ANNUAL FINANCIAL REPORT

CITY OF MULESHOE, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

CITY OF MULESHOE
Muleshoe, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2022

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CITY OF MULESHOE
Muleshoe, Texas

September 30, 2022

CITY COUNCIL

Colt Ellis	Mayor
Crystal Alarcon	Councilmember
Lupe Mendoza	Councilmember
Earl Behrends	Councilmember
Gary Parker	Councilmember

ADMINISTRATIVE STAFF

Ramon Sanchez	City Manager
Zanea Carpenter	City Secretary

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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P.O. Box 93550
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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, identified as required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muleshoe, Texas' 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 2, 2023, on our consideration of the City of Muleshoe, Texas' 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 of Muleshoe, Texas' 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 City of Muleshoe, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Terry & King

Terry & King, CPAs, P.C.
Lubbock, Texas
March 2, 2023

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, 2022. 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 $380,778 or 8%, net position of our governmental activities increased by $551,014 or 11%.

- During the year, the City had expenses that were $193,579 less than the $4,010,905 generated in tax and other revenues for governmental programs before transfers.

- In the City's business type activities, charges for services increased $142,653 to $1,822,748 (or 8%) while operating expenses increased $91,107 to $1,300,506.

- The General Fund reported a surplus this year of $423,562 after receiving transfers from other funds of $295,610.

- The resources available for appropriation were $262,320 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by $112,054.

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 $10,759,273. 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 $10,759,273 at September 30, 2022. (See Table A-1).

Table A-1
City of Muleshoe's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2022	2021	Percentage Change	2022	2021	Percentage Change	2022	2021	Percentage Change
Current assets:									
Cash in Bank	4,039,175	3,034,150	33%	1,412,336	1,312,655	8%	5,451,511	4,346,805	25%
Cash in Bank - restricted	-	-	0%	101,820	98,050	4%	101,820	98,050	4%
Other current assets	340,413	358,162	-5%	159,418	178,084	-10%	499,831	536,246	-7%
Lease Receivable	10,225	-	100%	12,881	-	100%	23,106	-	100%
Internal Balances	300	300	0%	(300)	(300)	0%	-	-	0%
Total current assets:	4,390,113	3,392,612	29%	1,686,155	1,588,489	6%	6,076,268	4,981,101	22%
Noncurrent assets:									
Notes Receivable	147,720	147,720	0%	-	-	0%	147,720	147,720	0%
Lease Receivable	120,889	-	100%	17,252	-	100%	138,141	-	100%
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	2,282,694	2,371,922	-4%	116,518	122,846	-5%	2,399,212	2,494,768	-4%
Infrastructure, net	472,429	345,603	37%	-	-	0%	472,429	345,603	37%
Airport Improvements, net	1,556,839	1,638,324	-5%	-	-	0%	1,556,839	1,638,324	-5%
Utility Systems & Equipment, net	-	-	0%	5,035,262	4,906,878	3%	5,035,262	4,906,878	3%
Furniture & Equipment, net	641,245	817,961	-22%	71,996	97,781	-26%	713,241	915,742	-22%
Total noncurrent assets	5,834,100	5,933,814	-2%	6,074,155	6,008,883	1%	11,908,255	11,942,697	0%
Total Assets	10,224,213	9,326,426	10%	7,760,310	7,597,372	2%	17,984,523	16,923,798	6%
Deferred Outflows of Resources	471,380	358,838	31%	110,988	69,759	59%	582,368	428,597	36%
Current liabilities	137,910	173,093	-20%	48,220	77,762	-38%	186,130	250,855	-26%
Noncurrent liabilities:									
Customer Deposits	-	-	0%	101,820	98,050	4%	101,820	98,050	4%
Due within one year	252,000	246,000	2%	170,000	165,000	3%	422,000	411,000	3%
Due in more than one year	1,678,015	1,920,256	-13%	1,969,690	2,166,219	-9%	3,647,705	4,086,475	-11%
Net Pension Liability	996,086	1,237,525	-20%	250,947	319,169	-21%	1,247,033	1,556,694	-20%
Total OPEB Liability	133,876	126,936	5%	36,490	34,525	6%	170,366	161,461	6%
Total Liabilities	3,197,887	3,703,810	-14%	2,577,167	2,860,725	-10%	5,775,054	6,564,535	-12%
Deferred Inflows of Resources	1,835,098	869,860	111%	197,466	90,519	118%	2,032,564	960,379	112%
Net Position:									
Net investment in capital assets	3,635,476	3,956,094	-8%	3,917,213	3,677,664	7%	7,552,689	7,633,758	-1%
Restricted	1,655,849	1,605,582	3%	-	-	0%	1,655,849	1,605,582	3%
Unrestricted	371,283	(450,082)	-182%	1,179,452	1,038,223	14%	1,550,735	588,141	164%
Total Net Position	5,662,608	5,111,594	11%	5,096,665	4,715,887	8%	10,759,273	9,827,481	9%

Net position of the City's governmental activities increased ($5,662,608 compared to $5,111,594). 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 $(450,082) at September 30, 2021 to $371,283 at the end of this year. Net position of the City's business-type activities increased 8%, from $4,715,887 to $5,096,665.

