations. In the opinion of management, the City has complied with all requirements. However, in the event of audit by grantor agencies and disallowance of any claimed expenditures, the resulting liability would be payable by the General Fund or other funds of the City.

K. Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. In addition to operating expense related to current activities of the landfill, a related liability will be recognized in the General Long-Term Debt Account based on the future closure and postclosure care costs that will be incurred near or after the date that the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care cost has a balance of \$318,745 as of September 30, 2020, which is based on 3.88% usage (filled) of the landfill. It is estimated that an additional \$778,274 will be recognized as closure and postclosure care expenses between the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the

CITY OF MULESHOE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

landfill closure and postclosure care (\$1,097,019) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2019. However, the actual cost of closure and post closure cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by Texas Natural Resource Conservation Commission to satisfy certain requirements of financial assurance for closure and post closure cost by meeting certain financial test. In the opinion of City Management, all financial assurance requirements have been met at September 30, 2020.

The total amount of landfill closure and postclosure care cost for current period in the amount of \$6,406 (required by GASB 18) increase the amount of estimated liability for landfill closure and postclosure care cost as a Long-term Liability.

L. Notes Receivable

The Muleshoe Economic Development Corporation has loaned various individuals money for economic development purposes. These receivables are reflected in the State of Net Position and Balance Sheet as an assets.

M. Sanitation Disposal Contract

The City entered a contract beginning September 1, 2003 with South Plains Waste Service, Inc. of Olton, Texas for the removal and disposal of trash from the City. Rates are based on residential and commercial usage.

N. Defined Other Post-Employment Benefit Plans

1 Benefit Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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). The member 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.

2 Measurement Date as of December 31, 2019

Actuarial Valuation and Measurement Date, December 31, 2019

Membership

Number of

-Inactive employees currently receiving benefits	18
- Inactive employees entitled to but not yet receiving benefits	5
-Active employees	32
Total	55

Covered Payroll

\$1,391,446

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Changes in the Total OPEB Liability	
Total OPEB Liability – beginning of year	\$156,215
Changes for the year	
Service Cost	4,035
Interest on Total OPEB Liability	5,855
Changes of benefit terms	--
Differences between expected and actual experience	(52,519)
Changes in assumptions or other inputs	19,954
Benefit payments	(835)
Net changes	(23,540)
Total OPEB Liability – end of year	<u>\$132,675</u>
Total OPEB Liability as a Percentage of Covered Payroll	9.54%

3 Summary of Assumptions

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate	2.75%
Retirees' share of benefit-related costs	0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates – service retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates – disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

4 Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total	\$159,002	\$132,675	\$112,119

5 OPEB Expense:

Service cost	\$4,035
Interest on total OPEB liability	5,855
Changes in benefit terms	--
Employer administrative costs	--
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,057)
Changes in assumptions or other inputs	4,358
Total OPEB expense	<u>\$13,191</u>

CITY OF MULESHOE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

6 Deferred (Inflows)/Outflows of Resources

	Derred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	--	\$11,684
Changes in assumptions and other inputs	14,529	--
Contributions made subsequent to measurement date	7,574	--
Total	<u>\$22,103</u>	<u>\$11,684</u>

\$7,574 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021.

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding contributions made subsequent to the measurement date):

Year ending December 31:	Net deferred outflows (inflows) of Resources
2,020	\$3,301
2,021	3,238
2,022	1,337
2,023	(5,031)
Total	<u>\$2,845</u>

O. Healthcare-related Post-Employment Benefits

The City has an other postemployment benefit (OPEB) for health-related benefits. The OPEB for health-related benefits is not administered through a qualifying trust, and is funded by a pay-as-you-go funding strategy.

An employee that retires from the City shall be eligible for retiree and dependent medical dental, and vision insurance subject to the health insurance plan that is in place at the time of retirement.

For an employee that is eligible to retire and was hired prior to March 12, 2002, the City will contribute an amount toward the cost of the retiree and dependent medical, dental, and vision insurance equal to amount provided to regular full-time employee for a period of five (5) years or until that retiree becomes eligible for Medicare or is covered by another health insurance plan. Any additional cost will be the responsibility of the retiree.

