

ANNUAL FINANCIAL REPORT

of the

City of Mineola, Texas

**For the Year Ended
September 30, 2022**

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City of Mineola, Texas

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September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mineola, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mineola, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mineola, Texas, as of September 30, 2022, and the respective changes in financial position 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 (GAAS). 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 City of Mineola, 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

The City's 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 one year after the date that the financial statements are issued.

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 GAAS 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 GAAS, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise City of Mineola, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, professional style.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
July 3, 2023

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Mineola, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2022

As management of the City of Mineola, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information contained in this report.

Financial Highlights

- The City's total combined net position was \$18,638,866 at September 30, 2022. Of this, \$3,010,865 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,152,966, an increase of \$456,262.
- As of the end of the year, the unassigned fund balance of the general fund was \$936,161 or 19% of total general fund expenditures.
- The City had an overall increase in net position of \$1,381,955.
- The City closed the year with a net pension liability of \$130,944.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

City of Mineola, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2022

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City include water and sewer, and solid waste operations.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

The City adopts an annual appropriated budget for its general, debt service, and nature preserve project funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the respective budget.

Proprietary Funds

The City's proprietary funds are all enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, which is considered to be a major fund of the City.

Component Units

The City maintains the accounting and financial statements for one component unit. The Mineola Economic Development Corporation, which is a discretely presented component unit, is presented separately within the Statement of Net Position and Statement of Activities.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The required RSI includes a budgetary comparison schedule for the general fund, schedule of changes in the net pension asset and related ratios and schedule of employer contributions for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Mineola, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,638,866 as of September 30, 2022, in the primary government.

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

The largest portion of the City's net position, \$14,544,681, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Position:

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 3,571,082	\$ 8,381,430	\$ 11,952,512	\$ 2,954,861	\$ 6,321,241	\$ 9,276,102
Capital assets, net	7,914,449	18,071,709	25,986,158	8,016,161	16,011,882	24,028,043
Total Assets	11,485,531	26,453,139	37,938,670	10,971,022	22,333,123	33,304,145
Deferred Outflows	192,638	59,146	251,784	191,701	59,133	250,834
Current liabilities	678,425	1,423,964	2,102,389	649,252	1,068,497	1,717,749
Long-term liabilities	3,050,106	13,700,211	16,750,317	3,763,280	10,583,687	14,346,967
Total Liabilities	3,728,531	15,124,175	18,852,706	4,412,532	11,652,184	16,064,716
Deferred Inflows	562,393	136,489	698,882	181,719	51,633	233,352
Net Position:						
Net investment						
in capital assets	4,863,853	9,680,828	14,544,681	4,651,243	9,447,660	14,098,903
Restricted	1,083,320	-	1,083,320	678,706	-	678,706
Unrestricted	1,440,072	1,570,793	3,010,865	1,238,523	1,240,779	2,479,302
Total Net Position	\$ 7,387,245	\$ 11,251,621	\$ 18,638,866	\$ 6,568,472	\$ 10,688,439	\$ 17,256,911

Current and other assets for primary government increased by \$2,676,410 primarily due to greater cash on hand, which is a direct result of operating surpluses over the course of the year and unspent bond proceeds. Current liabilities for business-type activities increased by \$355,467 primarily due to an increase in vendor payables during the current year. Total long-term liabilities increased by \$2,403,350 mainly as a result of a new debt issuance in the current year.

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

Statement of Activities:

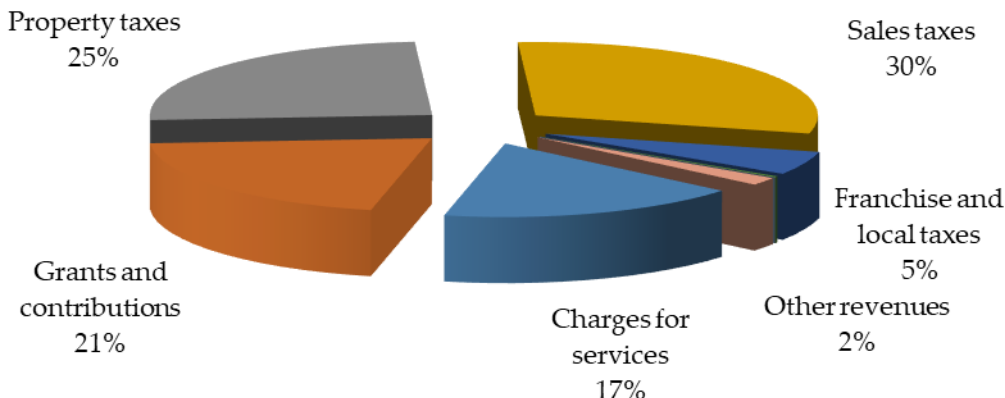
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,133,871	\$ 2,902,826	\$ 4,036,697	\$ 1,079,000	\$ 2,703,181	\$ 3,782,181
Grants and contributions	1,235,448	116,275	1,351,723	1,353,497	190,450	1,543,947
General revenues:						
Property taxes	1,641,156	-	1,641,156	1,595,241	-	1,595,241
Sales taxes	1,959,537	-	1,959,537	1,711,941	-	1,711,941
Franchise and local taxes	339,094	-	339,094	319,003	-	319,003
Investment income	13,556	50,188	63,744	24,023	-	24,023
Other revenues	113,844	316	114,160	274,679	32,529	307,208
Total Revenues	6,436,506	3,069,605	9,506,111	6,357,384	2,926,160	9,283,544
Expenses						
General government	960,040	-	960,040	834,922	-	834,922
Public safety	2,463,743	-	2,463,743	3,016,652	-	3,016,652
Public works	950,905	-	950,905	946,338	-	946,338
Culture and recreation	268,528	-	268,528	231,397	-	231,397
Community development	234,836	-	234,836	262,826	-	262,826
Interest and fiscal charges	87,713	456,130	543,843	95,861	349,485	445,346
Solid waste	552,503	-	552,503	539,875	-	539,875
Water & sewer	-	2,149,758	2,149,758	-	2,226,155	2,226,155
Total Expenses	5,518,268	2,605,888	8,124,156	5,927,871	2,575,640	8,503,511
Change in Net Position						
Before Transfers	918,238	463,717	1,381,955	429,513	350,520	780,033
Transfers	(99,465)	99,465	-	(200)	200	-
Change in Net Position	818,773	563,182	1,381,955	429,313	350,720	780,033
Beginning Net Position	6,568,472	10,688,439	17,256,911	6,139,159	10,337,719	16,476,878
Ending Net Position	\$ 7,387,245	\$ 11,251,621	\$ 18,638,866	\$ 6,568,472	\$ 10,688,439	\$ 17,256,911

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2022

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

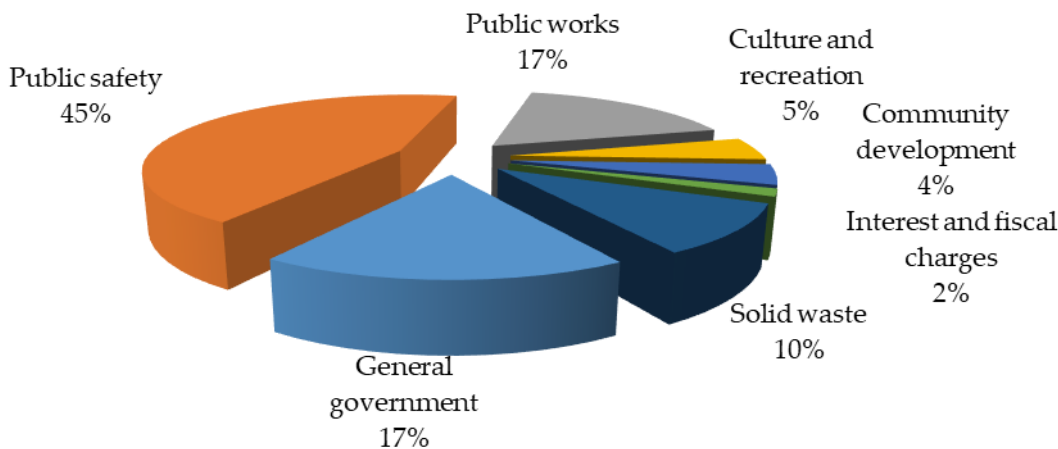
Governmental Activities - Revenues



For the year ended September 30, 2022, revenues from governmental activities totaled \$6,537,781. Property tax and sales tax are the City's largest revenue sources. Sales tax revenue and franchise and local tax income increased by \$247,596 and \$20,091 due to economic growth fueled by local purchases. Investment income decreased by \$10,467 or 44% primarily due to the realization of lower balances in interest bearing accounts over the course of the year. Other revenues decreased by \$160,835 or 59% primarily due to nonrecurring insurance reimbursement proceeds received in the prior year for city hall roof repairs. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