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

	Governmental Activities			Business-type Activities			Total Primary Government		
	2022	2021	Percentage Change	2022	2021	Percentage Change	2022	2021	Percentage Change
Program Revenues:									
Charges for Services	1,268,769	1,239,313	2%	1,822,748	1,680,095	8%	3,091,517	2,919,408	6%
Grants & Contributions	151,045	120,292	26%	255,887	19,113	1239%	406,932	139,405	192%
General Revenues:									
Property Taxes	1,135,636	1,142,176	-1%	-	-	0%	1,135,636	1,142,176	-1%
Nonproperty Taxes	1,340,281	1,244,585	8%	-	-	0%	1,340,281	1,244,585	8%
Investment Earnings	16,213	3,095	424%	6,112	1,572	289%	22,325	4,667	378%
Other	98,961	77,925	27%	-	-	0%	98,961	77,925	27%
	4,010,905	3,827,386	5%	2,084,747	1,700,780	23%	6,095,652	5,528,166	10%
Expenses:									
General Government	658,356	622,161	6%	-	-	0%	658,356	622,161	6%
Police	980,670	1,063,429	-8%	-	-	0%	980,670	1,063,429	-8%
Fire	156,046	139,424	12%	-	-	0%	156,046	139,424	12%
Streets	423,654	372,537	14%	-	-	0%	423,654	372,537	14%
Sanitation	639,417	611,055	5%	-	-	0%	639,417	611,055	5%
Parks	69,765	62,144	12%	-	-	0%	69,765	62,144	12%
Swimming Pool	157,019	151,504	4%	-	-	0%	157,019	151,504	4%
Library	234,793	222,409	6%	-	-	0%	234,793	222,409	6%
Municipal Court	67,570	70,526	-4%	-	-	0%	67,570	70,526	-4%
Golf Course	67,795	67,805	0%	-	-	0%	67,795	67,805	0%
Code Enforcement	58,046	58,306	0%	-	-	0%	58,046	58,306	0%
Economic Development	123,671	108,460	14%	-	-	0%	123,671	108,460	14%
Airport	128,781	117,019	10%	-	-	0%	128,781	117,019	10%
Training Facility	4,359	3,579	22%	-	-	0%	4,359	3,579	22%
Interest on Long-Term Debt	34,195	38,511	-11%	-	-	0%	34,195	38,511	-11%
Debt Issuance Costs and Fees	13,189	13,190	0%	-	-	0%	13,189	13,190	0%
Water & Sewer	-	-	0%	1,346,534	1,258,180	7%	1,346,534	1,258,180	7%
	3,817,326	3,722,059	3%	1,346,534	1,258,180	7%	5,163,860	4,980,239	4%
Excess (Deficiency) Before Other Resources, Uses & Transfers	193,579	105,327	-84%	738,213	442,600	67%	931,792	547,927	70%
Other Resources (Uses)	-	-	0%	-	-	0%	-	-	0%
Transfers In (Out)	357,435	328,562	9%	(357,435)	(328,562)	-9%	-	-	0%
Increase (Decrease) in Net Position	551,014	433,889	-27%	380,778	114,038	234%	931,792	547,927	70%
Net Position - Beginning	5,111,594	4,677,705	9%	4,715,887	4,601,849	2%	9,827,481	9,279,554	6%
Net Position - Ending	5,662,608	5,111,594	11%	5,096,665	4,715,887	8%	10,759,273	9,827,481	9%

The City's total revenues were $6,095,652. A significant portion, 34%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (28%), non-property taxes (33%), charges for services (32%), grants and contributions (4%), and other (3%).

The total cost of all programs and services was $5,163,860; 26% of these costs were for water and sewer expenses. Expenses for governmental activities consisted of costs for general government (17%), Police (26%), streets (11%), sanitation (17%), other (29%).

Governmental Activities

Revenues for the City's governmental activities increased 5%, while total expenses increased 3%.

- Property tax rates increased from $0.7807 to $0.7841 per $100 valuation. The ad valorem tax levy for the previous fiscal year was $1,140,902, compared to $1,148,776 for the current year. Total tax collections were $1,140,503 in the current year of which $924,694 was for maintenance and operation and $215,809 for debt service.

- Grants and contributions revenues increased $30,753.

- Nonproperty tax revenues increased $95,696.

- Sanitation charges increased $37,992.

- The cost of all *governmental* activities this year was $3,817,326. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was $1,135,636 because some of the costs were paid by those who directly benefited from the programs ($1,258,769), by nonproperty taxes ($1,340,281), or grants and contributions ($151,045).

Business-type Activities

Revenues of the City's business-type activities (see table A-2) increased 23% ($2,084,747 from $2,084,747) and expenses increased 7% ($1,346,534 from $1,258,180).

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 $3,103,445, which is an increase from the prior year's total of $2,627,527. The following items effecting fund balance should be noted:

- In the prior year, expenditures were more than revenues by $81,712 prior to transfers. In the current year, expenditures were less than revenues by $118,483 prior to transfers.

- The revenues in the governmental funds increased 5% from the prior period and expenses for the governmental funds decreased less than 1% 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 $262,320 more than budgeted amounts and expenditures were $112,054 less than final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had $23,488,605 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 $607,602 over last year.

Table A-3
Fixed Assets

Governmental Activities:	Balance 10-01-21	Additions	Deletions/ Reclassifications	Balance 09-30-22
Land	$ 612,284	-	-	612,284
Infrastructure	396,813	143,649	-	540,462
Buildings& Improvements	4,387,734	77,949	-	4,465,683
Airport Improvements	2,155,952	-	-	2,155,952
Furniture & Equipment	4,370,027	27,621	-	4,397,648
Accumulated Depreciation	(6,136,716)	(469,821)	-	(6,606,537)
Net Capital Assets	$ 5,786,094	$(220,602)	$ -	$ 5,565,492

Business-Type Activities:	Balance 10-01-21	Additions	Deletions/ Reclassifications	Balance 09-30-22
Land	$ 833,127	-	-	833,127
Construction in Progress	48,251	-	(48,251)	-
Buildings & Improvements	206,804	-	-	206,804
Water & Sewer System	9,043,471	358,383	48,251	9,450,105
Vehicles & Equipment	826,540	-	-	826,540
Accumulated Depreciation	(4,949,310)	(310,364)	-	(5,259,674)
Net Capital Assets	$ 6,008,883	$ 48,019	$ -	$ 6,056,902

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 10-01-21	Additions	Decreases	Balance 09-30-22	Due Within One Year
Refunding Bonds	$ 1,830,000	$ -	$ 246,000	$ 1,584,000	$ 252,000
Estimated Liability for Landfill Closure Costs	336,256	9,759	-	346,015	-
Net Pension Liability	1,237,525	-	241,439	996,086	-
Total OPEB Liability	126,936	9,587	2,647	133,876	- .
	$ 3,530,717	$ 19,346	$ 490,086	$ 3,059,977	$ 252,000

Business-Type Activities:	Balance 10-01-21	Additions	Decreases	Balance 09-30-22	Due Within One Year
Certificates of Obligation	$ 2,160,000	$ -	$ 165,000	$ 1,995,000	$ 170,000
Bond Premium	171,219	-	26,529	144,690	-
Net Pension Liability	319,169	-	68,222	250,947	-
Total OPEB Liability	34,525	2,714	749	36,490	- .
Total	$ 2,684,913	$ 2,714	$ 260,500	$ 2,427,127	$ 170,000

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 2023 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 2023.

