

ANNUAL FINANCIAL REPORT

CITY OF MULESHOE, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

CITY OF MULESHOE
Muleshoe, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2021

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Muleshoe, Texas

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INTRODUCTORY SECTION

CITY OF MULESHOE
Muleshoe, Texas

September 30, 2021

CITY COUNCIL

Colt Ellis

Mayor

Crystal Alarcon

Councilmember

Lupe Mendoza

Councilmember

Earl Behrends

Councilmember

Gary Parker

Councilmember

ADMINISTRATIVE STAFF

Ramon Sanchez
Zanea Carpenter

City Manager
City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Randel J. Terry, CPA
Ryan R. King, CPA

Independent Auditors' Report

Honorable Mayor and City Council
City of Muleshoe, Texas
215 South First Street
Muleshoe, Texas 79347

Report on the Financial Statements

We 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, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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 the City of Muleshoe, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Independent Auditors' Report
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

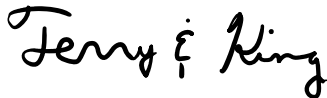
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muleshoe's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, on our consideration of the City of Muleshoe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Muleshoe's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
March 4, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Muleshoe's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2021. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$114,038 or 2%, net position of our governmental activities increased by \$433,889 or 9%.
- During the year, the City had expenses that were \$105,327 less than the \$3,827,386 generated in tax and other revenues for governmental programs before transfers.
- In the City's business type activities, charges for services increased \$27,605 to \$1,680,095 (or 2%) while operating expenses decreased \$110,195 to \$1,258,180.
- The General Fund reported a surplus this year of \$163,605 after receiving transfers from other funds of \$270,862.
- The resources available for appropriation were \$148,031 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$93,249.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, police, streets, and parks departments, and general administration. Property taxes, sales taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, sewer, and sanitation services are reported here.

Reporting the City's Most Significant Funds – Fund Financial Statements

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term* view of the City’s general government operations and the basic services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City’s combined net position was \$9,827,481. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$9,827,481 at September 30, 2021. (See Table A-1).

Table A-1
City of Muleshoe's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>	<u>2021</u>	<u>2020</u>	<u>Percentage Change</u>
Current assets:									
Cash in Bank	3,034,150	2,068,402	47%	1,312,655	1,191,418	10%	4,346,805	3,259,820	33%
Cash in Bank - restricted	-	-	0%	98,050	93,635	5%	98,050	93,635	5%
Other current assets	358,162	479,981	-25%	178,084	175,171	2%	536,246	655,152	-18%
Internal Balances	300	-	100%	(300)	-	-100%	-	-	0%
Total current assets:	3,392,612	2,548,383	33%	1,588,489	1,460,224	9%	4,981,101	4,008,607	24%
Noncurrent assets:									
Notes Receivable	147,720	132,745	11%	-	-	0%	147,720	132,745	11%
Land	612,284	612,284	0%	833,127	833,127	0%	1,445,411	1,445,411	0%
Construction in Progress	-	-	0%	48,251	-	100%	48,251	-	100%
Buildings & Improvements, net	2,371,922	2,517,953	-6%	122,846	129,173	-5%	2,494,768	2,647,126	-6%
Infrastructure, net	345,603	230,817	50%	-	-	0%	345,603	230,817	50%
Airport Improvements, net	1,638,324	1,719,809	-5%	-	-	0%	1,638,324	1,719,809	-5%
Utility Systems & Equipment, net	-	-	0%	4,906,878	5,126,240	-4%	4,906,878	5,126,240	-4%
Furniture & Equipment, net	817,961	780,595	5%	97,781	126,239	-23%	915,742	906,834	1%
Total noncurrent assets	5,933,814	5,994,203	-1%	6,008,883	6,214,779	-3%	11,942,697	12,208,982	-2%
Total Assets	9,326,426	8,542,586	9%	7,597,372	7,675,003	-1%	16,923,798	16,217,589	4%
Deferred Outflows of Resources	358,838	749,310	-52%	69,759	169,680	-59%	428,597	918,990	-53%
Current liabilities	173,093	173,446	0%	77,762	71,462	9%	250,855	244,908	2%
Noncurrent liabilities:									
Customer Deposits	-	-	0%	98,050	93,635	5%	98,050	93,635	5%
Due within one year	246,000	240,000	3%	165,000	165,000	0%	411,000	405,000	1%
Due in more than one year	1,920,256	2,148,745	-11%	2,166,219	2,359,245	-8%	4,086,475	4,507,990	-9%
Net Pension Liability	1,237,525	1,260,781	-2%	319,169	325,339	-2%	1,556,694	1,586,120	-2%
Total OPEB Liability	126,936	104,148	22%	34,525	28,527	21%	161,461	132,675	22%
Total Liabilities	3,703,810	3,927,120	-6%	2,860,725	3,043,208	-6%	6,564,535	6,970,328	-6%
Deferred Inflows of Resources	869,860	687,071	27%	90,519	199,626	-55%	960,379	886,697	8%
Net Position:									
Net investment in capital assets	3,956,094	3,791,458	4%	3,677,664	3,690,534	0%	7,633,758	7,481,992	2%
Restricted	1,605,582	1,504,728	7%	-	-	0%	1,605,582	1,504,728	7%
Unrestricted	(450,082)	(618,481)	-27%	1,038,223	911,315	14%	588,141	292,834	101%
Total Net Position	5,111,594	4,677,705	9%	4,715,887	4,601,849	2%	9,827,481	9,279,554	6%

Net position of the City's governmental activities increased (\$5,111,594 compared to \$4,677,705). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$(618,481) at September 30, 2020 to \$(450,082) at the end of this year. Net position of the City's business-type activities increased 2%, from \$4,601,849 to \$4,715,887.