For the year ended September 30, 2022, expenses for governmental activities totaled \$5,518,268. This represents a decrease of \$409,603 or 7% from the prior year. The City's largest functional expense is public safety of \$2,463,743, which decreased by \$552,909 or 18% primarily as a result of decreased

City of Mineola, Texas

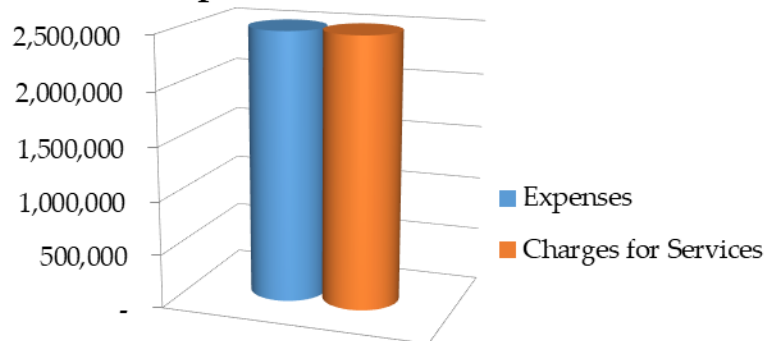
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2022

employee benefit expenses, as the City recognized a decrease in pension expense in the current year. General government expenses increased by \$125,118 or 15% primarily due to greater personnel and nonrecurring repair expenses in the current year. Community development expenditures decreased by \$27,990, due to a decrease in employee benefit expenses, as the City recognized a decrease in pension expense during the year. Culture and recreational expenditures increased by \$37,131 or 16% primarily due to an increase in personal expenses and equipment purchases. All other expenses remained relatively stable when compared to the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2022, charges for services by business-type activities totaled \$2,902,826. This is an increase of \$199,645 or 7% from the previous year primarily as a result of increased city growth and water consumption by the local citizens. Grants and contributions revenue decreased by \$74,175 or 39% primarily due to nonrecurring intergovernmental contributions received in the prior year.

Total expenses increased by \$30,248 or 1% during the year, which is considered minimal. Interest expenses increased by \$106,645 or 31% during the year. The increase was primarily to do the City issuing new debt in the current year and increased interest payments during the year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing

City of Mineola, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2022

the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the year the general fund reflected an ending fund balance of \$1,943,621. Unassigned fund balance totaled \$936,161 as of year end. There was an overall decrease in general fund balance of \$74,377 from the prior year. The decrease was primarily a result of greater than anticipated transfers out over the course of the year.

The grant fund reflected an ending fund balance of \$917,375. The fund experienced an increase of \$328,763 primarily due to intergovernmental revenues exceeding current year expenses.

As of the end of the year the total nonmajor governmental fund balance amounted to \$291,970, an increase of \$201,876 compared to the prior year. The increase is due to an operating surplus during the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive revenue variance of \$83,210, and a positive expenditure variance of \$43,042 for the year. The positive revenue variance was primarily due to a positive variance in sales tax of \$218,187. The positive expenditure variance was primarily due to a significant positive variance in public works of \$195,410. Other financing sources (uses) had an overall negative budget variance of \$160,626. The total budget variance was a negative variance of \$34,374.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$7,914,449 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$18,071,709 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Radio tower construction for \$185,268.
- Park Central road extension project totaling \$79,123.
- Purchased two 2022 Chevy Tahoes totaling \$77,029.
- Purchased a new Ford F-150 for \$42,607.

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2022

- Wastewater treatment plant construction totaling \$2,648,628.
- Building and lift station improvements totaling \$45,484.
- Purchased a 2021 Ford F350 for \$39,852.

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds (including premiums), notes, and leases outstanding of \$17,482,673. During the year, the City payments on long-term debt were \$1,054,494. During the year, the City issued Series 2022 tax and revenue certificates of obligations totaling \$3,975,000. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Mineola and improving services provided to their public citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Mineola's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, 300 Greenville Highway, Mineola, Texas 75773.

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FINANCIAL STATEMENTS

City of Mineola, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,887,257	\$ 8,012,944	\$ 10,900,201
Receivables, net	613,314	368,385	981,699
Internal balances	(101)	101	-
Total Current Assets	3,500,470	8,381,430	11,881,900
Lease receivable, noncurrent	70,612	-	70,612
Capital assets:			
Non-depreciable	2,463,723	4,509,456	6,973,179
Net depreciable capital assets	5,450,726	13,562,253	19,012,979
Total Noncurrent Assets	7,985,061	18,071,709	26,056,770
Total Assets	11,485,531	26,453,139	37,938,670
Deferred Outflows of Resources			
Deferred charge on refunding	-	1,605	1,605
Pension outflows	161,831	48,339	210,170
OPEB outflows	30,807	9,202	40,009
Total Deferred Outflows of Resources	192,638	59,146	251,784
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	251,265	295,966	547,231
Customer deposits	-	201,902	201,902
Accrued interest payable	9,662	41,905	51,567
Compensated absences, current	154,278	36,191	190,469
Long-term debt due within one year	263,220	848,000	1,111,220
Total Current Liabilities	678,425	1,423,964	2,102,389
Noncurrent liabilities:			
OPEB liability	174,603	52,154	226,757
Net pension liability	100,827	30,117	130,944
Compensated absences, noncurrent	17,142	4,021	21,163
Long-term debt due in more than one year	2,757,534	13,613,919	16,371,453
Total Noncurrent Liabilities	3,050,106	13,700,211	16,750,317
Total Liabilities	3,728,531	15,124,175	18,852,706

**Component
Unit**

Economic
Dev. Corp.

1,144,231
172,554
-

1,316,785

-
274,971
6,785

281,756

1,598,541

-
-
-

-

37,751
-
-
-
-

37,751

-
-
-
-

-

37,751

City of Mineola, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Deferred Inflows of Resources</u>			
Pension inflows	451,826	134,961	586,787
OPEB inflows	5,115	1,528	6,643
Leases	97,396	-	97,396
Deferred gain on refunding	8,056	-	8,056
Total Deferred Inflows of Resources	562,393	136,489	698,882
<u>Net Position</u>			
Net investment in capital assets	4,863,853	9,680,828	14,544,681
Restricted for:			
Debt service	36,536	-	36,536
Park development	24,050	-	24,050
Law enforcement	48,619	-	48,619
Grant activities	974,115	-	974,115
Economic development	-	-	-
Unrestricted	1,440,072	1,570,793	3,010,865
Total Net Position	\$ 7,387,245	\$ 11,251,621	\$ 18,638,866

#

See Notes to Financial Statements.