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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Investments	$ 4,039,175	$ 1,412,336	$ 5,451,511
Cash and Investments - Restricted	-	101,820	101,820
Accounts Receivable, net	207,879	150,716	358,595
Taxes Receivable, Net	106,299	-	106,299
Due from Other Governments	26,235	3,025	29,260
Interfund Balances	300	(300)	-
Deferred Expenses	-	5,677	5,677
Note Receivable	147,720	-	147,720
Lease Receivable - current	10,225	12,881	23,106
Lease Receivable - noncurrent	120,889	17,252	138,141
Capital Assets:			
Land	612,284	833,127	1,445,411
Construction in Progress	-	-	-
Buildings & Improvements, net	2,282,694	116,518	2,399,212
Infrastructure	472,429	-	472,429
Airport Improvements	1,556,839	-	1,556,839
Utility Systems & Equipment, net	-	5,035,262	5,035,262
Furniture & Equipment, net	641,245	71,996	713,241
TOTAL ASSETS	$ 10,224,213	$ 7,760,310	$ 17,984,523
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows - Pension	373,690	104,649	478,339
Deferred Outflows - OPEB	28,899	6,339	35,238
Deferred Charge on Bond Refunding	68,791	-	68,791
TOTAL DEFERRED OUTFLOWS OF RESOURCES	471,380	110,988	582,368
LIABILITIES:			
Current Liabilities:			
Accounts Payable	$ 133,872	$ 39,382	$ 173,254
Accrued Wages	-	-	-
Accrued Interest	4,038	8,838	12,876
Noncurrent Liabilities:			
Customer Deposits	-	101,820	101,820
Due within one year	252,000	170,000	422,000
Due in more than one year	1,678,015	1,825,000	3,503,015
Premium on Bond Issuance	-	144,690	144,690
Net Pension Liability	996,086	250,947	1,247,033
Total OPEB Liability	133,876	36,490	170,366
Total Liabilities	$ 3,197,887	$ 2,577,167	$ 5,775,054
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pension	500,778	162,903	663,681
Deferred Inflows - OPEB	19,214	4,430	23,644
Deferred Inflows - Lease Income	131,114	30,133	161,247
Deferred Inflows - Grant Funds	1,183,992	-	1,183,992
Total Deferred Inflows of Resources	1,835,098	197,466	2,032,564
NET POSITION			
Net Investment in Capital Assets	$ 3,635,476	$ 3,917,213	$ 7,552,689
Restricted for:			
Retirement of Long-Term Debt	67,738	-	67,738
Economic Development	1,260,301	-	1,260,301
Hotel/Motel Occupancy Tax	125,914	-	125,914
Drug Seizure Proceeds	5,408	-	5,408
Street Maintenance	196,488	-	196,488
Unrestricted	371,283	1,179,452	1,550,735
Total Net Position	$ 5,662,608	$ 5,096,665	$ 10,759,273

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
			Operating	Capital			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Government Activities:							
General Government	$ 658,356	$ 30,500	$ 62,016	$ -	$ (565,840)	-	(565,840)
Police	980,670	56,661	-	-	(924,009)	-	(924,009)
Fire	156,046	-	18,143	-	(137,903)	-	(137,903)
Streets	423,654	-	-	-	(423,654)	-	(423,654)
Sanitation	639,417	1,039,787	-	-	400,370	-	400,370
Parks	69,765	6,447	-	70,886	7,568	-	7,568
Swimming Pool	157,019	83,849	-	-	(73,170)	-	(73,170)
Library	234,793	-	-	-	(234,793)	-	(234,793)
Municipal Court	67,570	-	-	-	(67,570)	-	(67,570)
Golf Course	67,795	9,800	-	-	(57,995)	-	(57,995)
Code Enforcement	58,046	-	-	-	(58,046)	-	(58,046)
Economic Development	123,671	-	-	-	(123,671)	-	(123,671)
Airport	128,781	41,725	-	-	(87,056)	-	(87,056)
Training Facility	4,359	-	-	-	(4,359)	-	(4,359)
Interest on Long-Term Debt	34,195	-	-	-	(34,195)	-	(34,195)
Debt Issuance Costs and Fees	13,189	-	-	-	(13,189)	-	(13,189)
Total Government Activities	$ 3,817,326	$ 1,268,769	$ 80,159	$ 70,886	$ (2,397,512)	$ -	$ (2,397,512)
Business-type Activities							
Water and Sewer	$ 1,346,534	$ 1,822,748	$ -	$ 255,887	$ -	$ 732,101	$ 732,101
Total Business-Type Activties	$ 1,346,534	$ 1,822,748	$ -	$ 255,887	$ -	$ 732,101	$ 732,101
Total Primary Government	$ 5,163,860	$ 3,091,517	$ 80,159	$ 326,773	$ (2,397,512)	$ 732,101	$ (1,665,411)
General Revenues							
Property Taxes, Levied for General Purpose					921,283	-	921,283
Property Taxes, Levied for Debt Servic					214,353		
Nonproperty Taxes					1,340,281	-	1,340,281
Investment Earnings					16,213	6,112	22,325
Licenses and Permits					17,739	-	17,739
Insurance Proceeds					56,259	-	56,259
Miscellaneous					24,963	-	24,963
Transfers					357,435	(357,435)	-
Total General Revenue					2,948,526	(351,323)	2,382,850
Change in Net Position					551,014	380,778	931,792
Net Position -- Beginning					5,111,594	4,715,887	9,827,481
Net Position -- Ending					$ 5,662,608	$ 5,096,665	$ 10,759,273

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

CITY OF MULESHOE
Muleshoe, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS
September 30, 2022