Table A-2
Changes in City of Muleshoe's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2021	2020	Percentage Change	2021	2020	Percentage Change	2021	2020	Percentage Change
Program Revenues:									
Charges for Services	1,239,313	1,070,439	16%	1,680,095	1,652,490	2%	2,919,408	2,722,929	7%
Grants & Contributions	120,292	515,321	-77%	19,113	-	100%	139,405	515,321	-73%
General Revenues:									
Property Taxes	1,142,176	1,119,955	2%	-	-	0%	1,142,176	1,119,955	2%
Nonproperty Taxes	1,244,585	1,093,794	14%	-	-	0%	1,244,585	1,093,794	14%
Investment Earnings	3,095	23,680	-87%	1,572	14,512	-89%	4,667	38,192	-88%
Other	77,925	-	100%	-	-	0%	77,925	-	100%
	<u>3,827,386</u>	<u>3,823,189</u>	<u>0%</u>	<u>1,700,780</u>	<u>1,667,002</u>	<u>2%</u>	<u>5,528,166</u>	<u>5,490,191</u>	<u>1%</u>
Expenses:									
General Government	622,161	478,124	30%	-	-	0%	622,161	478,124	30%
Police	1,063,429	1,063,582	0%	-	-	0%	1,063,429	1,063,582	0%
Fire	139,424	138,322	1%	-	-	0%	139,424	138,322	1%
Streets	372,537	378,867	-2%	-	-	0%	372,537	378,867	-2%
Maintenance Equipment	-	74,528	-100%	-	-	0%	-	74,528	-100%
Sanitation	611,055	513,138	19%	-	-	0%	611,055	513,138	19%
Parks	62,144	67,073	-7%	-	-	0%	62,144	67,073	-7%
Swimming Pool	151,504	139,423	9%	-	-	0%	151,504	139,423	9%
Library	222,409	228,190	-3%	-	-	0%	222,409	228,190	-3%
Municipal Court	70,526	73,128	-4%	-	-	0%	70,526	73,128	-4%
Golf Course	67,805	68,271	-1%	-	-	0%	67,805	68,271	-1%
Code Enforcement	58,306	61,960	-6%	-	-	0%	58,306	61,960	-6%
Economic Development	108,460	168,486	-36%	-	-	0%	108,460	168,486	-36%
Airport	117,019	107,262	9%	-	-	0%	117,019	107,262	9%
Training Facility	3,579	4,253	-16%	-	-	0%	3,579	4,253	-16%
Interest on Long-Term Debt	38,511	45,199	-15%	-	-	0%	38,511	45,199	-15%
Debt Issuance Costs and Fees	13,190	12,898	2%	-	-	0%	13,190	12,898	2%
Water & Sewer	-	-	0%	1,258,180	1,368,375	-8%	1,258,180	1,368,375	-8%
	<u>3,722,059</u>	<u>3,622,704</u>	<u>3%</u>	<u>1,258,180</u>	<u>1,368,375</u>	<u>-8%</u>	<u>4,980,239</u>	<u>4,991,079</u>	<u>0%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	105,327	200,485	47%	442,600	298,627	48%	547,927	499,112	10%
Other Resources (Uses)	-	-	0%	-	-	0%	-	-	0%
Transfers In (Out)	<u>328,562</u>	<u>13,509</u>	<u>2332%</u>	<u>(328,562)</u>	<u>(13,509)</u>	<u>-2332%</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Increase (Decrease) in Net Position	433,889	213,994	-103%	114,038	285,118	-60%	547,927	499,112	10%
Net Position - Beginning	<u>4,677,705</u>	<u>4,463,711</u>	<u>5%</u>	<u>4,601,849</u>	<u>4,316,731</u>	<u>7%</u>	<u>9,279,554</u>	<u>8,780,442</u>	<u>6%</u>
Net Position - Ending	<u>5,111,594</u>	<u>4,677,705</u>	<u>9%</u>	<u>4,715,887</u>	<u>4,601,849</u>	<u>2%</u>	<u>9,827,481</u>	<u>9,279,554</u>	<u>6%</u>

The City's total revenues were \$5,528,166. A significant portion, 31%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (30%), non-property taxes (33%), charges for services (32%), grants and contributions (3%), and other (2%).

The total cost of all programs and services was \$4,980,239; 25% of these costs were for water and sewer expenses. Expenses for governmental activities consisted of costs for general government (17%), Police (29%), streets (10%), sanitation (16%), other (23%).

Governmental Activities

Revenues for the City's governmental activities increased less than 1%, while total expenses increased 3%.

- Property tax rates decreased from \$0.7852 to \$0.7807 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$1,107,598, compared to \$1,140,902 for the current year. Total tax collections were \$1,139,070 in the current year of which \$917,557 was for maintenance and operation and \$221,513 for debt service.
- Grants and contributions revenues decreased \$395,029.
- Sales tax revenues increased \$103,302.
- Sanitation charges increased \$128,441.
- The cost of all *governmental* activities this year was \$3,722,059. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$1,142,176 because some of the costs were paid by those who directly benefited from the programs (\$1,239,313), by nonproperty taxes (\$1,244,585), or grants and contributions (\$120,292).

Business-type Activities

Revenues of the City's business-type activities (see table A-2) increased 2% (\$1,700,780 from \$1,667,002) and expenses decreased 8% (\$1,258,180 from \$1,368,375).

THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$2,627,527, which is an increase from the prior year's total of \$2,380,677. The following items effecting fund balance should be noted:

- In the prior year, expenditures were less than revenues by \$160,469 prior to transfers. In the current year, expenditures were more than revenues by \$81,712 prior to transfers.
- The revenues in the governmental funds increased less than 1% from the prior period and expenses for the governmental funds increased 7% from the prior period.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget once. Even with these adjustments, actual revenues were \$148,031 more than budgeted amounts and expenditures were \$93,249 less than final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the City had \$22,881,003 invested in a broad range of capital assets, including buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$466,304 over last year.

Table A-3
Fixed Assets

Governmental Activities:	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 09-30-21
Land	\$ 612,284	-	-	612,284
Infrastructure	274,782	122,031	-	396,813
Buildings& Improvements	4,368,423	19,311	-	4,387,734
Airport Improvements	2,155,952	-	-	2,155,952
Furniture & Equipment	4,143,739	226,288	-	4,370,027
Accumulated Depreciation	(5,693,723)	(442,993)	-	(6,136,716)
Net Capital Assets	\$ 5,861,457	\$ (75,363)	\$ -	\$ 5,786,094

Business-Type Activities:	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 09-30-21
Land	\$ 833,127	-	-	833,127
Construction in Progress	-	48,251	-	48,251
Buildings & Improvements	206,804	-	-	206,804
Water & Sewer System	8,993,048	50,423	-	9,043,471
Vehicles & Equipment	826,540	-	-	826,540
Accumulated Depreciation	(4,644,739)	(304,571)	-	(4,949,310)
Net Capital Assets	\$ 6,214,780	\$(205,897)	\$ -	\$ 6,008,883

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

Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases or notes payable with a financial institution.

Governmental Activities:	Balance 10-01-20	Additions	Decreases	Balance 09-30-21	Due Within One Year
Refunding Bonds	\$ 2,070,000	\$ -	\$ 240,000	\$ 1,830,000	\$ 246,000
Estimated Liability for Landfill Closure Costs	318,745	17,511	-	336,256	-
Net Pension Liability	1,260,781	203,784	227,040	1,237,525	-
Total OPEB Liability	<u>104,148</u>	<u>23,622</u>	<u>834</u>	<u>126,936</u>	<u>-</u>
	<u>\$ 3,753,674</u>	<u>\$ 244,917</u>	<u>\$ 467,874</u>	<u>\$ 3,530,717</u>	<u>\$ 246,000</u>
Business-Type Activities:	Balance 10-01-20	Additions	Decreases	Balance 09-30-21	Due Within One Year
Certificates of Obligation	\$ 2,325,000	\$ -	\$ 165,000	\$ 2,160,000	\$ 165,000
Bond Premium	199,244	-	28,025	171,219	-
Net Pension Liability	325,339	54,054	60,224	319,169	-
Total OPEB Liability	<u>28,527</u>	<u>6,217</u>	<u>219</u>	<u>34,525</u>	<u>-</u>
Total	<u>\$ 2,878,110</u>	<u>\$ 60,271</u>	<u>\$ 253,468</u>	<u>\$ 2,684,913</u>	<u>\$ 165,000</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials considered many factors when setting the fiscal year 2022 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2022.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Muleshoe, Texas.