Component Unit
<u>Economic Dev. Corp.</u>
-
-
-
-
-
281,756
-
-
-
-
1,279,034
-
<u>\$ 1,560,790</u>

City of Mineola, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 960,040	\$ -	\$ 143,648	\$ 160,937
Public safety	2,463,743	285,977	-	55,071
Public works	950,905	50,511	83,688	-
Culture and recreation	268,528	-	79,296	90,000
Solid waste	552,503	797,383	-	-
Community development	234,836	-	592,808	30,000
Interest and fiscal charges	87,713	-	-	-
Total Governmental Activities	5,518,268	1,133,871	899,440	336,008
Business-Type Activities				
Water & Sewer	2,605,888	2,902,826	-	116,275
Total Business-Type Activities	2,605,888	2,902,826	-	116,275
Total Primary Government	\$ 8,124,156	\$ 4,036,697	\$ 899,440	\$ 452,283
Component Unit Activities				
Economic Development	734,924	-	-	-
Total Component Unit Activities	\$ 734,924	\$ -	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
 - Hotel occupancy taxes
- Investment income
- Other revenues

Transfers

Total General Revenues

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental	Business-Type	Total	Economic
Activities	Activities		Dev. Corp.
\$ (655,455)	\$ -	\$ (655,455)	\$ -
(2,122,695)	-	(2,122,695)	-
(816,706)	-	(816,706)	-
(99,232)	-	(99,232)	-
244,880	-	244,880	-
387,972	-	387,972	-
(87,713)	-	(87,713)	-
<u>(3,148,949)</u>	<u>-</u>	<u>(3,148,949)</u>	<u>-</u>
-	413,213	413,213	-
-	413,213	413,213	-
<u>(3,148,949)</u>	<u>413,213</u>	<u>(2,735,736)</u>	<u>-</u>
			<u>(734,924)</u>
			<u>\$ (734,924)</u>
1,641,156	-	1,641,156	-
1,959,537	-	1,959,537	979,768
269,715	-	269,715	-
69,379	-	69,379	-
13,556	50,188	63,744	674
113,844	316	114,160	1,200
(99,465)	99,465	-	-
<u>3,967,722</u>	<u>149,969</u>	<u>4,117,691</u>	<u>981,642</u>
818,773	563,182	1,381,955	246,718
6,568,472	10,688,439	17,256,911	1,314,072
<u>\$ 7,387,245</u>	<u>\$ 11,251,621</u>	<u>\$ 18,638,866</u>	<u>\$ 1,560,790</u>

City of Mineola, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

	General	Grant	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 1,644,862	\$ 917,375	\$ 325,020	\$ 2,887,257
Receivables, net	674,217	-	9,709	683,926
Total Assets	\$ 2,319,079	\$ 917,375	\$ 334,729	\$ 3,571,183
 <u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 218,215	\$ -	\$ 33,050	\$ 251,265
Due to other funds	101	-	-	101
Total Liabilities	218,316	-	33,050	251,366
 <u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	59,746	-	9,709	69,455
Leases	97,396	-	-	97,396
Total Deferred Inflows of Resources	157,142	-	9,709	166,851
 <u>Fund Balances</u>				
Restricted for:				
Debt service	-	-	36,536	36,536
Law enforcement	-	-	48,619	48,619
Municipal court	-	-	18,786	18,786
Tourism	-	-	37,954	37,954
Grant activities	-	917,375	-	917,375
Park development	-	-	24,050	24,050
Assigned for:				
Emergency reserve	1,007,460	-	-	1,007,460
Fire equipment	-	-	126,025	126,025
Unassigned reported in:				
General fund	936,161	-	-	936,161
Total Fund Balances	1,943,621	917,375	291,970	3,152,966
Total Liabilities, Fund Balances, and Deferred Inflows	\$ 2,319,079	\$ 917,375	\$ 334,729	\$ 3,571,183

See Notes to Financial Statements.

City of Mineola, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2022

Fund Balances - Total Governmental Funds	\$	3,152,966
 Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		2,463,723
Capital assets - net depreciable		5,450,726
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		69,455
 Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.		
Pension contributions		151,175
Pension changes in assumptions		10,656
OPEB contributions		1,972
OPEB differences in expected and actual experience		28,835
 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.		
Pension investment losses (earnings)		(423,866)
Pension differences in expected and actual experience		(27,960)
OPEB investment losses (earnings)		(5,115)
Deferred gain on refunding		(8,056)
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(9,662)
Compensated absences		(171,420)
Net pension liability		(100,827)
OPEB liability		(174,603)
Bonds (including premiums), notes, and capital leases		(3,020,754)
Net Position of Governmental Activities	\$	<u><u>7,387,245</u></u>

See Notes to Financial Statements.

City of Mineola, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 1 of 2) For the Year Ended September 30, 2022

	General	Grant	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	\$ 1,413,479	\$ -	\$ 249,743	\$ 1,663,222
Sales tax	1,959,537	-	-	1,959,537
Franchise and local taxes	269,715	-	-	269,715
Hotel occupancy taxes	-	-	69,379	69,379
Intergovernmental	114,191	592,808	304,963	1,011,962
Charges for services	783,042	-	14,341	797,383
License and permits	50,511	-	-	50,511
Fines and forfeitures	285,977	-	-	285,977
Investment income	13,230	313	13	13,556
Grants and donations	184,028	-	40,867	224,895
Other revenue	66,261	-	10,692	76,953
Total Revenues	5,139,971	593,121	689,998	6,423,090
Expenditures				
Current:				
General government	828,694	171,408	154,872	1,154,974
Public safety	2,401,168	-	2,686	2,403,854
Public works	727,308	-	-	727,308
Community development	242,377	-	-	242,377
Solid waste	552,503	-	-	552,503
Culture & recreation	-	-	199,683	199,683
Debt service:				
Principal	93,494	-	230,000	323,494
Interest and fiscal charges	5,582	-	105,750	111,332
Capital outlay	94,370	92,950	-	187,320
Total Expenditures	4,945,496	264,358	692,991	5,902,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	194,475	328,763	(2,993)	520,245

See Notes to Financial Statements.

City of Mineola, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS (Page 2 of 2) For the Year Ended September 30, 2022

Other Financing Sources (Uses)

Transfers in	\$	-	\$	-	\$	304,334	\$	304,334
Transfers (out)		(304,334)		-		(99,465)		(403,799)
Insurance proceeds		35,482		-		-		35,482
Total Other Financing Sources		<u>(268,852)</u>		<u>-</u>		<u>204,869</u>		<u>(63,983)</u>
Net Change in Fund Balances		(74,377)		328,763		201,876		456,262
Beginning fund balances		2,017,998		588,612		90,094		2,696,704
Ending Fund Balances	\$	<u>1,943,621</u>	\$	<u>917,375</u>	\$	<u>291,970</u>	\$	<u>3,152,966</u>

See Notes to Financial Statements.

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City of Mineola, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

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

Net changes in fund balances - total governmental funds	\$ 456,262
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	442,685
Depreciation expense	(544,397)

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

Property tax adjustment	(22,066)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(8,465)
Accrued interest	2,144
Pension expense	163,494
OPEB expense	(15,853)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of debt premium	20,670
Amortization of deferred gain on refunding	805
Principal payments	323,494

Change in Net Position of Governmental Activities	\$ 818,773
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See Notes to Financial Statements.