	General Fund	Economic Development	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	$ 1,319,733	$ 1,164,933	$ 1,554,509	$ 4,039,175
Property Taxes Receivable, net	86,741	-	19,558	106,299
Accounts Receivable	200,520		7,359	207,879
Due from Other Governments	24,083	-	2,152	26,235
Due from Other Funds	50,225	-	-	50,225
Notes Receivable	-	147,720	-	147,720
TOTAL ASSETS	$ 1,681,302	$ 1,312,653	$ 1,583,578	$ 4,577,533
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 131,445	$ 2,427	$ -	$ 133,872
Accrued Wages	-	-	-	-
Due to Other Funds	-	49,925	-	49,925
Total Liabilities	131,445	52,352	-	183,797
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues - Property Taxes	86,741	-	19,558	106,299
Deferred Inflows - Grant Proceeds	-	-	1,183,992	1,183,992
Total Deferred Inflows of Resources	86,741	-	1,203,550	1,290,291
FUND BALANCES				
Restricted Fund Balances:				
Retirement of Long-Term Debt	-	-	52,218	52,218
Economic Development	-	1,260,301	-	1,260,301
Hotel/Motel Occupancy Tax	-	-	125,914	125,914
Drug Seizure Proceeds	-	-	5,408	5,408
Street Maintenance	-	-	196,488	196,488
Unassigned	1,463,116	-	-	1,463,116
Total Fund Equities	1,463,116	1,260,301	380,028	3,103,445
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,681,302	$ 1,312,653	$ 1,583,578	$ 4,577,533

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, 2022

Total Fund Balances -- Governmental Funds Balance Sheet		$ 3,103,445
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		106,299
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,565,491
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	68,791	
Accrued interest payable	(4,038)	
Certificates of Obligation	(1,930,015)	
		(1,865,262)
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 $996,086, a deferred resource outflow related to pension in the amount of $373,690, and a deferred resource inflow of $500,778. This resulted in a decrease in net position by $1,123,174.		(1,123,174)
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 $133,876, a deferred resource outflow related to OPEB in the amount of $28,899, and a deferred resource inflow related to OPEB in the amount of $500,778. This resulted in a decrease in net position by $124,191.		(124,191)
Net Position of Governmental Activities -- Statement of Net Position		$ 5,662,608

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, 2022

	General Fund	Economic Development	Other Governmental Fund	Total Governmental Funds
REVENUES:				
Property Taxes (Including Penalty & Interest)	$ 934,914	$ -	$ 217,071	$ 1,151,985
Sales Taxes	623,437	155,049	155,049	933,535
Franchise Taxes	349,275	-	-	349,275
Occupancy Taxes	-	-	57,471	57,471
Licenses and permits	17,739	-	-	17,739
Rents	62,416	-	-	62,416
Swimming Pool	55,805	-	-	55,805
Donations	28,044	-	-	28,044
Capital Contribution	70,886	-	-	70,886
Sanitation Charges	1,039,787	-	-	1,039,787
Airport Fuel Sales	26,056	-	-	26,056
Fines	56,661	-	-	56,661
Interest	9,221	3,492	3,500	16,213
Grants	18,143	-	62,016	80,159
Drug Seizures	-	-	-	-
Insurance Proceeds	56,259	-	-	56,259
Miscellaneous	24,963	-	-	24,963
Total Revenues	3,373,606	158,541	495,107	4,027,254
EXPENDITURES				
Current				
General Government	561,024	-	107,153	668,177
Police	937,645	-	2,886	940,531
Fire	95,459	-	-	95,459
Streets	382,838	-	152,774	535,612
Sanitation	598,774	-	-	598,774
Parks	114,690	-	-	114,690
Swimming Pool	79,057	-	-	79,057
Library	241,055	-	-	241,055
Municipal Court	71,057	-	-	71,057
Golf Course	60,000	-	-	60,000
Code Enforcement	58,340	-	-	58,340
Economic Development and Assistance	-	119,190	-	119,190
Airport	41,356	-	-	41,356
Training Facility	4,359	-	-	4,359
Principal on Long-Term Debt	-	-	246,000	246,000
Interest on Long-Term Debt	-	-	34,823	34,823
Debt issuance costs and fees	-	-	291	291
Capital Outlay	-	-	-	-
Total Expenditures	3,245,654	119,190	543,927	3,908,771
Excess of Revenues Over (Under) Expenditures	127,952	39,351	(48,820)	118,483
OTHER FINANCING SOURCES (USES)				
Transfers In	295,610	-	61,825	357,435
Transfers Out	-	-	-	-
Total Other Sources (Uses)	295,610	-	61,825	357,435
Net Change in Fund Balances	423,562	39,351	13,005	475,918
Fund Balance--Beginning of Year	1,039,554	1,220,950	367,023	2,627,527
Fund Balance--End of Year	$ 1,463,116	$ 1,260,301	$ 380,028	$ 3,103,445

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, 2022

Net Change in Fund Balances -- Total Governmental Funds		$ 475,918
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.		249,219
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.		(469,821)
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.		(16,349)
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:		246,000
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	100,523	
Change in OPEB expense	(12,447)	
Change in liability for landfill closure & postclosure expenses	(9,759)	
Amortization of deferred charge on bond refunding	(12,898)	
Change in accrued interest payable	628	
		66,047
		$ 551,014

The accompanying notes are an integral part of this statement.

EXHIBIT D-1

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2022

		Proprietary Funds
		Water and Sewer
ASSETS		
Current Assets:		
Cash and Investments	$	1,412,336
Cash - Restricted for customer deposits		101,820
Due from Other Governments		3,025
Accounts Receivable		173,736
Allowance for Uncollectible		(23,020)
Lease Receivable - current		12,881
Deferred Expenses		5,677
Total Current Assets	$	1,686,455
Noncurrent Assets:		
Lease Receivable	$	17,252
Land		833,127
Construction in Progress		-
Buildings and Improvements, net		116,518
Machinery and Equipment, net		71,996
Water and Sewer System, net		5,035,262
Total Noncurrent Assets	$	6,074,155
TOTAL ASSETS	$	7,760,610
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows - Pension	$	104,649
Deferred Outflows - OPEB		6,339
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	110,988
LIABILITIES		
Current Liabilities		
Accounts Payable	$	39,382
Accrued Wages		-
Accrued Interest		8,838
Due to Other Funds		300
Noncurrent Liabilities		
Customer Deposits		101,820
Due within one year		170,000
Due in more than one year		1,825,000
Premium on bond issuance		144,690
Net Pension Liability		250,947
Total OPEB Liability		36,490
Total Liabilities		2,577,467
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows - Pension	$	162,903
Deferred Inflows - OPEB		4,430
Deferred Inflows - Lease Income		30,133
Total Deferred Inflows of Resources		197,466
NET POSITION		
Net investment in capital assets		3,917,213
Unrestricted		1,179,452
Total Net Position	$	5,096,665

The accompanying notes are an integral part of this statement.