BASIC FINANCIAL STATEMENTS

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF NET POSITION
September 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Investments	\$ 3,034,150	\$ 1,312,655	\$ 4,346,805
Cash and Investments - Restricted	-	98,050	98,050
Accounts Receivable, net	188,956	171,726	360,682
Taxes Receivable, Net	122,648	-	122,648
Due from Other Governments	11,115	-	11,115
Interfund Balances	300	(300)	-
Deferred Expenses	35,443	6,358	41,801
Note Receivable	147,720	-	147,720
Capital Assets:			
Land	612,284	833,127	1,445,411
Construction in Progress	-	48,251	48,251
Buildings & Improvements, net	2,371,922	122,846	2,494,768
Infrastructure	345,603	-	345,603
Airport Improvements	1,638,324	-	1,638,324
Utility Systems & Equipment, net	-	4,906,878	4,906,878
Furniture & Equipment, net	817,961	97,781	915,742
TOTAL ASSETS	\$ 9,326,426	\$ 7,597,372	\$ 16,923,798
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	235,110	59,799	294,909
Deferred Outflows - OPEB	42,039	9,960	51,999
Deferred Charge on Bond Refunding	81,689	-	81,689
TOTAL DEFERRED OUTFLOWS OF RESOURCES	358,838	69,759	428,597
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 120,723	\$ 56,086	\$ 176,809
Accrued Wages	47,703	12,220	59,923
Accrued Interest	4,667	9,456	14,123
Noncurrent Liabilities:			
Customer Deposits	-	98,050	98,050
Due within one year	246,000	165,000	411,000
Due in more than one year	1,920,256	1,995,000	3,915,256
Premium on Bond Issuance	-	171,219	171,219
Net Pension Liability	1,237,525	319,169	1,556,694
Total OPEB Liability	126,936	34,525	161,461
Total Liabilities	\$ 3,703,810	\$ 2,860,725	\$ 6,564,535
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	221,282	83,928	305,210
Deferred Inflows - OPEB	26,847	6,591	33,438
Deferred Inflows - Grant Funds	621,731	-	621,731
Total Deferred Inflows of Resources	869,860	90,519	960,379
NET POSITION			
Net Investment in Capital Assets	\$ 3,956,094	\$ 3,677,664	\$ 7,633,758
Restricted for:			
Retirement of Long-Term Debt	71,707	-	71,707
Economic Development	1,220,950	-	1,220,950
Hotel/Motel Occupancy Tax	111,127	-	111,127
Drug Seizure Proceeds	8,279	-	8,279
Street Maintenance	193,519	-	193,519
Unrestricted	(450,082)	1,038,223	588,141
Total Net Position	\$ 5,111,594	\$ 4,715,887	\$ 9,827,481

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Government Activities:							
General Government	\$ 622,161	\$ 49,500	\$ 105,382	\$ -	\$ (467,279)	-	(467,279)
Police	1,063,429	-	9,329	-	(1,054,100)	-	(1,054,100)
Fire	139,424	-	-	-	(139,424)	-	(139,424)
Streets	372,537	-	-	-	(372,537)	-	(372,537)
Sanitation	611,055	1,001,795	-	-	390,740	-	390,740
Parks	62,144	7,425	-	-	(54,719)	-	(54,719)
Swimming Pool	151,504	67,718	-	-	(83,786)	-	(83,786)
Library	222,409	-	5,581	-	(216,828)	-	(216,828)
Municipal Court	70,526	60,772	-	-	(9,754)	-	(9,754)
Golf Course	67,805	15,600	-	-	(52,205)	-	(52,205)
Code Enforcement	58,306	-	-	-	(58,306)	-	(58,306)
Economic Development	108,460	-	-	-	(108,460)	-	(108,460)
Airport	117,019	36,503	-	-	(80,516)	-	(80,516)
Training Facility	3,579	-	-	-	(3,579)	-	(3,579)
Interest on Long-Term Debt	38,511	-	-	-	(38,511)	-	(38,511)
Debt Issuance Costs and Fees	13,190	-	-	-	(13,190)	-	(13,190)
Total Government Activities	\$ 3,722,059	\$ 1,239,313	\$ 120,292	\$ -	\$ (2,362,454)	\$ -	\$ (2,362,454)
Business-type Activities							
Water and Sewer	\$ 1,258,180	\$ 1,680,095	\$ -	\$ 19,113	\$ -	\$ 441,028	\$ 441,028
Total Business-Type Activities	\$ 1,258,180	\$ 1,680,095	\$ -	\$ 19,113	\$ -	\$ 441,028	\$ 441,028
Total Primary Government	\$ 4,980,239	\$ 2,919,408	\$ 120,292	\$ 19,113	\$ (2,362,454)	\$ 441,028	\$ (1,921,426)
General Revenues							
Property Taxes, Levied for General Purpose					1,142,176	-	1,142,176
Nonproperty Taxes					1,244,585	-	1,244,585
Investment Earnings					3,095	1,572	4,667
Licenses and Permits					15,102	-	15,102
Miscellaneous					62,823	-	62,823
Transfers					328,562	(328,562)	-
Total General Revenue					2,796,343	(326,990)	2,469,353
Change in Net Position					433,889	114,038	547,927
Net Position -- Beginning					4,677,705	4,601,849	9,279,554
Net Position -- Ending					\$ 5,111,594	\$ 4,715,887	\$ 9,827,481