City of Mineola, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2022

	Water & Sewer
<u>Assets</u>	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 8,012,944
Receivables, net	368,385
Due from other funds	101
Total Current Assets	8,381,430
<u>Noncurrent Assets</u>	
Capital assets:	
Non-depreciable	4,509,456
Net depreciable capital assets	13,562,253
Total Noncurrent Assets	18,071,709
Total Assets	26,453,139
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	1,605
Pension contributions	45,156
Pension difference in assumptions	3,183
OPEB contributions	589
OPEB difference in experience	8,613
Total Deferred Outflows of Resources	59,146

City of Mineola, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2022

	Water & Sewer
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts payable and accrued liabilities	\$ 172,154
Retainage payable	123,812
Customer deposits	201,902
Accrued interest	41,905
Compensated absences, current	36,191
Long-term debt due within one year	848,000
Total Current Liabilities	1,423,964
 <u>Noncurrent Liabilities</u>	
Net pension liability	30,117
OPEB liability	52,154
Compensated absences, noncurrent	4,021
Long-term debt due in more than one year	13,613,919
Total Liabilities	15,124,175
 <u>Deferred Inflows of Resources</u>	
Pension investment returns	126,609
Pension difference in expected and actual experience	8,352
OPEB change in assumptions	1,528
Total Deferred Inflows of Resources	136,489
 <u>Net Position</u>	
Net investment in capital assets	9,680,828
Unrestricted	1,570,793
Total Net Position	\$ 11,251,621

See Notes to Financial Statements.

City of Mineola, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2022

	Water & Sewer
<u>Operating Revenues</u>	
Charges for services	\$ 2,902,826
Other revenue	316
Total Operating Revenues	2,903,142
 <u>Operating Expenses</u>	
Personnel services	769,395
Supplies	96,631
Contractual services	331,543
Repairs and maintenance	278,051
Depreciation	674,138
Total Operating Expenses	2,149,758
Operating Income (Loss)	753,384
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	50,188
Intergovernmental revenue	116,275
Debt issuance costs	(122,455)
Interest expense	(333,675)
Total Nonoperating Revenues (Expenses)	(289,667)
Income Before Transfers	463,717
 <u>Transfers</u>	
Transfers in	99,465
Total Transfers	99,465
Change in Net Position	563,182
Beginning net position	10,688,439
Ending Net Position	\$ 11,251,621

See Notes to Financial Statements.

City of Mineola, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2022

	Water & Sewer
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,949,704
Payments to suppliers	(484,937)
Payments to employees	(826,725)
Net Cash Provided by Operating Activities	1,638,042
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers in	99,465
Transfers (out)	-
Proceeds from component unit	116,275
Net Cash Provided (Used) by Noncapital Financing Activities	215,740
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(2,733,965)
Proceeds from debt issuance	4,127,506
Principal paid on debt	(731,000)
Debt issuance costs paid	(122,455)
Interest paid on debt	(360,255)
Net Cash Provided (Used) by Capital and Related Financing Activities	179,831
<u>Cash Flows from Investing Activities</u>	
Interest received on investments	50,188
Net Cash Provided (Used) by Investing Activities	50,188
Increase (Decrease) in Cash and Cash Equivalents	2,083,801
Beginning cash and cash equivalents	5,929,143
Ending Cash and Cash Equivalents	\$ 8,012,944

See Notes to Financial Statements.

City of Mineola, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2022

	Water & Sewer
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income (Loss)	\$ 753,384
Adjustments to reconcile operating income (loss) to net cash provided:	
Depreciation	674,138
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	23,612
Net pension liability (asset)	(131,912)
OPEB liability	3,235
Deferred outflows of resources - pension	(1,279)
Deferred outflows of resources - OPEB	999
Increase (Decrease) in:	
Accounts payable and accrued liabilities	221,288
Customer deposits	22,950
Compensated absences	(13,229)
Deferred inflows of resources - pension	84,353
Deferred inflows of resources - OPEB	503
Net Cash Provided by Operating Activities	\$ 1,638,042

See Notes to Financial Statements.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Mineola, Texas, operates under a "Mayor-City Council" form of government. The City provides the following services: general administration, police, fire, planning and zoning, street, solid waste, and water and sewer services.

The City is an independent political subdivision of the State of Texas governed by an elected council and is considered a primary government for financial reporting purposes as its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Mineola Economic Development Corporation ("EDC") although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Mineola Economic Development Corporation

The Mineola Economic Development Corporation is governed by a board of seven directors, all of whom are appointed by the City Council at its will. One member of the board of directors is a member of City Council and all others are appointed citizens. The City Administrator is an ex-officio member without voting rights. The sole purpose of the Mineola Economic Development Corp. is to determine the use of the proceeds of a \$0.5 cent city sales tax for the benefit of the citizens of Mineola. Although legally separate from the City of Mineola, the Mineola Economic Development Corp. is reported as if it were part of the primary government because of the City's control over the financial operations and decisions of the Mineola Economic Development Corp. The Corporation is discretely presented as a result of none of the criteria for blending being present.

C. Basis of Presentation – Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its blended component units. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is the main operating fund of the City and is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, solid waste, and culture and recreation.

Grant Fund

The grant fund is used to account for funds received through state and federal grant programs.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The government reports the following major enterprise fund:

Water and Sewer Fund

The water and sewer fund is used to account for the provision of water & wastewater collection and wastewater treatment operations. Activities of the fund include administration, operations and maintenance of the water system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest. All costs are financed through

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized 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. Proprietary fund equity consists of

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

1. 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 the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is

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calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Machinery and equipment	6 to 15 years
Infrastructure	40 years
Buildings and improvements	20 to 45 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

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7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as

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committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Compensated Absences

The City maintains formal programs for vacation and sick leave. Eligible employees are granted vacation pay benefits in varying amounts to specified maximums depending on tenure with the City. The City's personnel policy permits its eligible employees to accumulate earned but unused vacation pay benefits. Upon separation from the City, employees will be paid for their accrued and unused vacation pay benefits earned in the year.

Sick leave accrues to eligible employees to specified maximums, including the maximum number of hours that can be carried over from the previous year. Upon retirement or death, unused sick leave is not paid to the employee.

The estimated amount of accrued vacation and sick pay benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it upon maturity. Amounts of accrued vacation pay benefits that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable, leases, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service

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expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

12. Leases

Lessor: The City is a lessor for a noncancellable lease of a cell tower and land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

13. Pensions

For purposes of measuring the net pension liability (asset), 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.

14. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS

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deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

E. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-

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wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City’s investment policy requires full collateralization of all time and bank deposits consistent with Chapter 2257 of the Public Funds Collateral Act. As of September 30, 2022, the City had sufficient collateral investments covering the bank deposits.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. The original budget is adopted by the City Council prior to the beginning of the year. No funds can be transferred or added to a budgeted fund without Council approval. Appropriations lapse at the end of the year.

A. Expenditures in Excess of Appropriations

For the current year, expenditures exceeded appropriations as follows:

General fund:		
General government	\$	54,412
Community development		11,394
Solid waste		62,503
Capital outlay		94,370
Transfers out		196,108

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IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 7,594,810	0.07
Total value	\$ 7,594,810	
Portfolio weighted average maturity		0.07

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed three years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk: The City’s investment policy limits investments to obligations of the United States, State of Texas, Certificates of Deposit, Repurchase agreements, Insured Cash Sweeps (ICS), and Certificate of Deposit Account Registry (CDARs).

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City’s investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of September 30, 2022, the City had sufficient collateral investments covering the bank deposits.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are

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executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Nonmajor Governmental	Water & Sewer	Total
Solid waste	\$ 108,370	\$ -	\$ -	\$ 108,370
Sales tax	345,630	-	-	345,630
Property tax	107,199	18,766	-	125,965
Franchise and other taxes	63,761	-	-	63,761
Accounts	3,604	-	371,687	375,291
Lease	96,687	-	-	96,687
Allowance	(51,034)	(9,057)	(3,302)	(63,393)
Total	\$ 674,217	\$ 9,709	\$ 368,385	\$ 1,052,311

The following comprise receivable balances of the discretely presented component unit at year end:

	Economic Dev. Corp.
Sales tax	\$ 172,554
Total	\$ 172,554

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The following comprise the lease receivable balances in the primary government at year end:

Year ending September 30,	Lease receivable	
	Principal	Interest
2023	\$ 26,075	\$ 4,039
2024	27,134	3,781
2025	28,236	3,513
2026	15,242	3,239
Total	\$ 96,687	\$ 14,572

The City is the lessor for two plots of land lease for CCLG Partners, LLC and GPM Southeast, LLC. The CCLG lease commenced on October 1, 2021 and will continue until August 1, 2026 for an extension term of five years. Annual lease payments of \$4,200 will be paid on or before the fifth day of each anniversary. As of September 30, 2022, the lease receivable and offsetting deferred inflows amounted to \$20,163 and \$19,783, respectively.