EXHIBIT D-2

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

	Proprietary Funds
	Water and Sewer
Operating Revenues	
Charges for Services	$ 1,696,507
Rents	24,742
Miscellaneous	101,499
Total Operating Revenues	1,822,748
Operating Expenses	
Personnel Services	488,944
Supplies	50,772
Maintenance	181,660
Other Charges	268,766
Depreciation	310,364
Total Operating Expenses	1,300,506
Operating Income (Loss)	522,242
Non-Operating Revenues (Expenses)	
Interest Income	6,112
Interest Expense	(46,028)
Total Non-Operating Revenues (Expenses)	(39,916)
Income Before Contributions and Transfers	482,326
Contributions and Transfers	
Capital Contribution - CDBG Grant	255,887
Transfers In/(Out)	(357,435)
Total Contributions and Transfers	(101,548)
Change in Net Position	380,778
NET POSITION	
Net Position, Beginning of Year	4,715,887
Net Position, End of Year	5,096,665

The accompanying notes are an integral part of this statement.

EXHIBIT D-3

CITY OF MULESHOE
Muleshoe, Texas

STATEMENT OF CASH FLOWS--
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

	Proprietary Funds
	Water and Sewer
Cash Flows from Operating Activities:	
Receipts from Customers	$ 1,848,209
Payments to Suppliers	(530,122)
Payments to Employees	(519,616)
Net Cash Provided (Used) by Operating Activities	798,471
Cash Flows from Non-Capital Financing Activties:	
Payments on Interfund Balances	-
Transfer to Other Fund	(357,435)
Net Cash Provided (Used) by Investing Activities	(357,435)
Cash Flows from Capital & Related Financing Activites:	
Acquisition of Fixed Assets	(358,384)
Contributions from Grants	252,862
Payments on Long-Term Debt	(238,175)
Net Cash Provided (Used) by Capital & Related Financing Activites	(343,697)
Cash Flows from Investing Activities	
Interest Earned on Investments	6,112
Net Cash Provided (Used) by Investing Activities	6,112
Net Increase (Decrease) in Cash & Cash Equivalents	103,451
Cash & Cash Equivalents--Beginning of Year	1,410,705
Cash & Cash Equivalents--End of Year	1,514,156
Reconciliaton of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	522,242
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	310,364
(Increase) Decrease in Receivables	21,010
(Increase) Decrease in Deferred Expenses	681
(Increase) Decrease in Deferred Outflows	(41,229)
Increase (Decrease) in Liabilities	(91,411)
Increase (Decrease) in Deferred Inflows	76,814
Net Cash Provided (Used) by Operating Activities	798,471

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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, 2022

Note A: Summary of Significant Accounting Polices (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, 2022 the City allocated $155,049 of its sales tax revenue to the EDC.

Joint Ventures

The City of Muleshoe has the following joint ventures at September 30, 2022. 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.

Related Organizations	Brief Description of Activities and Relationship to the City
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, 2022

Note A: Summary of Significant Accounting Polices (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, 2022

Note A: Summary of Significant Accounting Polices (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

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 $52,218
- Economic Development $1,260,301
- Hotel/Motel Occupancy Tax $125,914
- Drug Seizure Proceeds $5,408
- Street Maintenance $196,488

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, 2022

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, 2022, the amount deemed uncollectible by this estimate was $34,880. 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, 2022

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:

Asset Class	Estimated Useful Lives
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, 2022

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.

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, 2022

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:

Violations	Action Taken
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, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was $2,606,195 and the bank balance was $2,734,984. 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, 2022

Note C: Deposits and Investments (continued)

The City's investments at September 30, 2022 included investment pools amounting to $2,947,136.

Investment Pool	Fund Rating (Standard & Poor's)	Wtd Average Maturity	Amount
LOGIC	AAAm	19 Days	$ 2,947,136

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.

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, 2022

Note D: Leases Receivable

a. The City, as lessor, has a lease agreement with Muleshoe Country Club whereby a tract of land containing 78.52 acres is being leased for the operation and maintenance of a public golf course. The lease has an initial lease term of March 1, 2013 and terminating on February 28, 2033.

The agreed rent to be paid by the Tenant to the City is the sum of $1,300 per month. The City has the right to adjust monthly rent from time to time to accurately reflect fair market value. Lease income of $9,801 and interest income of $5,799 was recognized for the fiscal year ending September 30, 2022.

Future rental payments due from the tenant at September 30, 2022 are as follows:

Governmental Activities:

	Principal	Interest	Total
Year Ending September 30,			
2023	$ 10,225	$ 5,375	$ 15,600
2024	10,668	4,932	15,600
2025	11,131	4,469	15,600
2026	11,613	3,987	15,600
2027	12,116	3,484	15,600
2028-2032	68,929	9,071	78,000
2033	6,432	68	6,500
Totals	$ 131,114	$ 31,386	$ 162,500

b. The City, as lessor, has a lease agreement with a local business whereby a tract of land is being leased for the purpose of farm animal grazing. The lease has an initial lease term of December 23, 2021 and terminating on December 23, 2024.

The agreed rent to be paid by the Tenant to the City is the sum of $18,000 per year. Lease income of $21,742 and interest income of $758 was recognized for the fiscal year ending September 30, 2022.

Future rental payments due from the tenant at September 30, 2022 are as follows:

Business-Type Activities:

	Principal	Interest	Total
Year Ending September 30,			
2023	$ 12,881	$ 619	$ 13,500
2024	17,252	748	18,000
Totals	$ 30,133	$ 1,367	$ 31,500

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14
September 30, 2022

Note E: Capital Assets

Capital asset activity for the period ended September 30, 2023, was as follows:

Governmental Activities:	Balance 10-01-21	Additions	Deletions/ Reclassifications	Balance 9-30-22
Land	$ 612,284	-	-	$ 612,284
Infrastructure	396,813	143,649	-	540,462
Buildings& Improvements	4,387,734	77,949	-	4,465,683
Airport Improvements	2,155,952	-	-	2,155,952
Furniture & Equipment	4,370,027	27,621	-	4,397,648
Total Capital Assets	$ 11,922,810	$ 249,219	$ -	$12,172,029