For an employee that is eligible to retire and was hired after March 12, 2002, and has been continuously employed by the City for 20 years or more and has reached the age of sixty (60) City will contribute an amount toward the cost of the retiree and dependent medical, dental, and vision insurance equal to amount provided to regular full-time employee for a period of five (5) years or until that retiree becomes eligible for Medicare or is covered by another health insurance plan. Any additional cost will be the responsibility of the retiree.

The City has not recorded the liability for this OPEB as required by GASB 75 in the current fiscal year ending September 30, 2019. In the opinion of City Management the unrecorded OPEB liability will not have a materially adverse effect on the City's financial position at September 30, 2019.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF MULESHOE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 904,500	\$ 904,500	\$ 891,190	\$ (13,310)
Sales Taxes	474,500	474,500	522,405	47,905
Franchise Taxes	275,000	275,000	261,196	(13,804)
Licenses and permits	13,750	13,750	13,379	(371)
Intergovernmental	--	--	240,321	240,321
Charges for services	956,100	956,100	956,305	205
Fines	66,950	66,950	52,286	(14,664)
Interest	11,500	11,500	6,413	(5,087)
Miscellaneous	37,600	37,600	48,469	10,869
Total revenues	<u>2,739,900</u>	<u>2,739,900</u>	<u>2,991,964</u>	<u>252,064</u>
Expenditures:				
Current:				
General government	378,714	378,714	438,405	(59,691)
Police	926,690	926,690	944,435	(17,745)
Fire	81,725	81,725	63,816	17,909
Streets	408,526	408,526	332,998	75,528
Maintenance Equipment	74,780	74,780	70,408	4,372
Sanitation	481,659	481,659	455,680	25,979
Health and welfare	6,000	6,000	--	6,000
Parks	33,700	33,700	50,451	(16,751)
Swimming Pool	81,260	81,260	61,461	19,799
Library	226,258	226,258	208,449	17,809
Municipal Court	73,643	73,643	68,997	4,646
Golf Course	63,500	63,500	60,476	3,024
Code Enforcement	62,432	62,432	57,754	4,678
Airport	25,950	25,950	19,837	6,113
Training Facility	8,500	8,500	4,253	4,247
Capital outlay	71,800	71,800	76,793	(4,993)
Debt service:				
Principal	28,107	28,107	27,028	1,079
Interest and fiscal charges	--	--	1,079	(1,079)
Total expenditures	<u>3,033,244</u>	<u>3,033,244</u>	<u>2,942,320</u>	<u>90,924</u>
Excess (deficiency) of revenues (under) expenditures	(293,344)	(293,344)	49,644	342,988
Other financing sources (uses):				
Operating transfers in	300,000	300,000	300,000	--
Operating transfers out	--	--	(11,890)	11,890
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>288,110</u>	<u>11,890</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	6,656	6,656	337,754	331,098
Fund balances October 1	506,478	506,478	538,195	31,717
Fund balances September 30	<u>\$ 513,134</u>	<u>\$ 513,134</u>	<u>\$ 875,949</u>	<u>\$ 362,815</u>

CITY OF MULESHOE, TEXAS
ECONOMIC DEVELOPMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
<i>Sales Taxes</i>	\$ 110,000	\$ 110,000	\$ 129,668	\$ 19,668
<i>Interest</i>	3,400	3,400	14,195	10,795
Total revenues	<u>113,400</u>	<u>113,400</u>	<u>143,863</u>	<u>30,463</u>
Expenditures:				
Current:				
<i>Economic development and assistance</i>	153,630	153,630	119,937	33,693
Total expenditures	<u>153,630</u>	<u>153,630</u>	<u>119,937</u>	<u>33,693</u>
Excess (deficiency) of revenues (under) expenditures	(40,230)	(40,230)	23,926	64,156
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(40,230)	(40,230)	23,926	64,156
Fund balances October 1	1,157,669	1,157,669	1,157,669	--
Fund balances September 30	<u>\$ 1,117,439</u>	<u>\$ 1,117,439</u>	<u>\$ 1,181,595</u>	<u>\$ 64,156</u>