The GPM lease extension commenced on March 21, 2021 and will continue until February 28, 2026. Monthly payments of \$2,000 will be paid at the end of each month. As of September 30, 2022, the lease receivable and offsetting deferred inflows amounted to \$76,524 and \$77,613, respectively.

The City used an implicit rate of 4% to calculate interest for these leases.

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C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,185,828	\$ -	\$ -	\$ 2,185,828
Construction in progress	-	277,895	-	277,895
Total capital assets not being depreciated	<u>2,185,828</u>	<u>277,895</u>	<u>-</u>	<u>2,463,723</u>
Capital assets, being depreciated:				
Buildings & improvements	3,967,084	-	-	3,967,084
Machinery & equipment	4,683,765	164,790	-	4,848,555
Infrastructure	6,611,441	-	-	6,611,441
Capital assets, being depreciated:	<u>15,262,290</u>	<u>164,790</u>	<u>-</u>	<u>15,427,080</u>
Less accumulated depreciation:				
Buildings & improvements	(2,523,661)	(110,750)	-	(2,634,411)
Machinery & equipment	(3,838,156)	(257,427)	-	(4,095,583)
Infrastructure	(3,070,140)	(176,220)	-	(3,246,360)
Total accumulated depreciation	<u>(9,431,957)</u>	<u>(544,397)</u>	<u>-</u>	<u>(9,976,354)</u>
Net capital assets being depreciated	<u>5,830,333</u>	<u>(379,607)</u>	<u>-</u>	<u>5,450,726</u>
Net capital assets being depreciated	<u>\$ 8,016,161</u>	<u>\$ (101,712)</u>	<u>\$ -</u>	<u>\$ 7,914,449</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 57,263
Public safety	170,295
Public works	241,771
Culture and recreation	75,068
Total Governmental Activities Depreciation Expense	<u>\$ 544,397</u>

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A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,498,522	\$ 2,648,628	\$ -	\$ 4,147,150
Construction in progress	362,306	-	-	362,306
Total capital assets not being depreciated	<u>1,860,828</u>	<u>2,648,628</u>	<u>-</u>	<u>4,509,456</u>
Capital assets, being depreciated:				
Buildings & improvements	23,826,870	-	-	23,826,870
Machinery & equipment	49,267	45,484	-	94,751
Infrastructure	1,238,126	39,853	-	1,277,979
Capital assets, being depreciated:	<u>25,114,263</u>	<u>85,337</u>	<u>-</u>	<u>25,199,600</u>
Less accumulated depreciation:				
Buildings & improvements	(9,927,201)	(590,781)	-	(10,517,982)
Machinery & equipment	(43,184)	(2,005)	-	(45,189)
Infrastructure	(992,824)	(81,352)	-	(1,074,176)
Total accumulated depreciation	<u>(10,963,209)</u>	<u>(674,138)</u>	<u>-</u>	<u>(11,637,347)</u>
Net capital assets being depreciated	<u>14,151,054</u>	<u>(588,801)</u>	<u>-</u>	<u>13,562,253</u>
Net capital assets being depreciated	<u>\$ 16,011,882</u>	<u>\$ 2,059,827</u>	<u>\$ -</u>	<u>\$ 18,071,709</u>

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A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 304,561	\$ -	\$ (29,590)	\$ 274,971
Total capital assets not being depreciated	<u>304,561</u>	<u>-</u>	<u>(29,590)</u>	<u>274,971</u>
Capital assets, being depreciated:				
Equipment	8,452	-	-	8,452
Infrastructure	10,000	-	-	10,000
Capital assets, being depreciated:	<u>18,452</u>	<u>-</u>	<u>-</u>	<u>18,452</u>
Less accumulated depreciation:				
Equipment	(6,089)	(1,690)	-	(7,779)
Infrastructure	(3,221)	(667)	-	(3,888)
Total accumulated depreciation	<u>(9,310)</u>	<u>(2,357)</u>	<u>-</u>	<u>(11,667)</u>
Net capital assets being depreciated	9,142	(2,357)	-	6,785
Net capital assets being depreciated	<u>\$ 313,703</u>	<u>\$ (2,357)</u>	<u>\$ (29,590)</u>	<u>\$ 281,756</u>

Mineola Economic Development Corporation purchased seven lots of land in 2019 for \$59,512. During the current year, the EDC sold three of the lots for \$14,085, and recognized a loss on the sale of \$15,505.

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D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate certain governmental long-term liabilities.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds and other payables					
GO Refunding Bonds	\$ 2,980,000	\$ -	\$ (230,000)	\$ 2,750,000	\$ 235,000
Note payable	157,377	-	(93,494)	63,883	28,220
Premium	227,541	-	(20,670)	206,871	-
Total Governmental Activities	<u>\$ 3,364,918</u>	<u>\$ -</u>	<u>\$ (344,164)</u>	<u>\$ 3,020,754</u>	<u>\$ 263,220</u>
				<u>\$ 2,757,534</u>	
Business-Type Activities:					
GO Refunding Bonds	\$ 1,608,000	\$ -	\$ (276,000)	\$ 1,332,000	\$ 273,000
Note payable	9,050,000	3,975,000	(455,000)	12,570,000	575,000
Premium	440,395	152,506	(32,982)	559,919	-
Total Governmental Activities	<u>\$ 11,098,395</u>	<u>\$ 4,127,506</u>	<u>\$ (763,982)</u>	<u>\$ 14,461,919</u>	<u>\$ 848,000</u>
				<u>\$ 13,613,919</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Leases are collateralized by the leased asset. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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Long-term debt at year end was comprised of the following debt issues:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
General Obligation Bonds:			
\$965,000 General Obligation Bond, Series 2014, due in installments through 2024, interest at 2.00%	\$ -	\$ 195,000	\$ 195,000
Total General Obligation Bonds	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ 195,000</u>
General Obligation Refunding Bonds:			
\$3,430,000 General Obligation Refunding Bond, Series 2017, due in installments through 2032, interest at 2.00% to 4.00%	\$ 2,750,000	\$ -	\$ 2,750,000
\$1,695,000 General Obligation Refunding Bond, Series 2019, due in installments through 2028, interest at 4.00% to 4.55%	-	1,137,000	1,137,000
Total General Obligation Refunding Bonds	<u>\$ 2,750,000</u>	<u>\$ 1,137,000</u>	<u>\$ 3,887,000</u>
Certificates of Obligation:			
\$5,660,000 General Obligation Bond, Series 2017, due in installments through 2037, interest at 2.00% to 4.00%	\$ -	\$ 4,635,000	\$ 4,635,000
\$4,980,000 General Obligation Bond, Series 2014, due in installments through 2034, interest at 2.00% to 4.00%	-	3,960,000	3,960,000
\$3,975,000 General Obligation Bond, Series 2022, due in installments through 2042, interest at 4.00%	-	3,975,000	3,975,000
Total Certificates of Obligation	<u>\$ -</u>	<u>\$ 12,570,000</u>	<u>\$ 12,570,000</u>
Notes payable:			
\$49,907 Note payable for Ford F-250 due in annual installments of \$17,984 through 2023, interest at 4.00%	\$ 17,228	\$ -	\$ 17,228
\$57,176 Note payable for Truck due in annual installments of \$13,025 through 2026, interest at 4.50%	46,655	-	46,655
Total Notes Payable	<u>\$ 63,883</u>	<u>\$ -</u>	<u>\$ 63,883</u>
Premiums on debt issuances	206,871	559,919	766,790
Total Debt	<u><u>\$ 3,020,754</u></u>	<u><u>\$ 14,461,919</u></u>	<u><u>\$ 17,482,673</u></u>