Less Accumulated Depreciation:				
Infrastruture	$ 51,210	$ 16,823	-	$ 68,033
Buildings& Improvements	2,015,812	167,177	-	2,182,989
Airport Improvements	517,628	81,485	-	599,113
Furniture & Equipment	3,552,066	204,336	-	3,756,402
Total Accumulated Depreciation	$ 6,136,716	$ 469,821	$ -	$ 6,606,537
Net Capital Assets	$ 5,786,094	$(220,602)	$ -	$ 5,565,492

Water and Sewer Activities:	Balance 10-01-21	Additions	Deletions/ Reclassifications	Balance 9-30-22
Land	$ 833,127	-	-	$ 833,127
Construction in Progress	48,251	-	(48,251)	-
Buildings& Improvements	206,804	-	-	206,804
Water & Sewer System	9,043,471	358,383	48,251	9,450,105
Vehicles, Machinery & Furniture & Fixtures	826,540	-	-	826,540
Total Capital Assets	$10,958,193	$358,383	$ -	$11,316,576

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 15
September 30, 2022

Note E: Capital Assets (continued)

Less Accumulated Depreciation:	Balance 10-01-21	Additions	Deletions/ Reclassifications	Balance 9-30-22
Buildings& Improvements	$ 83,958	$ 6,328	-	$ 90,286
Water & Sewer System	4,136,593	278,250	-	4,414,843
Vehicles, Machinery & Furiture & Fixtures	728,759	25,786	-	754,545
Total Accumulated Depreciation	$ 4,949,310	$ 310,364	$ -	$5,259,674
Net Capital Assets	$ 6,008,883	$ 48,019	$ -	$6,056,902

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

General Government	$ 10,859
Police	90,797
Fire	79,284
Streets	43,401
Sanitation	41,203
Parks	25,962
Swimming Pool	77,962
Library	5,133
Golf Course	7,795
Airport	87,425
Water & Sewer	310,364
	$ 780,185

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 16
September 30, 2022

Note F: Interfund Balances and Activities

Interfund balances at September 30, 2022 consisted of the following individual fund balances:

Fund	Due from Other Funds	Due to Other Funds
General Fund:		
Economic Development Fund	$ 49,925	-
Water and Sewer Fund	300	-
Total General Fund	50,225	-
Economic Development Fund:		
General Fund	-	49,925
Water and Sewer Fund:		
General Fund	-	300
Total	$ 50,225	$ 50,225

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

Note G: Interfund Transfers

Interfund transfers for the year ended September 30, 2022 consisted of the following:

Fund	Transfers In	Transfers Out
General Fund:		
Water and Sewer Fund	295,610	-
Total General Fund	295,610	-
Debt Service Fund:		
Water and Sewer Fund	61,825	-
Water and Sewer Fund:		
General Fund	-	295,610
Debt Service Fund	-	61,825
Total Water and Sewer Fund	-	357,435
Total	$ 357,435	$ 357,435

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 17
September 30, 2022

Note H: Long-Term Obligations

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

	9/30/2021	9/30/2022
Governmental Activities	$ 38,511	$ 34,195
Business-type Activities	$ 48,781	$ 46,028

At September 30, 2022 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 18
September 30, 2022

Note H: Long-Term Obligations (continued)

Changes in long-term obligations for the year ended September 30, 2022 are as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Refunding Bond-2015	$ 1,830,000	$ -	$ 246,000	$ 1,584,000	$ 252,000
Net Pension Liability	1,237,525	-	241,439	996,086	-
Total OPEB Liability	126,936	9,587	2,647	133,876	-
Estimated Liability for Landfill Closure Cost	336,256	9,759	-	346,015	-
Total Governmental Funds:	$ 3,530,717	$ 19,346	$ 490,086	$ 3,059,977	$ 252,000

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Certificates Of Obligation-2016	$ 2,160,000	$ -	$ 165,000	$ 1,995,000	$ 170,000
Certificate of Obligation Premium	171,219	-	26,529	144,690	-
Net Pension Liability-TMRS	319,169	-	68,222	250,947	-
Total OPEB Liability	34,525	2,714	749	36,490	-
Total Business-Type Activities:	$ 2,684,913	$ 2,714	$ 260,500	$ 2,427,127	$ 170,000

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, 2022 are as follows:

Debt Service Requirements	Governmental Activities		Business-Type Activities	
Year Ending September 30,	Principal	Interest	Principal	Interest
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	270,000	8,425	195,000	46,325
2028-2032	278,000	2,836	1,085,000	111,900
Total	$ 1,584,000	$ 98,715	$ 1,995,000	$ 399,100

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19
September 30, 2022

Note I: TMRS-Pension Plan

Plan Description

The City of Muleshoe participates as one of 901 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 Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the administration and management of TMRS with a six-member Board of Trustees (Board) appointed by the Governor with the advice and consent of the Texas Senate. TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive 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, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. 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.

	Plan Year 2022	Plan Year 2021
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 20
September 30, 2022

Note I: TMRS-Pension Plan (continued)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	25
Active employees	34
Total	91

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1-1/2 to 1) or 2:1 (2 to 1), 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 actuarially determined contribution rates for the City of Muleshoe were 19.70% and 19.16% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were $299,467, and were equal to the required contributions.

Net Pension Liability

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

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, 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 21
September 30, 2022

Note I: 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
Total	100.00%	

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 22
September 30, 2022

Note I: 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 12/31/20	$ 11,411,436	$ 9,854,743	$ 1,556,693
Changes for the year:			
Service cost	250,615		250,615
Interest	760,485		760,485
Change of benefit terms			
Difference between expected and actual experience	369,155		369,155
Changes of assumptions			-
Contributions - employer		304,082	(304,082)
Contributions - employee		108,090	(108,090)
Net investment income		1,283,646	(1,283,646)
Benefit payments, including refunds of employee contributions	(540,587)	(540,587)	-
Administrative expense		(5,944)	5,944
Other changes		41	(41)
Net changes	839,668	1,149,328	(309,660)
Balance at 12/31/21	$ 12,251,104	$ 11,004,071	$ 1,247,033

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	$ 2,848,933	$ 1,247,033	$ (77,667)

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 23
September 30, 2022

Note I: 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, 2022, the city recognized pension expense of $164,847.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 266,274	$ -
Changes in actuarial assumptions	$ -	$ -
Difference between projected and actual investment earnings	$ -	$ 663,681
Contributions subsequent to the measure date December 31, 2021	$ 212,065	$ -
Total	$ 478,339	$ 663,681

$212,065 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, 2023. 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:	
2022	$ 40,611
2023	(174,777)
2024	(139,554)
2025	(123,687)
2026	-
Thereafter	-
Total	$ (397,407)

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
Year Ended September 30, 2022

Note J: 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 783 participating cities on December 31, 2021.