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2021

	General Fund	Economic Development	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 965,951	\$ 1,088,233	\$ 979,966	\$ 3,034,150
Property Taxes Receivable, net	100,372	-	22,276	122,648
Accounts Receivable	182,261	-	6,695	188,956
Due from Other Governments	9,022	-	2,093	11,115
Due from Other Funds	50,225	-	-	50,225
Prepaid Expense	-	35,443	-	35,443
Notes Receivable	-	147,720	-	147,720
<u>TOTAL ASSETS</u>	<u>\$ 1,307,831</u>	<u>\$ 1,271,396</u>	<u>\$ 1,011,030</u>	<u>\$ 3,590,257</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 120,202	\$ 521	\$ -	\$ 120,723
Accrued Wages	47,703	-	-	47,703
Due to Other Funds	-	49,925	-	49,925
<u>Total Liabilities</u>	<u>167,905</u>	<u>50,446</u>	<u>-</u>	<u>218,351</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property Taxes	100,372	-	22,276	122,648
Deferred Inflows - Grant Proceeds	-	-	621,731	621,731
<u>Total Deferred Inflows of Resources</u>	<u>100,372</u>	<u>-</u>	<u>644,007</u>	<u>744,379</u>
FUND BALANCES				
Nonspendable Fund Balances:				
Prepaid Expenditures	-	35,443	-	35,443
Restricted Fund Balances:				
Retirement of Long-Term Debt	-	-	54,098	54,098
Economic Development	-	1,185,507	-	1,185,507
Hotel/Motel Occupancy Tax	-	-	111,127	111,127
Drug Seizure Proceeds	-	-	8,279	8,279
Street Maintenance	-	-	193,519	193,519
Unassigned	1,039,554	-	-	1,039,554
<u>Total Fund Equities</u>	<u>1,039,554</u>	<u>1,220,950</u>	<u>367,023</u>	<u>2,627,527</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 1,307,831</u>	<u>\$ 1,271,396</u>	<u>\$ 1,011,030</u>	<u>\$ 3,590,257</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total Fund Balances -- Governmental Funds Balance Sheet			\$	2,627,527
Amounts reported for governmental activities in the statement of net position (A-1) are different because:				
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds				122,648
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				5,786,094
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:				
Deferred Charge on Bond Refunding	81,689			
Accrued interest payable	(4,667)			
Certificates of Obligation	<u>(2,166,256)</u>			
				(2,089,234)
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,237,525, a deferred resource outflow related to pension in the amount of \$235,110, and a deferred resource inflow of \$221,282. This resulted in a decrease in net position by \$1,223,697.				(1,223,697)
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$126,936, a deferred resource outflow related to OPEB in the amount of \$42,039, and a deferred resource inflow related to OPEB in the amount of \$26,847. This resulted in a decrease in net position by \$111,744.				<u>(111,744)</u>
Net Position of Governmental Activities -- Statement of Net Position			\$	<u>5,111,594</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	General Fund	Economic Development	Other Governmental Fund	Total Governmental Funds
REVENUES:				
Property Taxes (Including Penalty & Interest)	\$ 929,354	\$ -	\$ 223,115	\$ 1,152,469
Sales Taxes	591,221	146,911	146,911	885,043
Franchise Taxes	300,260	-	-	300,260
Occupancy Taxes	-	-	59,282	59,282
Licenses and permits	15,102	-	-	15,102
Rents	91,669	-	-	91,669
Swimming Pool	67,718	-	-	67,718
Donations	24,714	-	-	24,714
Sanitation Charges	1,001,795	-	-	1,001,795
Airport Fuel Sales	17,359	-	-	17,359
Fines	60,772	-	-	60,772
Interest	1,305	1,354	436	3,095
Grants	95,491	-	87	95,578
Drug Seizures	-	-	21,651	21,651
Miscellaneous	41,171	-	-	41,171
<u>Total Revenues</u>	<u>3,237,931</u>	<u>148,265</u>	<u>451,482</u>	<u>3,837,678</u>
EXPENDITURES				
Current				
General Government	605,012	-	49,568	654,580
Police	1,100,721	-	13,621	1,114,342
Fire	114,723	-	-	114,723
Streets	345,542	-	122,031	467,573
Maintenance Equipment	-	-	-	-
Sanitation	560,105	-	-	560,105
Parks	97,499	-	-	97,499
Swimming Pool	73,541	-	-	73,541
Library	220,876	-	-	220,876
Municipal Court	72,318	-	-	72,318
Golf Course	60,010	-	-	60,010
Code Enforcement	61,668	-	-	61,668
Economic Development and Assistance	-	108,910	-	108,910
Airport	29,594	-	-	29,594
Training Facility	3,579	-	-	3,579
Principal on Long-Term Debt	-	-	240,000	240,000
Interest on Long-Term Debt	-	-	39,780	39,780
Debt issuance costs and fees	-	-	292	292
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>3,345,188</u>	<u>108,910</u>	<u>465,292</u>	<u>3,919,390</u>
Excess of Revenues Over (Under) Expenditures	(107,257)	39,355	(13,810)	(81,712)
OTHER FINANCING SOURCES (USES)				
Transfers In	270,862	-	57,700	328,562
Transfers Out	-	-	-	-
Sale of Capital Assets	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>270,862</u>	<u>-</u>	<u>57,700</u>	<u>328,562</u>
Net Change in Fund Balances	163,605	39,355	43,890	246,850
Fund Balance--Beginning of Year	875,949	1,181,595	323,133	2,380,677
<u>Fund Balance--End of Year</u>	<u>\$ 1,039,554</u>	<u>\$ 1,220,950</u>	<u>\$ 367,023</u>	<u>\$ 2,627,527</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
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, 2021

Net Change in Fund Balances -- Total Governmental Funds		\$	246,850
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.			367,630
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.			(442,994)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.			(10,293)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:			240,000
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in pension expense	77,994		
Change in OPEB expense	(16,157)		
Change in liability for landfill closure & postclosure expenses	(17,511)		
Amortization of deferred charge on bond refunding	(12,898)		
Change in accrued interest payable	1,268		
			<u>32,696</u>
		\$	<u>433,889</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2021

	Proprietary Funds
	Water and Sewer
ASSETS	
<u>Current Assets:</u>	
Cash and Investments	\$ 1,312,655
Cash - Restricted for customer deposits	98,050
Accounts Receivable	178,624
Allowance for Uncollectible	(6,898)
Deferred Expenses	6,358
<u>Total Current Assets</u>	<u>\$ 1,588,789</u>
<u>Noncurrent Assets:</u>	
Land	\$ 833,127
Construction in Progress	48,251
Buildings and Improvements, net	122,846
Machinery and Equipment, net	97,781
Water and Sewer System, net	4,906,878
<u>Total Fixed Assets</u>	<u>\$ 6,008,883</u>
<u>TOTAL ASSETS</u>	<u>\$ 7,597,672</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows - Pension	\$ 59,799
Deferred Outflows - OPEB	9,960
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 69,759</u>
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	\$ 56,086
Accrued Wages	12,220
Accrued Interest	9,456
Due to Other Funds	300
<u>Noncurrent Liabilities</u>	
Customer Deposits	98,050
Due within one year	165,000
Due in more than one year	1,995,000
Premium on bond issuance	171,219
Net Pension Liability	319,169
Total OPEB Liability	34,525
<u>Total Liabilities</u>	<u>2,861,025</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows - Pension	\$ 83,928
Deferred Inflows - OPEB	6,591
Deferred Inflows - Grant Funds	-
<u>Total Deferred Inflows of Resources</u>	<u>90,519</u>
NET POSITION	
Net investment in capital assets	3,677,664
Unrestricted	1,038,223
<u>Total Net Position</u>	<u>\$ 4,715,887</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 1,619,360
Rents	33,800
Miscellaneous	26,935
<u>Total Operating Revenues</u>	<u>1,680,095</u>
<u>Operating Expenses</u>	
Personnel Services	479,979
Supplies	44,708
Maintenance	99,484
Other Charges	280,657
Depreciation	304,571
<u>Total Operating Expenses</u>	<u>1,209,399</u>
<u>Operating Income (Loss)</u>	470,696
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	1,572
Interest Expense	(48,781)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(47,209)</u>
<u>Income Before Contributions and Transfers</u>	423,487
<u>Contributions and Transfers</u>	
Capital Contribution - CDBG Grant	19,113
Transfers In/(Out)	(328,562)
<u>Total Contributions and Transfers</u>	<u>(309,449)</u>
Change in Net Position	114,038
NET POSITION	
Net Position, Beginning of Year	4,601,849
Net Position, End of Year	<u>4,715,887</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 1,681,597
Payments to Suppliers	(418,055)
Payments to Employees	(489,337)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>774,205</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Payments on Interfund Balances	300
Transfer to Other Fund	(328,562)
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>(328,262)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Fixed Assets	(98,675)
Contributions from Grants	19,113
Payments on Long-Term Debt	(242,301)
<u>Net Cash Provided (Used) by Capital & Related Financing Activities</u>	<u>(321,863)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned on Investments	1,572
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>1,572</u>
 Net Increase (Decrease) in Cash & Cash Equivalents	 125,652
Cash & Cash Equivalents--Beginning of Year	<u>1,285,053</u>
<u>Cash & Cash Equivalents--End of Year</u>	<u>1,410,705</u>
 Reconciliaton of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	470,696
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	304,571
(Increase) Decrease in Receivables	(3,594)
(Increase) Decrease in Deferred Expenses	681
(Increase) Decrease in Deferred Outflows	99,921
Increase (Decrease) in Liabilities	11,037
Increase (Decrease) in Deferred Inflows	(109,107)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>774,205</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2021

Note 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 statutes of the State of Texas on July 3, 1960. The City of Muleshoe, Texas (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 (Water and Sewer Systems), Planning and Zoning, and General Administrative Services.