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NOTES TO FINANCIAL STATEMENTS
September 30, 2022

The annual requirements to amortize total government-type debt issues outstanding at year end were as follows:

Year ending September 30,	General Obligation			
	Bonds		Notes payable	
	Principal	Interest	Principal	Interest
2023	\$ 235,000	\$ 100,150	\$ 28,220	\$ 2,795
2024	240,000	93,100	11,414	1,611
2025	250,000	85,900	11,927	1,097
2026	260,000	78,400	12,322	561
2027	265,000	70,600	-	-
2028	280,000	60,000	-	-
2029	285,000	48,800	-	-
2030	295,000	37,400	-	-
2031	315,000	25,600	-	-
2032	325,000	13,000	-	-
Total	\$ 2,750,000	\$ 612,950	\$ 63,883	\$ 6,064

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Year ending September 30,	General Obligation Bonds		Certificates of Obligation		Tax and Revenue Certificates	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 273,000	\$ 29,028	\$ 480,000	\$ 367,070	\$ 95,000	\$ 198,750
2024	260,000	23,204	510,000	346,966	140,000	155,200
2025	201,000	17,658	590,000	325,448	145,000	149,600
2026	197,000	13,216	415,000	299,586	150,000	143,800
2027	198,000	8,862	430,000	277,648	160,000	137,800
2028	203,000	4,486	445,000	252,321	165,000	131,400
2029	-	-	690,000	225,976	170,000	124,800
2030	-	-	715,000	200,376	175,000	118,000
2031	-	-	740,000	172,800	185,000	111,000
2032	-	-	770,000	143,200	190,000	103,600
2033	-	-	810,000	112,400	200,000	96,000
2034	-	-	840,000	80,000	210,000	88,000
2035	-	-	370,000	46,400	215,000	79,600
2036	-	-	385,000	31,600	225,000	71,000
2037	-	-	405,000	16,200	235,000	62,000
2038	-	-	-	-	245,000	52,600
2039	-	-	-	-	250,000	42,800
2040	-	-	-	-	260,000	32,800
2041	-	-	-	-	275,000	22,400
2042	-	-	-	-	285,000	11,400
Total	<u>\$ 1,332,000</u>	<u>\$ 96,454</u>	<u>\$ 8,595,000</u>	<u>\$ 2,897,991</u>	<u>\$ 3,975,000</u>	<u>\$ 1,932,550</u>

On July 1, 2022, the City issued \$3,975,000 of Series 2022 Tax and Revenue Certificates of Obligation Bonds. The bonds bear an interest rate of 4% and are scheduled to mature on September 1, 2042.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

E. Other Long-term Liabilities

The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the City uses the general and water and sewer funds to liquidate compensated absences.

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Compensated absences	\$ 162,955	\$ 13,264	\$ (4,799)	\$ 171,420	\$ 154,278
Total Governmental Activities	<u>\$ 162,955</u>	<u>\$ 13,264</u>	<u>\$ (4,799)</u>	<u>\$ 171,420</u>	<u>\$ 154,278</u>
Long-term liabilities due in more than one year				<u>\$ 17,142</u>	
Business-Type Activities:					
Compensated absences	\$ 53,441	\$ -	\$ (13,229)	\$ 40,212	\$ 36,191
Total Business-Type Activities	<u>\$ 53,441</u>	<u>\$ -</u>	<u>\$ (13,229)</u>	<u>\$ 40,212</u>	<u>\$ 36,191</u>
Long-term liabilities due in more than one year				<u>\$ 4,021</u>	

F. Interfund Transactions

Transfers between the primary government funds during the 2022 year were as follows:

	<u>Transfers Out:</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<u>Transfers In:</u>			
Utility	\$ -	\$ 99,465	\$ 99,465
Nonmajor governmental	304,334	-	304,334
Total	<u>\$ 304,334</u>	<u>\$ 99,465</u>	<u>\$ 403,799</u>

Transfers between funds were primarily due to reallocation of assets to their proper funds during the year.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

The compositions of interfund balances of the primary government as of the year ended September 30, 2022 were as follows:

Due from (Receivable fund):	Due to (Payable fund):
	General
Water & sewer	\$ 101
Total	\$ 101

G. Deferred Gains on Refunding

Deferred gains resulting from the issuance of series 2017 general obligation refunding and bonds have been recorded as deferred inflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. End of year balance totaled \$8,056 for governmental activities. Current year amortization for governmental activities totaled \$805.

H. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2019 general obligation refunding and bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding certificates of obligation. End of year balance totaled \$1,605 for business-type activities. Current year amortization for business-type activities totaled \$267.

I. Customer Deposits

The City had customer deposits of \$201,902 in the water and sewer fund as of yearend. The City requires a refundable deposit for all new utility customers. This amount will be returned to the customer when utility service is discontinued and all outstanding utility expenses are paid.

J. Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

The following is a list of fund balances restricted/committed by the City:

	Restricted	Committed
Debt service	\$ 36,536	\$ -
Law enforcement	48,619 *	-
Municipal court	18,786 *	-
Tourism	37,954	-
Park development	24,050	-
Grant activities	917,375	-
Emergency reserve	-	1,007,460
Fire equipment	-	126,025
Total	\$ 1,083,320	\$ 1,133,485

* Restricted by enabling legislation

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with more than 2,800 other entities in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums.

The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City uses a number of approaches to decrease risks and protect against losses to the City, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge

The City owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The City is insured as to its own property losses, and the liability of loss to others.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does not anticipate that it will have an arbitrage liability and reviews the estimate for this potential liability annually. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 920 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2021</u>	<u>Plan Year 2020</u>
Employee deposit rate	7.0%	5.0%
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% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI Repeating	0% of CPI Repeating

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	39
Inactive employees entitled to but not yet receiving benefits	46
Active employees	51
Total	136

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Mineola were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Mineola were 10.73% and 5.05% in calendar years 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2022 were \$267,468.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

4. 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
Investment Rate of Return	6.75% net of pension investment expense, including inflation

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 is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum 16 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.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public/Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Changes in the Net Pension Liability (Asset):

	Total Pension Liability	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/20	\$ 8,928,071	\$ 8,223,599	\$ 704,472
Changes for the year:			
Service Cost	337,873	-	337,873
Interest (on the Total Pension Liability)	599,733	-	599,733
Change in benefit terms	-	-	-
Differences between expected and actual experience	(47,013)	-	(47,013)
Changes of assumptions	-	-	-
Contributions - employer	-	236,725	(236,725)
Contributions - employee	-	160,564	(160,564)
Net investment income	-	1,071,757	(1,071,757)
Benefit payments, including refunds of emp. Contributions	(424,149)	(424,149)	-
Administrative expense	-	(4,960)	4,960
Other changes	-	35	(35)
Net changes	466,444	1,039,972	(573,528)
Balance at 12/31/21	\$ 9,394,515	\$ 9,263,571	\$ 130,944

Sensitivity of the net pension liability (asset) to changes in the discount rate:

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

1% Decrease 5.75%	1% Decrease 6.75%	1% Decrease 7.75%
\$ 1,437,492	\$ 130,944	\$ (944,007)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

5. 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 \$55,145.

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
Difference between projected and investment earnings	\$ -	\$ (550,475)
Difference between expected and actual economic experience	-	(36,312)
Changes in assumptions	13,839	-
Contributions subsequent to the measurement date	196,331	-
Total	\$ 210,170	\$ (586,787)

The City reported \$196,331 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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 December 31:	
2022	\$ (99,512)
2023	(248,122)
2024	(121,983)
2025	(103,331)
2026	-
Thereafter	-
	\$ (572,948)

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer 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 death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees 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	29
Inactive employees entitled to but not yet receiving benefits	9
Active employees	51
Total	89

The City’s contributions to the TMRS SDBF for the years ended 2022, 2021, and 2020 were \$3,527, \$1,568, and \$1,227 respectively, which equaled the required contributions each year. The required contribution rates for the retiree for 2022, 2021, and 2020 were 0.14%, 0.14% and 0.05%, respectively.