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.tmrs.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 retirees is considered 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	4
Active employees	34
Total	58

4. Contributions

The City contributes to the SDBF monthly based on the covered payroll of employee members at an actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
September 30, 2022

Note J: Supplemental Death Benefits Plan (continued)

Contribution Rates

	2021	2022
City	**0.33%**	**0.34%**

Current Fiscal Year Employer Contributions **$ 5,226**

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Summary of Actuarial Methods and Assumptions

Valuation Date	December 31, 2021
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount Rate*	1.84%*
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, 2021.

The actuarial assumptions used in the December 31, 2021 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 26
September 30, 2022

Note J: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2021, the discount rate used in the development of the Total OPEB Liability was 1.84% compared to 2.00% as of December 31, 2020. 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, 2021.

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 (1.84%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	$ 204,463	$ 170,366	$ 143,663

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

At September 30, 2022, the City reported a liability of $170,366 for total OPEB liability. The total OPEB liability was measured as of December 31, 2021 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, 2021, the discount rate used in the development of the Total OPEB Liability was 1.84% compared to 2.00% as of December 31, 2020. 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, 2022, the City recognized OPEB expense of $21,098.

CITY OF MULESHOE
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27
September 30, 2022

Note J: Supplemental Death Benefits Plan (continued)

Change in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/20	$ 161,460
Changes for the year:	
Service cost	8,030
Interest	3,276
Change of benefit terms	
Difference between expected and actual experience	(3,693)
Changes of assumptions	4,690
Benefit payments, including refunds of employee contributions	(3,397)
Other changes	-
Net changes	8,906
Balance at 12/31/21	$ 170,366

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	$ 9,649	$ 22,223
Changes in actuarial assumptions	$ 21,829	$ 1,421
Difference between projected and actual Investment earnings	$ -	$ -
Total as of Dec. 31, 2021 measurement date	$ 31,478	$ 23,644
Contributions paid to TRS subsequent to the measurement date	$ 3,760	$ -
Total as of fiscal year-end	$ 35,238	$ 23,644

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:

Year ended December 31:	OPEB Expense Amount
2022	$ 6,161
2023	(207)
2024	1,787
2025	93
2026	-
Thereafter	-

Note K: 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, 2022. 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, 2022.

Note L: 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 M: 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 29
September 30, 2022

Note M: 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 N: Health Care Coverage

During the year ended September 30, 2022, 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 O: 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 $346,015 as of September 30, 2022, which is based on 5.86% usage (filled) of the landfill. It is estimated that an additional $890,466 will be recognized as closure and post-closure care expenses between the October 1, 2022 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 ($1,236,481) 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, 2022. 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, 2022.

The total amount of landfill closure and post-closure care cost for the current period in the amount of $9,759 (required by GASB 18) increased the amount of estimated liability for landfill closure and post-closure care cost as a Long-Term Liability.

Note P: 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

EXHIBIT E-1

CITY OF MULESHOE
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property Taxes (Including Penalty & Interest)	$ 960,500	$ 960,500	$ 934,914	$ (25,586)
Sales Taxes	504,500	504,500	623,437	118,937
Franchise Taxes	275,000	275,000	349,275	74,275
Occupancy Taxes	-	-	-	-
Licenses and permits	12,750	12,750	17,739	4,989
Rents	53,800	53,800	62,416	8,616
Swimming Pool	50,000	50,000	55,805	5,805
Donations	17,800	17,800	28,044	10,244
Capital Contribution	-	70,886	70,886	-
Sanitation Charges	1,011,000	1,011,000	1,039,787	28,787
Airport Fuel Sales	7,000	27,000	26,056	(944)
Fines	66,350	66,350	56,661	(9,689)
Interest	7,200	7,200	9,221	2,021
Grants	-	18,000	18,143	143
Insurance Proceeds	-	-	56,259	56,259
Miscellaneous	36,500	36,500	24,963	(11,537)
Total Revenues	3,002,400	3,111,286	3,373,606	262,320
Expenditures				
Current				
General Government	498,830	562,071	561,024	1,047
Police	991,422	941,422	937,645	3,777
Fire	90,325	108,325	95,459	12,866
Streets	415,311	406,311	382,838	23,473
Sanitation	599,184	599,184	598,774	410
Parks	65,550	136,436	114,690	21,746
Swimming Pool	82,260	82,260	79,057	3,203
Library	241,475	241,875	241,055	820
Municipal Court	79,467	79,467	71,057	8,410
Golf Course	63,500	63,500	60,000	3,500
Code Enforcement	87,907	87,907	58,340	29,567
Airport	21,950	41,950	41,356	594
Training Facility	7,000	7,000	4,359	2,641
Total Expenditures	3,244,181	3,357,708	3,245,654	112,054
Other Financing Sources (Uses)				
Transfers In/(Out)	300,000	300,000	295,610	(4,390)
Total Other Sources (Uses)	300,000	300,000	295,610	(4,390)
Net Change in Fund Balances	58,219	53,578	423,562	369,984
Fund Balance, Beginning of Year	1,039,554	1,039,554	1,039,554	-
Fund Balance, End of Year	$ 1,097,773	$ 1,093,132	$ 1,463,116	$ 369,984

EXHIBIT E-2

CITY OF MULESHOE
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT
For the Fiscal Year Ended September 30, 2022

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Sales Taxes	$ 120,000	$ 120,000	$ 155,049	$ 35,049
Interest Income	3,300	3,300	3,492	192
Total Revenues	123,300	123,300	158,541	35,241
Expenditures				
Current				
Economic development and assistance	1,175,687	228,432	119,190	109,242
Total Expenditures	1,175,687	228,432	119,190	109,242
Other Financing Sources (Uses)				
Transfers In/(Out)	-	-	-	-
Total Other Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(1,052,387)	(105,132)	39,351	144,483
Fund Balance, Beginning of Year	1,220,950	1,220,950	1,220,950	-
Fund Balance, End of Year	$ 168,563	$ 1,115,818	$ 1,260,301	$ 144,483

