

ANNUAL FINANCIAL REPORT

of the

City of Mineola, Texas

**For the Year Ended
September 30, 2019**

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City of Mineola, Texas

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September 30, 2019

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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mineola, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, flowing script.

Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
August 5, 2020

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

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City of Mineola, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2019

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, 2019. 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 \$15,521,530 at September 30, 2019. Of this, \$2,053,020 (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 \$1,335,813, an increase of \$100,628.
- As of the end of the year, the unassigned fund balance of the general fund was \$1,155,883 or 25% of total general fund expenditures.
- The City had an overall increase in net position of \$862,556.
- The City closed the year with a net pension liability of \$83,668.

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, 2019

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 six 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, 2019

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 their 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 exceed liabilities by \$15,521,530 as of September 30, 2019, in the primary government.

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

The largest portion of the City's net position, \$12,943,597, 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:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,734,669	\$ 6,504,540	\$ 8,239,209	\$ 1,648,166	\$ 6,740,557	\$ 8,388,723
Net pension asset	-	-	-	513,672	153,435	667,107
Capital assets, net	8,116,934	16,156,422	24,273,356	8,854,332	15,196,507	24,050,839
Total Assets	9,851,603	22,660,962	32,512,565	11,016,170	22,090,499	33,106,669
Deferred Outflows of	382,274	114,187	496,461	85,286	25,999	111,285
Current liabilities	753,436	988,443	1,741,879	729,920	1,012,764	1,742,684
Long-term liabilities	3,800,915	11,929,700	15,730,615	3,972,373	12,640,356	16,612,729
Total Liabilities	4,554,351	12,918,143	17,472,494	4,702,293	13,653,120	18,355,413
Deferred Inflows of	13,961	1,041	15,002	159,340	44,227	203,567
Net Position:						
Net investment in capital assets	4,190,971	8,752,626	12,943,597	4,712,536	7,520,152	12,232,688
Restricted	430,205	94,708	524,913	552,650	135,207	687,857
Unrestricted	1,044,389	1,008,631	2,053,020	974,637	763,792	1,738,429
Total Net Position	\$ 5,665,565	\$ 9,855,965	\$ 15,521,530	\$ 6,239,823	\$ 8,419,151	\$ 14,658,974

Total long-term liabilities decreased by \$882,114 mainly as a result of principal payments made on long-term debt in the current year.

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

Statement of Activities:

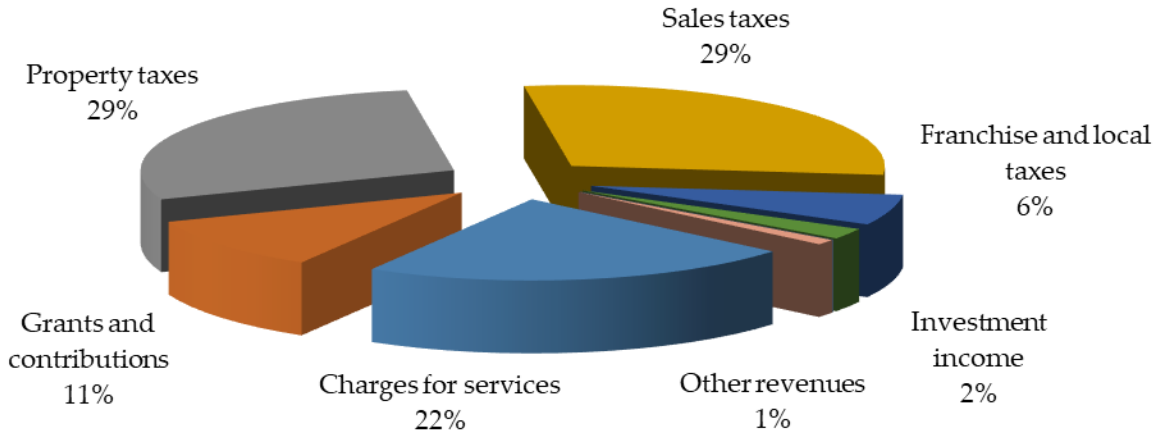
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,142,444	\$ 2,431,397	\$ 3,573,841	\$ 1,180,327	\$ 2,396,288	\$ 3,576,615
Grants and contributions	543,040	526,358	1,069,398	1,128,508	111,661	1,240,169
General revenues:						
Property taxes	1,450,984	-	1,450,984	1,398,753	-	1,398,753
Sales taxes	1,487,910	-	1,487,910	1,365,829	-	1,365,829
Franchise and local taxes	312,975	-	312,975	324,846	-	324,846
Investment income	111,314	111,065	222,379	81,529	111,793	193,322
Other revenues	53,364	94	53,458	79,834	2,216	82,050
Total Revenues	5,102,031	3,068,914	8,170,945	5,559,626	2,621,958	8,181,584
Expenses						
General government	949,637	-	949,637	997,726	-	997,726
Public safety	2,085,694	-	2,085,694	2,194,890	-	2,194,890
Public works	923,115	-	923,115	881,944	-	881,944
Culture and recreation	59,851	-	59,851	127,637	-	127,637
Community development	373,912	-	373,912	353,380	-	353,380
Interest and fiscal charges	108,424	417,217	525,641	117,325	442,483	559,808
Solid waste	519,557	-	519,557	485,106	-	485,106
Water & sewer	-	1,870,983	1,870,983	-	1,807,188	1,807,188
Total Expenses	5,020,189	2,288,200	7,308,389	5,158,008	2,249,671	7,407,679
Change in Net Position Before Transfers	81,842	780,714	862,556	401,618	372,287	773,905
Transfer of capital assets	(656,100)	656,100	-	-	-	-
Change in Net Position	(574,258)	1,436,814	862,556	401,618	372,287	773,905
Beginning Net Position	6,239,823	8,419,151	14,658,974	5,838,205	8,046,864	13,885,069
Ending Net Position	\$ 5,665,565	\$ 9,855,965	\$ 15,521,530	\$ 6,239,823	\$ 8,419,151	\$ 14,658,974

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

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

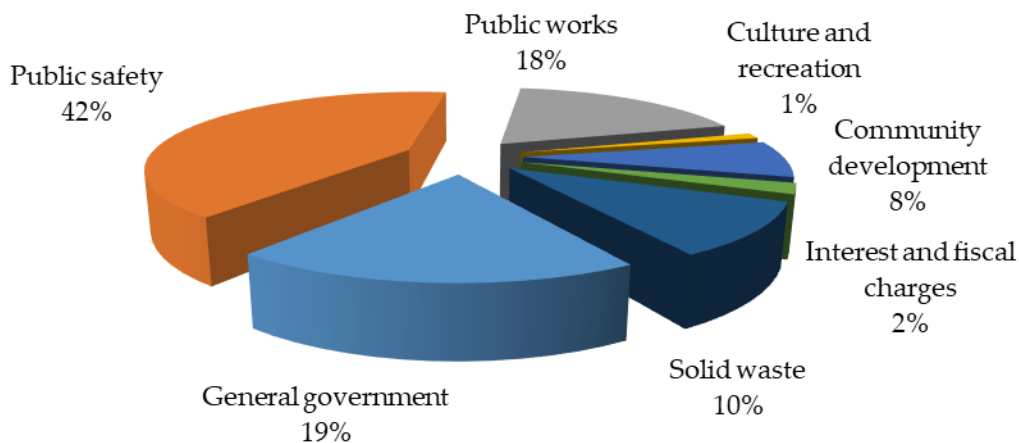
Governmental Activities - Revenues



For the year ended September 30, 2019, revenues from governmental activities totaled \$5,102,031. Property tax, sales tax and charges for services are the City's largest revenue sources. Grants and contributions decreased by \$585,468 due primarily to nonrecurring CDBG grant funds received in the prior year. Sales tax revenue increased by \$122,081 due to continued economic growth. Interest income increased by \$29,785 due to an increase in interest-bearing cash accounts. Other revenues decreased by \$26,470 primarily due to nonrecurring gains in the prior year. 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, 2019, expenses for governmental activities totaled \$5,020,189. This represents a decrease of \$137,819 or 3% from the prior year. The City's largest functional expense is