Total OPEB Liability

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2021, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth (including inflation)	3.5% to 11.5%
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 criteria under GASB Statement No. 68.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 1.84%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

1% Decrease 0.84%	1% Decrease 1.84%	1% Decrease 2.84%
\$ 277,119	\$ 226,757	\$ 187,542

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/20	\$ 212,693
Changes for the year:	
Service Cost	10,322
Interest	4,325
Differences between expected and actual experience	(4,382)
Changes of assumptions	7,010
Benefit payments	(3,211)
Net changes	14,064
Balance at 12/31/21	\$ 226,757

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$24,115.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Changes in actuarial assumptions	\$ 37,448	\$ -
Difference between expected and actual experience	-	(6,643)
Contributions after the measurement	2,561	-
Total	\$ 40,009	\$ (6,643)

The City reported \$2,561 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2022	\$ 9,084
2023	8,035
2024	10,010
2025	3,654
2026	22
Thereafter	-
	\$ 30,805

E. Employee Benefit Plans

1. Section 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The beneficial ownership of Plan assets held in the Retirement Trust shall be held for the participants and their beneficiaries and is not subject to the claims of the City's general creditors.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

F. Tax Abatement Disclosures

The City of Mineola negotiates property tax abatement agreements on an individual basis. The City had tax abatement agreements with one entity that resulted in abatements during the year ended September 30, 2022:

<u>Entity</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year (prop. tax)</u>
Whataburger - Quick service restaurant	50%	\$ 3,484
Sanderson Farms Feed Mill	80%	170,267
ETAS (dba Steck Properties, LLC)	75% - 100%	44,182
Total		<u>\$ 217,933</u>

Each agreement is negotiated under Article III, Section 52-a, Texas Constitution, and Chapter 380, Texas Local Gov't Code, stating that the City may establish and provide for the administration of a program for making loans and grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. The agreement is in accordance with Section 501.103, Texas Local Gov't Code. Taxes were abated through a rebate of taxes received.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its tax abatement agreements individually. It established a quantitative threshold of 100% percent of the total dollar amount of taxes abated during the year.

G. Subsequent Events

There were no material subsequent events through July 3, 2023, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Mineola, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 1,378,000	\$ 1,378,000	\$ 1,413,479	\$ 35,479
Sales tax	1,741,350	1,741,350	1,959,537	218,187
Franchise and local taxes	250,000	250,000	269,715	19,715
Intergovernmental	72,529	72,529	114,191	41,662
Charges for services	701,300	701,300	783,042	81,742
License and permits	30,600	30,600	50,511	19,911
Fines and forfeitures	280,000	280,000	285,977	5,977
Investment income	30,000	30,000	13,230	(16,770)
Grants and donations	299,136	494,733	184,028	(310,705)
Other revenue	47,100	78,249	66,261	(11,988)
Total Revenues	4,830,015	5,056,761	5,139,971	83,210
Expenditures				
Current:				
General government	647,540	774,282	828,694	(54,412) *
Public safety	2,610,185	2,465,675	2,401,168	64,507
Public works	732,921	922,718	727,308	195,410
Community development	176,266	230,983	242,377	(11,394) *
Solid waste	490,000	490,000	552,503	(62,503) *
Debt Service:				
Principal	98,674	98,674	93,494	5,180
Interest and fiscal charges	6,206	6,206	5,582	624
Capital outlay	-	-	94,370	(94,370) *
Total Expenditures	4,761,792	4,988,538	4,945,496	43,042
Revenues Over (Under) Expenditures	68,223	68,223	194,475	126,252

City of Mineola, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	\$ (108,226)	\$ (108,226)	\$ (304,334)	\$ (196,108) *
Insurance proceeds	-	-	35,482	35,482
Total Other Financing Sources (Uses)	<u>(108,226)</u>	<u>(108,226)</u>	<u>(268,852)</u>	<u>(160,626)</u>
Net Change in Fund Balance	<u>\$ (40,003)</u>	<u>\$ (40,003)</u>	<u>(74,377)</u>	<u>\$ (34,374)</u>
Beginning fund balance			<u>2,017,998</u>	
Ending Fund Balance			<u><u>\$ 1,943,621</u></u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* Expenditures exceeded appropriations at the legal level of control.

City of Mineola, Texas

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

Years Ended:

	¹ 12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total pension liability				
Service cost	\$ 337,873	\$ 355,686	\$ 233,615	\$ 221,763
Interest	599,733	565,904	462,861	434,322
Changes in benefit terms	-	1,082,259	-	-
Differences between expected and actual experience	(47,013)	(4,363)	(7,327)	77,281
Changes of assumptions	-	-	49,938	-
Benefit payments, including refunds of participant contributions	(424,149)	(390,156)	(321,482)	(311,505)
Net change in total pension liability	466,444	1,609,330	417,605	421,861
Total pension liability - beginning	8,928,071	7,318,741	6,901,136	6,479,275
Total pension liability - ending (a)	9,394,515	8,928,071	7,318,741	6,901,136
Plan fiduciary net position				
Contributions - employer	\$ 236,725	\$ 141,487	\$ 95,641	\$ 92,564
Contributions - members	160,564	134,181	114,443	108,389
Net investment income	1,071,757	588,371	1,053,737	(214,007)
Benefit payments, including refunds of participant contributions	(424,149)	(390,156)	(321,482)	(311,505)
Administrative expenses	(4,960)	(3,808)	(5,955)	(4,137)
Other	35	(149)	(179)	(218)
Net change in plan fiduciary net position	1,039,972	469,926	936,205	(328,914)
Plan fiduciary net position - beginning	8,223,599	7,753,673	6,817,468	7,146,382
Plan fiduciary net position - ending (b)	\$ 9,263,571	\$ 8,223,599	\$ 7,753,673	\$ 6,817,468
Fund's net pension liability (asset) - ending (a) - (b)	\$ 130,944	\$ 704,472	\$ (434,932)	\$ 83,668
Plan fiduciary net position as a percentage of the total pension liability	99%	92%	106%	99%
Covered payroll	\$ 2,293,775	\$ 2,426,237	\$ 2,283,625	\$ 2,167,772
Fund's net pension liability as a percentage of covered employee payroll	6%	29%	-19%	4%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
\$ 214,213	\$ 208,360	\$ 221,516	\$ 184,453
410,713	395,900	378,161	356,968
-	-	-	-
21,446	(54,275)	33,894	(57,569)
-	-	117,602	-
(289,242)	(377,704)	(185,699)	(213,543)
357,130	172,281	565,474	270,309
6,122,145	5,949,864	5,384,390	5,114,081
6,479,275	6,122,145	5,949,864	5,384,390
\$ 91,092	\$ 71,133	\$ 86,489	\$ 68,646
103,987	100,754	110,317	98,628
881,814	416,142	9,065	335,127
(289,242)	(377,704)	(185,699)	(213,543)
(4,571)	(4,700)	(5,522)	(3,499)
(231)	(253)	(273)	(288)
782,849	205,372	14,377	285,071
6,363,533	6,158,161	6,143,784	5,858,713
\$ 7,146,382	\$ 6,363,533	\$ 6,158,161	\$ 6,143,784
\$ (667,107)	\$ (241,388)	\$ (208,297)	\$ (759,394)
110%	104%	104%	114%
\$ 2,079,738	\$ 2,015,088	\$ 2,206,336	\$ 1,972,561
-32%	-12%	-9%	-38%

City of Mineola, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	¹ 9/30/2022	9/30/2021	9/30/2020	9/30/2019
Actuarially determined employer contributions	\$ 267,468	\$ 226,101	\$ 104,314	\$ 94,171
Actual contributions made	\$ 267,468	\$ 226,101	\$ 104,314	\$ 94,171
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Annual covered-employee payroll	\$ 2,519,055	\$ 2,247,619	\$ 2,342,009	\$ 2,241,232
Employer contributions as a % of covered payroll	10.62%	10.06%	4.45%	4.20%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

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	19 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
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 1) Increased employee contribution rate from 5% to 7%.
 2) Increased statutory max to 13.50% due to plan changes.