The accounting and reporting policies of the City relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, if applicable. The City's financial statements include accounts of all City operations. Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statement of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own 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

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2
September 30, 2021

Note A: Summary of Significant Accounting Policies (Continued)

Based on the aforementioned criteria, the City of Muleshoe has a single component unit, the Muleshoe Economic Development Corporation (EDC). The EDC is treated as a blended component and reported as a special revenue fund of the City. The EDC was formed to provide economic growth in the City. The governing board of the EDC is appointed by the Mayor and City Council. The City has assigned a portion of its sales tax revenues to the EDC for future economic development of the City. The EDC does not issue separate financial statements. During the fiscal year ended September 30, 2021 the City allocated \$146,911 of its sales tax revenue to the EDC.

Joint Ventures

The City of Muleshoe has the following joint ventures at September 30, 2021. 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 entity, 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.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3
September 30, 2021

Note A: Summary of Significant Accounting Policies (Continued)

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 have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 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 of 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

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

In addition, the City reports the following fund types:

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: This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4
September 30, 2021

Note A: Summary of Significant Accounting Policies (Continued)

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under 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 assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5
September 30, 2021

Note A: Summary of Significant Accounting Policies--Continued

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Currently, the City's restricted fund balances are made up of:

- Retirement of Long-Term Debt \$54,098
- Economic Development \$1,185,507
- Hotel/Motel Occupancy Tax \$111,127
- Drug Seizure Proceeds \$8,279
- Street Maintenance \$193,519

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City does not have any committed fund balances.

Unassigned: This classification includes the residual fund balance for the General Fund.

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.

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.

The District reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

3. Financial Statement Amounts

a. Deposits and Investments

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

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1st 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 1st of the year following the year in which imposed. On January 1st 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.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of September 30, 2021, the amount deemed uncollectible by this estimate was \$23,962. 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 and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

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

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

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 market value at the date of the donation. The City has elected not to retroactively report its infrastructure assets. Infrastructure assets acquired after the implementation of GASB 34 will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-7
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 the period end.

f. 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 position.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

h. Compensated Absences

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.

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 revenue 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 Fund and Economic Development Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end.

Budgeted amounts 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 with were amended.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9
September 30, 2021

Note A: Summary of Significant Accounting Policies (continued)

j. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

l. Other Post-Employment Benefits

The City provides a supplemental death benefit for retirees that is considered an other post-employment benefit (OPEB) covered by GASB No. 75. This plan benefit is administered by TMRS. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. There are no investments.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10
September 30, 2021

Note 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>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

Note 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, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$4,069,130 and the bank balance was \$4,239,377. The City's cash deposits at September 30 and during the year then ended, 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 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 general purpose financial statements disclosed that in the areas of investment practices, management reports an 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.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11
September 30, 2021

Note C: Deposits and Investments (continued)

The City's investments at September 30, 2021 included investment pools (\$375,725).

<u>Investment Pool</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Wtd Average Maturity</u>	<u>Amount</u>
LOGIC	AAAm	55 Days	\$ 375,725

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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 agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12
September 30, 2021

Note C: Deposits and Investments (continued)

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

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.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 13
September 30, 2021

Note D: Capital Assets

Capital asset activity for the period ended September 30, 2021, was as follows:

<u>Governmental Activities:</u>	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 9-30-21
Land	\$ 612,284	-	-	\$ 612,284
Infrastructure	274,782	122,031	-	396,813
Buildings& Improvements	4,368,423	19,311	-	4,387,734
Airport Improvements	2,155,952	-	-	2,155,952
Furniture & Equipment	4,143,739	226,288	-	4,370,027
Total Capital Assets	<u>\$ 11,555,180</u>	<u>\$ 367,630</u>	<u>\$ -</u>	<u>\$11,922,810</u>

Less Accumulated
Depreciation:

Infrastruture	\$ 43,965	\$ 7,245	-	\$ 51,210
Buildings& Improvements	1,850,470	165,342	-	2,015,812
Airport Improvements	436,143	81,485	-	517,628
Furniture & Equipment	3,363,145	188,921	-	3,552,066
Total Accumulated Depreciation	<u>\$ 5,693,723</u>	<u>\$ 442,993</u>	<u>\$ -</u>	<u>\$ 6,136,716</u>
Net Capital Assets	<u>\$ 5,861,457</u>	<u>\$ (75,363)</u>	<u>\$ -</u>	<u>\$ 5,786,094</u>

<u>Water and Sewer Activities:</u>	Balance 10-01-20	Additions	Deletions/ Reclassifications	Balance 9-30-21
Land	\$ 833,127	-	-	\$ 833,127
Construction in Progress	-	48,251	-	48,251
Buildings& Improvements	206,804	-	-	206,804
Water & Sewer System	8,993,048	50,423	-	9,043,471
Vehicles, Machinery & Furniture & Fixtures	826,540	-	-	826,540
Total Capital Assets	<u>\$10,859,519</u>	<u>\$ 98,674</u>	<u>\$ -</u>	<u>\$10,958,193</u>

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
September 30, 2021

Note D: Capital Assets (continued)

<u>Less Accumulated Depreciation:</u>	<u>Balance 10-01-20</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-21</u>
Buildings& Improvements	\$ 77,631	\$ 6,327	-	\$ 83,958
Water & Sewer System	3,866,808	269,785	-	4,136,593
Vehicles, Machinery & Furniture & Fixtures	<u>700,300</u>	<u>28,459</u>	<u>-</u>	<u>728,759</u>
Total Accumulated Depreciation	<u>\$ 4,644,739</u>	<u>\$ 304,571</u>	<u>\$ -</u>	<u>\$4,949,310</u>
Net Capital Assets	<u>\$ 6,214,780</u>	<u>\$(205,897)</u>	<u>\$ -</u>	<u>\$6,008,883</u>

Depreciation was charged to functions of the primary government as follows:

General Government	\$ 9,750
Police	82,758
Fire	74,701
Streets	33,823
Sanitation	41,203
Parks	20,114
Swimming Pool	77,962
Library	7,462
Golf Course	7,795
Airport	87,425
Water & Sewer	<u>304,571</u>
	<u>\$ 747,564</u>

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
September 30, 2021

Note E: Interfund Balances and Activities

Interfund balances at September 30, 2021 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Water and Sewer Fund	\$ 300	-
<u>Total General Fund</u>	-	-
<u>Water and Sewer Fund:</u>		
General Fund	-	300
<u>Total</u>	<u>\$ 300</u>	<u>\$ 300</u>

These interfund receivables and payables arise out of the normal course of business. All balances are expected to be paid within one year.