CITY OF MULESHOE, TEXAS
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service Cost						
Interest (on the Total Pension Liability)	\$ 184,619	\$ 212,058	\$ 213,582	\$ 217,345	\$ 223,131	\$ 219,988
Changes of benefit terms	538,551	567,622	580,931	623,937	670,969	713,760
Difference between expected and actual experience	(74,027)	16,982	231,788	237,819	195,248	(115,108)
Change of assumptions		30,665				27,131
Benefit payments, including refunds of employee contributions	(252,849)	(242,269)	(418,921)	(363,187)	(407,267)	(500,395)
Net Change in Total Pension Liability	356,294	595,058	607,380	715,914	682,081	345,446
Total Pension Liability - Beginning	7,727,697	8,123,991	8,709,049	9,316,429	10,032,343	10,714,424
Total Pension Liability - Ending (a)	\$ 8,123,991	\$ 8,709,049	\$ 9,316,429	\$ 10,032,343	\$ 10,714,424	\$ 11,059,870
Plan Fiduciary Net Position						
Contributions - Employer	\$ 227,385	\$ 218,865	\$ 215,189	\$ 213,126	\$ 234,266	\$ 248,235
Contributions - Employee	98,576	91,630	94,805	95,687	97,437	97,401
Net Investment Income	338,131	10,671	493,602	1,064,776	(260,157)	1,289,945
Benefit payments, including refunds of employee contributions	(252,849)	(242,269)	(418,920)	(363,187)	(407,267)	(500,385)
Administrative Expense	(4,052)	(6,500)	(5,575)	(5,518)	(5,023)	(7,291)
Other	(333)	(321)	(300)	(280)	(263)	(219)
Net Change in Plan Fiduciary Net Position	446,858	72,076	378,801	1,004,604	(341,013)	1,127,686
Plan Fiduciary Net Position - Beginning	6,784,738	7,231,596	7,303,672	7,682,473	8,687,077	8,346,064
Plan Fiduciary Net Position - Ending (b)	7,231,596	7,303,672	7,682,473	8,687,077	8,346,064	9,473,750
Net Pension Liability - Ending (a) - (b)	\$ 892,395	\$ 1,405,377	\$ 1,633,956	\$ 1,345,266	\$ 2,368,360	\$ 1,586,120
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.02%	83.86%	82.46%	86.59%	77.90%	85.66%
Covered Employee Payroll	\$ 1,265,377	\$ 1,309,003	\$ 1,354,354	\$ 1,366,952	\$ 1,391,957	\$ 1,391,446
Net Pension Liability as a Percentage of Covered Employee Payroll	70.52%	107.36%	120.64%	98.41%	170.15%	113.99%

Only six years of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF MULESHOE, TEXAS
SCHEDULE OF CITY'S CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 222,738	\$ 214,497	\$ 212,580	\$ 229,654	\$ 247,965	280,973
Contributions in relation to the actuarially determined contribution	(222,738)	(214,497)	(212,580)	(229,654)	(247,965)	(280,973)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ -	-
Covered employee payroll	\$ 1,294,694	\$ 1,314,140	\$ 1,339,826	\$ 1,377,622	\$ 1,396,752	1,479,550
Contributions as a percentage of covered employee payroll	17.20%	16.32%	15.87%	16.67%	17.75%	18.99%

Only six years of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF MULESHOE, TEXAS

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE OPEB LIABILITY TEXAS MUNICIPAL RETIREMENT SYSTEM

	2017	2018	2019
Total OPEB liability			
Service Cost	\$ 4,238	\$ 5,011	4,035
Interest (on the Total OPEB Liability)	3,504	3,576	5,855
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	49,861	(52,549)
Change of assumptions	8,027	(7,337)	19,954
Benefit payments, including refunds of employee contributions	(820)	(835)	(835)
Net Change in OPEB Liability	14,949	50,276	(23,540)
Total OPEB Liability - Beginning	90,990	105,939	156,215
Total OPEB Liability - Ending	\$ 105,939	\$ 156,215	132,675
Covered Employee Payroll	\$ 1,366,952	\$ 1,391,957	1,391,446
Net OPEB Liability as a Percentage of Covered Employee Payroll	7.75%	11.22%	9.54%

The plan covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet definition of a trust under GASB 75 (i.e., no assets are accumulated for OPEB) and as such the plan is considered to be an unfunded OPEB plan.

Due to being an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Only three year of data is presented in accordance with GASBS #75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF MULESHOE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FOR THE YEAR ENDED SEPTEMBER 30, 2020

PENSION LIABILITY

Valuation Date:

Notes 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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018 Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(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:

Notes

There were no benefit changes during the year.

OPEB LIABILITY

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%
Retirees' share of benefit	0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates- seervice retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Mortality rates – disabled retiree: Disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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