<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 91,650	\$ 86,236	\$ 85,565	\$ 82,930
\$ 91,650	\$ 86,236	\$ 85,565	\$ 82,930
\$ -	\$ -	\$ -	\$ -
\$ 2,133,318	\$ 2,064,166	\$ 2,208,312	\$ 2,068,903
4.30%	4.18%	3.87%	4.01%

City of Mineola, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Year Ended:

	¹ 12/31/2021	12/31/2020	12/31/2019	12/31/2018
Total OPEB liability				
Service cost	\$ 10,322	\$ 9,705	\$ 5,252	\$ 7,154
Interest	4,325	4,770	5,113	4,715
Differences between expected and actual experience	(4,382)	555	(4,218)	(4,298)
Changes of assumptions	7,010	29,677	28,546	(10,027)
Benefit payments, including refunds of participant contributions	(3,211)	(1,213)	(1,370)	(1,084)
Net change in total OPEB liability	14,064	43,494	33,323	(3,540)
Total OPEB liability - beginning	\$ 212,693	\$ 169,199	\$ 135,876	\$ 139,416
Total OPEB liability - ending	² \$ 226,757	\$ 212,693	\$ 169,199	\$ 135,876
Covered-employee payroll	\$ 2,293,775	\$ 2,426,237	\$ 2,283,625	\$ 2,167,772
percentage of covered-employee payroll	9.89%	8.77%	7.41%	6.27%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

12/31/2017

\$ 6,031
4,576

-
11,184

(832)

20,959

\$ 118,457

\$ 139,416

\$ 2,079,738

6.70%

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COMBINING STATEMENTS

City of Mineola, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022

	<u>CDBG Grant</u>	<u>Court Security and Technology</u>	<u>Debt Service</u>	<u>Hotel Motel</u>	<u>Nature Preserve Project</u>
<u>Assets</u>					
Cash and cash equivalents	\$ -	\$ 18,786	\$ 35,724	\$ 11,156	\$ 52,183
Accounts receivable	-	-	9,709	-	-
Total Assets	\$ -	\$ 18,786	\$ 45,433	\$ 11,156	\$ 52,183
<u>Liabilities</u>					
Accounts payable & accrued liabilities	\$ -	\$ -	\$ 498	\$ 1,774	\$ 28,133
Total Liabilities	-	-	498	1,774	28,133
<u>Deferred Inflows of Resources</u>					
Unavailable revenue:					
Property tax	-	-	9,709	-	-
Total Deferred Inflows of Resources	-	-	9,709	-	-
<u>Fund Balances</u>					
Restricted for:					
Debt service	-	-	35,226	-	-
Law enforcement	-	-	-	-	-
Municipal court	-	18,786	-	-	-
Tourism	-	-	-	9,382	-
Park development	-	-	-	-	24,050
Assigned for:					
Fire equipment	-	-	-	-	-
Total Fund Balances	-	18,786	35,226	9,382	24,050
Total Liabilities, Fund Balances, and Deferred Inflows	\$ -	\$ 18,786	\$ 45,433	\$ 11,156	\$ 52,183

Museum Operating Fund	Police Drug Enforcement	Police Dept Working Fund	Fire Dept Capital Fund	I&S 2017 CO	Total
\$ 30,717	\$ 16,199	\$ 32,420	\$ 126,025	\$ 1,810	\$ 325,020
-	-	-	-	-	9,709
<u>\$ 30,717</u>	<u>\$ 16,199</u>	<u>\$ 32,420</u>	<u>\$ 126,025</u>	<u>\$ 1,810</u>	<u>\$ 334,729</u>
\$ 2,145	\$	\$	\$	\$ 500	\$ 33,050
<u>2,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>33,050</u>
-	-	-	-	-	9,709
-	-	-	-	-	9,709
-	-	-	-	1,310	36,536
-	16,199	32,420	-	-	48,619
-	-	-	-	-	18,786
28,572	-	-	-	-	37,954
-	-	-	-	-	24,050
-	-	-	126,025	-	126,025
<u>28,572</u>	<u>16,199</u>	<u>32,420</u>	<u>126,025</u>	<u>1,310</u>	<u>291,970</u>
<u>\$ 30,717</u>	<u>\$ 16,199</u>	<u>\$ 32,420</u>	<u>\$ 126,025</u>	<u>\$ 1,810</u>	<u>\$ 334,729</u>

City of Mineola, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2022

	CDBG Grant	Court Security and Technology	Debt Service	Hotel Motel	Nature Preserve Project
Revenues					
Property tax	\$ -	\$ -	\$ 249,743	\$ -	\$ -
Hotel occupancy tax	-	-	-	69,379	-
Charges for services	-	-	-	-	14,341
Intergovernmental	-	-	83,688	30,000	90,000
Investment earnings	-	-	-	-	-
Other revenue	-	-	-	10,692	-
Grants and donations	-	-	-	-	1,409
Total Revenues	-	-	333,431	110,071	105,750
Expenditures					
Current:					
General government	100	-	-	126,567	-
Culture & recreation	-	-	-	-	199,683
Public safety	-	2,686	-	-	-
Debt Service:					
Principal	-	-	230,000	-	-
Interest and fiscal charges	-	-	105,250	-	-
Total Expenditures	100	2,686	335,250	126,567	199,683
Revenues Over (Under)					
Expenditures	(100)	(2,686)	(1,819)	(16,496)	(93,933)
Other Financing Sources (Uses)					
Transfers in	-	12,498	-	21,000	78,886
Transfers out	-	-	-	-	-
Total Other Financing (Uses)	-	12,498	-	21,000	78,886
Net Change in Fund Balances	(100)	9,812	(1,819)	4,504	(15,047)
Beginning fund balances	100	8,974	37,045	4,878	39,097
Ending Fund Balances	\$ -	\$ 18,786	\$ 35,226	\$ 9,382	\$ 24,050

<u>Museum Operating Fund</u>	<u>Police Drug Enforcement</u>	<u>Police Dept Working Fund</u>	<u>Fire Dept Capital Fund</u>	<u>I&S 2017 CO</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249,743
-	-	-	-	-	69,379
-	-	-	-	-	14,341
-	-	-	-	101,275	304,963
-	13	-	-	-	13
-	-	-	-	-	10,692
39,458	-	-	-	-	40,867
<u>39,458</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>101,275</u>	<u>689,998</u>
28,205	-	-	-	-	154,872
-	-	-	-	-	199,683
-	-	-	-	-	2,686
-	-	-	-	-	230,000
-	-	-	-	500	105,750
<u>28,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>692,991</u>
11,253	13	-	-	100,775	(2,993)
17,319	16,186	32,420	126,025	-	304,334
-	-	-	-	(99,465)	(99,465)
<u>17,319</u>	<u>16,186</u>	<u>32,420</u>	<u>126,025</u>	<u>(99,465)</u>	<u>204,869</u>
28,572	16,199	32,420	126,025	1,310	201,876
-	-	-	-	-	90,094
<u>\$ 28,572</u>	<u>\$ 16,199</u>	<u>\$ 32,420</u>	<u>\$ 126,025</u>	<u>\$ 1,310</u>	<u>\$ 291,970</u>

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