Note F: Interfund Transfers

Interfund transfers for the year ended September 30, 2021 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund:</u>		
Water and Sewer Fund	270,862	-
<u>Total General Fund</u>	<u>270,862</u>	<u>-</u>
<u>Debt Service Fund:</u>		
Water and Sewer Fund	57,700	-
<u>Water and Sewer Fund:</u>		
General Fund	-	270,862
Debt Service Fund	-	57,700
<u>Total Water and Sewer Fund</u>	<u>-</u>	<u>328,562</u>
<u>Total</u>	<u>\$ 328,562</u>	<u>\$ 328,562</u>

These interfund transfers represent cash flow transfers between funds in the normal course of business.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
September 30, 2021

Note G: Long-Term Obligations

Interest expense charged to various functions within the City government is as follows:

	<u>9/30/2020</u>	<u>9/30/2021</u>
Governmental Activities	\$ 58,097	\$ 38,511
Business-type Activities	\$ 61,546	\$ 48,781

At September 30, 2021 debt consisted of the following individual issues:

General Obligation Refunding Bonds

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

Revenue Certificate of Obligation Bonds

The City of Muleshoe issued Tax and Waterworks and Sewer System Revenue Certificates 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 pledged the net revenues of City's Waterworks and System and the levy and collection of direct ad valorem tax on 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 secured by a continuing direct ad valorem tax on all taxable property within the city sufficient to provide for the payment of principal and interest on the obligations payable.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17
September 30, 2021

Note G: Long-Term Obligations (continued)

Changes in long-term obligations for the year ended September 30, 2021 are as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Refunding Bond-2015	\$ 2,070,000	\$ -	\$ 240,000	\$ 1,830,000	\$ 246,000
Net Pension Liability	1,260,781	203,784	227,040	1,237,525	-
Total OPEB Liability	104,148	23,622	834	126,936	-
Estimated Liability for Landfill Closure Cost	<u>318,745</u>	<u>17,511</u>	<u>-</u>	<u>336,256</u>	<u>-</u>
<u>Total Governmental Funds:</u>	<u>\$ 3,753,674</u>	<u>\$ 244,917</u>	<u>\$ 467,874</u>	<u>\$ 3,530,717</u>	<u>\$ 246,000</u>

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Certificates Of Obligation-2016	\$ 2,325,000	\$ -	\$ 165,000	\$ 2,160,000	\$ 165,000
Certificate of Obligation Premium	199,244	-	28,025	171,219	-
Net Pension Liability-TMRS	325,339	54,054	60,224	319,169	-
Total OPEB Liability	<u>28,527</u>	<u>6,217</u>	<u>219</u>	<u>34,525</u>	<u>-</u>
<u>Total Business-Type Activities:</u>	<u>\$ 2,878,110</u>	<u>\$ 60,271</u>	<u>\$ 253,468</u>	<u>\$ 2,684,913</u>	<u>\$ 165,000</u>

The debt service fund is used to liquidate the governmental activities long-term debt and the water and sewer fund liquidates the business-type activities long-term debt. The annual aggregate maturities of bonds, certificates of obligation, and notes payable for the years subsequent to September 30, 2021 are as follows:

<u>Debt Service Requirements</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 246,000	\$ 34,823	\$ 165,000	\$ 73,175
2023	252,000	29,743	170,000	68,150
2024	257,000	24,551	175,000	62,975
2025	261,000	19,268	180,000	57,650
2026	266,000	13,892	190,000	52,100
2027-2031	548,000	11,261	1,045,000	153,525
2032	-	-	235,000	4,700
Total	<u>\$ 1,830,000</u>	<u>\$ 133,538</u>	<u>\$ 2,160,000</u>	<u>\$ 472,275</u>

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18
September 30, 2021

Note H: TMRS-Pension Plan

Plan Description

The City of Muleshoe participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

	<u>Plan Year 2020</u>	<u>Plan Year 2019</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	70% of CPI	70% of CPI

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19
September 30, 2021

Note H: TMRS-Pension Plan (continued)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>34</u>
Total	90

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, 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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Muleshoe were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Muleshoe were 19.10% and 19.70% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$298,790, and were equal to the required contributions.

Net Pension Liability

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

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 20
September 30, 2021

Note H: TMRS-Pension Plan (continued)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	<u>10.00%</u>	7.75%
Total	100.00%	

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 21
September 30, 2021

Note H: TMRS-Pension Plan (continued)

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 Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Change in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/19	\$ 11,059,870	\$ 9,473,750	\$ 1,586,120
Changes for the year:			
Service cost	241,842		241,842
Interest	730,217		730,217
Change of benefit terms			
Difference between expected and actual experience	105,024		105,024
Changes of assumptions			-
Contributions - employer		287,264	(287,264)
Contributions - employee		105,280	(105,280)
Net investment income		718,801	(718,801)
Benefit payments, including refunds of employee contributions	(725,517)	(725,517)	-
Administrative expense		(4,653)	4,653
Other changes		(182)	182
Net changes	351,566	380,993	(29,427)
Balance at 12/31/20	<u>\$ 11,411,436</u>	<u>\$ 9,854,743</u>	<u>\$ 1,556,693</u>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 3,074,402	\$ 1,556,693	\$ 305,312

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 22
September 30, 2021

Note H: TMRS-Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

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

For the year ended September 30, 2021, the city recognized pension expense of \$1,487.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 68,406	\$ 35,172
Changes in actuarial assumptions	\$ 8,309	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 270,038
Contributions subsequent to the measure date December 31, 2019	\$ 218,193	\$ -
Total	\$ 294,908	\$ 305,210

\$218,193 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2021	\$ (86,222)
2022	34,773
2023	(161,183)
2024	(15,863)
2025	-
Thereafter	-
Total	\$ (228,495)

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended September 30, 2021

Note I: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 777 participating cities on December 31, 2020.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.tmr.com> or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active Members provides a lump-sum payment approximately equal to the Member's annual salary (calculated based on the Members' actual earnings, for the 12-month period preceding the month of death). The death benefit for retiree is an "other post-employment benefit" ("OPEB") and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund. 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).

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>34</u>
Total	58

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members. The required contribution rate is actuarially determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires allocation from the Interest Reserve Account to the SDBF on an annual basis. The funding policy of this SDBF is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
September 30, 2021

Note I: Supplemental Death Benefits Plan (continued)

As such, contributions fund the covered active Member and retiree deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

City	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
	0.22%	0.33%
Current Fiscal Year Employer Contributions	\$ 4,593	

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Methods and Assumptions

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount Rate*	2.00%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
September 30, 2021

Note I: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2020, the discount rate used in the development of the Total OPEB Liability was 2.00% compared to 2.75% as of December 31, 2019. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.00%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 195,146	\$ 161,460	\$ 135,274

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2021, the City reported a liability of \$161,460 for total OPEB liability. The total OPEB liability was measured as of December 31, 2020 by an actuarial valuation as of that date.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2020, the discount rate used in the development of the Total OPEB Liability was 2.00% compared to 2.75% as of December 31, 2019. Beginning with the December 31, 2019 actuarial valuation, mortality rates are based on the 2019 Municipal Retirees of Texas Mortality Tables. Prior to the December 31, 2019 actuarial valuation, mortality rates were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment.