CITY OF MULESHOE
Muleshoe, Texas

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

	Measurement Year							
	December 31, 2021	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	$ 250,615	$ 241,842	$ 219,988	$ 223,131	$ 217,345	$ 213,582	$ 212,058	$ 184,619
Interest (on the Total Pension Liability)	760,485	730,217	713,760	670,969	623,937	580,931	567,622	538,551
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	369,155	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	(540,587)	(725,517)	(500,385)	(407,267)	(363,187)	(418,921)	(242,269)	(252,849)
Net change in Total Pension Liability	839,668	351,566	345,446	682,081	715,914	607,380	585,058	396,294
Total Pension Liability - Beginning	11,411,436	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)	$ 12,251,104	$ 11,411,436	$ 11,059,870	$ 10,714,424	$ 10,032,343	$ 9,316,429	$ 8,709,049	$ 8,123,991
Plan Fiduciary Net Position								
Contributions - employer	304,082	287,264	248,235	234,266	213,126	215,189	218,865	227,385
Contributions - employee	108,090	105,280	97,401	97,437	95,687	94,805	91,630	88,576
Net investment income	1,283,646	718,801	1,289,945	(260,157)	1,064,776	493,602	10,671	388,131
Benefit payments, including refunds of employee contributions	(540,587)	(725,517)	(500,385)	(407,267)	(363,187)	(418,920)	(242,269)	(252,849)
Administrative expense	(5,944)	(4,653)	(7,291)	(5,029)	(5,518)	(5,575)	(6,500)	(4,052)
Other	41	(182)	(219)	(263)	(280)	(300)	(321)	(333)
Net Change in Plan Fiduciary Net Position	1,149,328	380,993	1,127,686	(341,013)	1,004,604	378,801	72,076	446,858
Plan Fiduciary Net Position - Beginning	9,854,743	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)	$ 11,004,071	$ 9,854,743	$ 9,473,750	$ 8,346,064	$ 8,687,077	$ 7,682,473	$ 7,303,672	$ 7,231,596
Net Pension Liability/(Asset) - Ending (a) - (b)	$ 1,247,033	$ 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	89.82%	86.36%	85.66%	77.90%	86.59%	82.46%	83.86%	89.02%
Covered Employee Payroll	$ 1,544,149	$ 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	80.76%	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				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	$ 8,030	$ 6,166	$ 4,035	$ 5,011	$ 4,238
Interest (on the Total OPEB Liability)	3,276	3,719	5,855	3,576	3,504
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(3,693)	(271)	(52,549)	49,861	-
Change of assumptions	4,690	20,224	19,954	(7,337)	8,027
Benefit payments, including refunds of employee contributions	(3,397)	(1,053)	(835)	(835)	(820)
Net change in Total OPEB Liability	8,906	28,785	(23,540)	50,276	14,949
Total OPEB Liability - Beginning	161,460	132,675	156,215	105,939	90,990
Total OPEB Liability - Ending	$ 170,366	$ 161,460	$ 132,675	$ 156,215	$ 105,939
Covered Employee Payroll	$ 1,544,149	$ 1,503,993	$ 1,391,446	$ 1,391,957	$ 1,366,952
Total OPEB Liability/(Asset) as a Percentage of Covered Payroll	11.03%	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)

	Fiscal Year September 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 299,467	$ 298,790	$ 280,973	$ 247,965	$ 229,654	$ 212,580	$ 214,497	$ 222,738
Contributions in relation to the actuarially determined contribution	299,467	298,790	280,973	247,965	229,654	212,580	214,497	222,738
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,550,474	$ 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	19.31%	19.63%	18.99%	17.75%	16.67%	15.87%	16.32%	17.20%

The accompanying notes are an integral part of this statement.

EXHIBIT E-5

CITY OF MULESHOE
Muleshoe, Texas

SCHEDULE OF CONTRIBUTIONS - TMRS OPEB
(unaudited)

	Fiscal Year September 30,				
	2022	2021	2020	2019	2018
Actuarially Determined Contribution	$ 5,226	$ 4,593	$ 3,551	$ 3,073	$ 2,617
Contributions in relation to the actuarially determined contribution	5,226	4,593	3,551	3,073	2,617
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 1,550,474	$ 1,522,474	$ 1,479,550	$ 1,396,752	$ 1,377,622
Contributions as a percentage of covered employee payroll	0.34%	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, 2022

Schedule of Pension Contributions – 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
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, 2022

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*	1.84%
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, 2021.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MULESHOE
Muleshoe, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended September 30, 2022

Last Ten Years Ended September 30*	Tax Rates: Maintenance	Tax Rates: Debt Service	Tax Rates: Total	Beginning Balance 10/01/21	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 09/30/22
2013 and Prior Years	Various	Various	Various	$ 25,661	$ -	$ 1,310	$ -	$ (6,474)	$ 17,877
2014	0.65880	0.08880	0.7476	4,418	-	406	55	(823)	3,134
2015	0.66180	0.08770	0.7495	5,644	-	926	123	(825)	3,770
2016	0.65380	0.08670	0.7405	6,528	-	1,067	141	(695)	4,625
2017	0.65380	0.08670	0.7405	8,784	-	1,101	146	(820)	6,717
2018	0.57470	0.16850	0.7432	11,610	-	2,137	626	(822)	8,025
2019	0.61760	0.16760	0.7852	19,018	-	4,629	1,256	(808)	12,325
2020	0.61760	0.16760	0.7852	26,577	-	4,681	1,270	(809)	19,817
2021	0.62890	0.15180	0.7807	38,371	-	11,983	2,892	(776)	22,720
2022- Year Under Audit	0.63580	0.14830	0.7841	-	1,148,776	896,618	209,136	(853)	42,169
1000	TOTALS			$ 146,611	$ 1,148,776	$ 924,858	$ 215,645	$ (13,705)	$ 141,179

EXHIBIT G-1

Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550 Randel J. Terry, CPA
Lubbock, TX 79493-3550 Ryan R. King, CPA
Telephone - (806) 698-8858 – Fax – (866) 288-6490

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

Members of the City Council:

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, 2022, 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 2, 2023.

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 or significant deficiencies may exist that were not identified.

Report on 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,

Terry & King

Terry & King, CPAs, P.C.
Lubbock, Texas
March 2, 2023