For the year ended September 30, 2021, the City recognized OPEB expense of \$25,237.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26
September 30, 2021

Note I: Supplemental Death Benefits Plan (continued)

Change in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability (a)
Balance at 12/31/19	\$ 132,675
Changes for the year:	
Service cost	6,166
Interest	3,719
Change of benefit terms	
Difference between expected and actual experience	(271)
Changes of assumptions	20,224
Benefit payments, including refunds of employee contributions	(1,053)
Other changes	
Net changes	<u>28,785</u>
Balance at 12/31/20	<u>\$ 161,460</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 19,702	\$ 30,538
Changes in actuarial assumptions	\$ 28,635	\$ 2,900
Difference between projected and actual investment earnings	\$ -	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ -	\$ -
Total as of Dec. 31, 2018 measurement date	\$ 48,337	\$ 33,438
Contributions paid to TRS subsequent to the measurement date	\$ 3,662	\$ -
Total as of fiscal year-end	<u>\$ 51,999</u>	<u>\$ 33,438</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>	<u>OPEB Expense Amount</u>
2021	\$ 7,836
2022	5,935
2023	(433)
2024	1,561
2025	-
Thereafter	-

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27
September 30, 2021

Note J: 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 on 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 the amount provided to regular full-time employees 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), the City will contribute an amount toward the cost of the retiree and dependent medical, dental, and vision insurance equal to the 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 a liability for this OPEB as required by GASB 75 in the current fiscal year ending September 30, 2021. In the opinion of Management, the unrecorded OPEB liability will not have a materially adverse effect on the City's financial position at September 30, 2021.

Note K: Contingent Liabilities

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be significant.

From time to time the City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

Note L: 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 2021, 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 operating as a common risk management and insurance program. The City pays an annual premium to TML for its 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

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28
September 30, 2021

Note L: Risk Management (continued)

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.

Note M: Health Care Coverage

During the year ended September 30, 2021, employees of the City were covered through TML MultiState IEBP. The City paid premiums of \$623 per month per employee for employee coverage to the Plan. Additionally, the City paid premiums of \$475 per month towards optional dependent coverage. Employees authorized payroll withholdings to pay the remaining premium for dependents. Under this plan, the City is not liable for costs incurred beyond the premiums paid.

Note N: Closure and Post-closure 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 post-closure 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 landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$336,256 as of September 30, 2021, which is based on 5.15% usage (filled) of the landfill. It is estimated that an additional \$819,334 will be recognized as closure and post-closure care expenses between the October 1, 2021 and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and post-closure care (\$1,155,590) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were incurred as of September 30, 2021. 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 Commission on Environmental Quality to satisfy certain requirements of financial assurance for closure and post-closure cost by meeting certain financial tests. In the opinion of City Management, all financial assurance requirements have been met at September 30, 2021.

The total amount of landfill closure and post-closure care cost for the current period in the amount of \$17,511 (required by GASB 18) increased the amount of estimated liability for landfill closure and post-closure care cost as a Long-Term Liability.

Note O: Notes Receivable

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MULESHOE
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty & Interest)	\$ 960,500	\$ 960,500	\$ 929,354	\$ (31,146)
Sales Taxes	559,500	559,500	591,221	31,721
Franchise Taxes	275,000	275,000	300,260	25,260
Occupancy Taxes		-	-	-
Licenses and permits	12,750	12,750	15,102	2,352
Rents	55,800	55,800	91,669	35,869
Swimming Pool	50,000	50,000	67,718	17,718
Donations	19,000	19,000	24,714	5,714
Sanitation Charges	954,000	954,000	1,001,795	47,795
Airport Fuel Sales	7,000	7,000	17,359	10,359
Fines	67,150	67,150	60,772	(6,378)
Interest	7,200	7,200	1,305	(5,895)
Grants	95,000	95,000	95,491	491
Drug Seizures			-	
Miscellaneous	27,000	27,000	41,171	14,171
<u>Total Revenues</u>	<u>3,089,900</u>	<u>3,089,900</u>	<u>3,237,931</u>	<u>148,031</u>
<u>Expenditures</u>				
<u>Current</u>				
General Government	609,906	609,906	605,012	4,894
Police	1,059,464	1,102,281	1,100,721	1,560
Fire	84,325	134,325	114,723	19,602
Streets	370,089	370,089	345,542	24,547
Sanitation	562,612	562,612	560,105	2,507
Parks	103,550	103,550	97,499	6,051
Swimming Pool	83,260	83,260	73,541	9,719
Library	224,372	224,372	220,876	3,496
Municipal Court	76,574	76,574	72,318	4,256
Golf Course	63,500	63,500	60,010	3,490
Code Enforcement	70,518	70,518	61,668	8,850
Airport	29,950	29,950	29,594	356
Training Facility	7,500	7,500	3,579	3,921
<u>Total Expenditures</u>	<u>3,345,620</u>	<u>3,438,437</u>	<u>3,345,188</u>	<u>93,249</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	300,000	300,000	270,862	(29,138)
Sale of Capital Assets	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>300,000</u>	<u>300,000</u>	<u>270,862</u>	<u>(29,138)</u>
 Net Change in Fund Balances	 44,280	 (48,537)	 163,605	 212,142
Fund Balance, Beginning of Year	875,949	875,949	875,949	-
<u>Fund Balance, End of Year</u>	<u>\$ 920,229</u>	<u>\$ 827,412</u>	<u>\$ 1,039,554</u>	<u>\$ 212,142</u>

CITY OF MULESHOE
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT
For the Fiscal Year Ended September 30, 2021

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<u>Revenues</u>				
Sales Taxes	\$ 139,000	\$ 139,000	\$ 146,911	\$ 7,911
Interest Income	3,400	3,400	1,354	(2,046)
<u>Total Revenues</u>	<u>142,400</u>	<u>142,400</u>	<u>148,265</u>	<u>5,865</u>
<u>Expenditures</u>				
Current				
Economic development and assistance	153,446	153,446	108,910	44,536
<u>Total Expenditures</u>	<u>153,446</u>	<u>153,446</u>	<u>108,910</u>	<u>44,536</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(11,046)	(11,046)	39,355	50,401
Fund Balance, Beginning of Year	1,181,595	1,181,595	1,181,595	-
<u>Fund Balance, End of Year</u>	<u>\$ 1,170,549</u>	<u>\$ 1,170,549</u>	<u>\$ 1,220,950</u>	<u>\$ 50,401</u>

CITY OF MULESHOE
Muleshoe, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year						
	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability							
Service Cost	\$ 241,842	\$ 219,988	\$ 223,131	\$ 217,345	\$ 213,582	\$ 212,058	\$ 184,619
Interest (on the Total Pension Liability)	730,217	713,760	670,969	623,937	580,931	567,622	538,551
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	105,024	(115,108)	195,248	237,819	231,788	16,982	(74,027)
Change of assumptions	-	27,191	-	-	-	30,665	-
Benefit payments, including refunds of employee contributions	(725,517)	(500,385)	(407,267)	(363,187)	(418,921)	(242,269)	(252,849)
Net change in Total Pension Liability	351,566	345,446	682,081	715,914	607,380	585,058	396,294
Total Pension Liability - Beginning	11,059,870	10,714,424	10,032,343	9,316,429	8,709,049	8,123,991	7,727,697
Total Pension Liability - Ending (a)	<u>\$ 11,411,436</u>	<u>\$ 11,059,870</u>	<u>\$ 10,714,424</u>	<u>\$ 10,032,343</u>	<u>\$ 9,316,429</u>	<u>\$ 8,709,049</u>	<u>\$ 8,123,991</u>
Plan Fiduciary Net Position							
Contributions - employer	287,264	248,235	234,266	213,126	215,189	218,865	227,385
Contributions - employee	105,280	97,401	97,437	95,687	94,805	91,630	88,576
Net investment income	718,801	1,289,945	(260,157)	1,064,776	493,602	10,671	388,131
Benefit payments, including refunds of employee contributions	(725,517)	(500,385)	(407,267)	(363,187)	(418,920)	(242,269)	(252,849)
Administrative expense	(4,653)	(7,291)	(5,029)	(5,518)	(5,575)	(6,500)	(4,052)
Other	(182)	(219)	(263)	(280)	(300)	(321)	(333)
Net Change in Plan Fiduciary Net Position	380,993	1,127,686	(341,013)	1,004,604	378,801	72,076	446,858
Plan Fiduciary Net Position - Beginning	9,473,750	8,346,064	8,687,077	7,682,473	7,303,672	7,231,596	6,784,738
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,854,743</u>	<u>\$ 9,473,750</u>	<u>\$ 8,346,064</u>	<u>\$ 8,687,077</u>	<u>\$ 7,682,473</u>	<u>\$ 7,303,672</u>	<u>\$ 7,231,596</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 1,556,693	\$ 1,586,120	\$ 2,368,360	\$ 1,345,266	\$ 1,633,956	\$ 1,405,377	\$ 892,395
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.36%	85.66%	77.90%	86.59%	82.46%	83.86%	89.02%
Covered Employee Payroll	\$ 1,503,993	\$ 1,391,446	\$ 1,391,957	\$ 1,366,952	\$ 1,354,354	\$ 1,309,003	\$ 1,265,377
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	103.50%	113.99%	170.15%	98.41%	120.64%	107.36%	70.52%

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - TMRS
(unaudited)

	Measurement Year			
	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 6,166	\$ 4,035	\$ 5,011	\$ 4,238
Interest (on the Total OPEB Liability)	3,719	5,855	3,576	3,504
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(271)	(52,549)	49,861	-
Change of assumptions	20,224	19,954	(7,337)	8,027
Benefit payments, including refunds of employee contributions	(1,053)	(835)	(835)	(820)
Net change in Total OPEB Liability	28,785	(23,540)	50,276	14,949
Total OPEB Liability - Beginning	132,675	156,215	105,939	90,990
Total OPEB Liability - Ending	<u>\$ 161,460</u>	<u>\$ 132,675</u>	<u>\$ 156,215</u>	<u>\$ 105,939</u>
 Covered Employee Payroll	 \$ 1,503,993	 \$ 1,391,446	 \$ 1,391,957	 \$ 1,366,952
 Total OPEB Liability/(Asset) as a Percentage of Covered Payroll	 10.74%	 9.54%	 11.22%	 7.75%

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS PENSION
(unaudited)

	<u>FYE 9/30/2021</u>	<u>FYE 9/30/2020</u>	<u>FYE 9/30/2019</u>	<u>FYE 9/30/2018</u>	<u>FYE 9/30/2017</u>	<u>FYE 9/30/2016</u>	<u>FYE 9/30/2015</u>
Actuarially Determined Contribution	\$ 298,790	\$ 280,973	\$ 247,965	\$ 229,654	\$ 212,580	\$ 214,497	\$ 222,738
Contributions in relation to the actuarially determined contribution	<u>298,790</u>	<u>280,973</u>	<u>247,965</u>	<u>229,654</u>	<u>212,580</u>	<u>214,497</u>	<u>222,738</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,522,474	\$ 1,479,550	\$ 1,396,752	\$ 1,377,622	\$ 1,339,826	\$ 1,314,140	\$ 1,294,694
Contributions as a percentage of covered employee payroll	19.63%	18.99%	17.75%	16.67%	15.87%	16.32%	17.20%

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB
(unaudited)

	Fiscal Year			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 4,593	\$ 3,551	\$ 3,073	\$ 2,617
Contributions in relation to the actuarially determined contribution	<u>4,593</u>	<u>3,551</u>	<u>3,073</u>	<u>2,617</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,522,474	\$ 1,479,550	\$ 1,396,752	\$ 1,377,622
Contributions as a percentage of covered employee payroll	0.30%	0.24%	0.22%	0.19%

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2021

Schedule of Pension Contributions – TMRS

Valuation Date:

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	N/A
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(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.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2021

Schedule of Contributions for OPEB – TMRS

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

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.50% to 11.5% including inflation

Discount Rate*

2.00%

Retirees' share of benefit-related costs

0\$

Administrative expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates – service retirees

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

Mortality rates – disabled retirees

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

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF MULESHOE
Muleshoe, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended September 30, 2021

Last Ten Years Ended September 30*	Tax Rates			Beginning Balance 10/01/20	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 09/30/21
	Maintenance	Debt Service	Total						
2012 and Prior Years	Various	Various	Various	\$ 22,260	\$ -	\$ 770	\$ -	\$ -	\$ 21,490
2013	0.62960	0.08990	0.7195	4,438	-	234	33	-	4,171
2014	0.65880	0.08880	0.7476	4,693	-	223	30	(22)	4,418
2015	0.66180	0.08770	0.7495	6,518	-	752	100	(22)	5,644
2016	0.65380	0.08670	0.7405	8,339	-	1,599	212	-	6,528
2017	0.65380	0.08670	0.7405	11,465	-	2,367	314	-	8,784
2018	0.57470	0.16850	0.7432	16,379	-	3,688	1,081	-	11,610
2019	0.61760	0.16760	0.7852	27,109	-	6,292	1,707	(92)	19,018
2020	0.61760	0.16760	0.7852	43,741	-	13,500	3,664	-	26,577
2021- Year Under Audit	0.62890	0.15180	0.7807	-	1,140,902	888,132	214,372	(27)	38,371
1000	TOTALS			<u>\$ 144,942</u>	<u>\$ 1,140,902</u>	<u>\$ 917,557</u>	<u>\$ 221,513</u>	<u>\$ (163)</u>	<u>\$ 146,611</u>

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
Lubbock, TX 79493-3550

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Randel J. Terry, CPA
Ryan R. King, CPA

Independent Auditors' Report

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

To the Honorable Mayor and City Council
City of Muleshoe
215 South First Street
Muleshoe, Texas 79347

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muleshoe, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Muleshoe's basic financial statements, and have issued our report thereon dated March 4, 2022.

Internal Control Over Financial Reporting

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

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



Independent Auditors' Report
Page 2

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

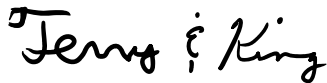
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
Lubbock, Texas
March 4, 2022