City of Mineola, Texas

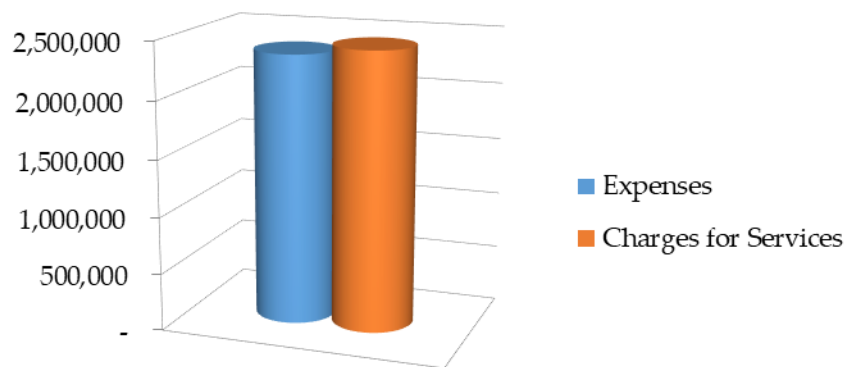
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

public safety of \$2,085,694, which decreased by \$109,196 primarily as a result of decreased dispatch, building and vehicle repair expenses in the fire department. General government expenditures decreased by \$48,089 primarily due to a reduction in property liability insurance and municipal court related expenditures. Public works expenses increased by \$41,171 due primarily to an increase in auto repair and utility expenses and nonrecurring temporary staffing services expenses incurred in the current year. Culture and recreation expenses decreased by \$67,786 due primarily to greater capitalizable expenses incurred in the current year, such as investments in the city playground and basketball court. Solid waste service expenditures increased by \$34,451 as a result of increased garbage collection expenses, which is in line with the increase in solid waste collection service revenue.

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, 2019, charges for services by business-type activities totaled \$2,431,397. This is a slight increase of \$35,109 or 1%, from the previous year. \$189,954 of intergovernmental revenues were recognized as contributions in the current year as a result of funds transferred to the water and sewer fund from the City's discretely presented component unit. In addition, the City received \$172,183 in nonrecurring grants from the North East Texas Regional Mobility Authority.

Total expenses increased by \$38,529 or 2% during the year. The increase was primarily to do greater personnel, maintenance, and annual depreciation expenses in the current 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.

City of Mineola, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

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 the City's financing requirements. In particular, unreserved 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 \$1,248,543. Unassigned fund balance totaled \$1,155,883 as of year end. There was an overall increase in general fund balance of \$37,709 from the prior year. The increase was a result of current year revenues exceeding expenditures and other financing sources.

As of the end of the year the total nonmajor governmental fund balance amounted to \$87,270, an increase of \$62,919 compared to the prior 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 \$8,031 and a positive expenditure variance of \$163,559 for the year. The positive revenue variance was primarily due to a positive variance in sales tax revenue of \$99,325. The positive expenditure variance was primarily due to a positive variance in general government of \$171,893. Other financing sources (uses) had an overall positive budget variance of \$5,507. The total budget variance was a positive variance of \$166,083.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$8,116,934 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 \$16,156,422 in a variety of capital assets and infrastructure, net of accumulated depreciation.

City of Mineola, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
September 30, 2019

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

- Investment in city playground and basketball court totaling \$96,020.
- Purchase of new computer servers for police department and city hall totaling \$42,903.
- Purchase of two 2019 Chevy Tahoe through lease financing totaling \$92,180.
- Purchase of new administrative and public safety vehicles for \$59,090.
- Investment in water/sewer extension engineering and construction totaling \$483,990.
- Engineering investments for wastewater treatment plant amounting to \$145,668.
- Elevated storage tank engineering and construction costs totaling \$72,481.

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 \$16,489,043. During the year, the City payments on long-term debt were \$952,343. Also, during the year, the City entered into a new capital lease agreement for purchase of two vehicles totaling \$92,180. 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. The City is still assessing the budget impact from the COVID-19 pandemic.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Mineola' 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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,116,774	\$ 6,140,062	\$ 7,256,836
Receivables, net	549,207	364,478	913,685
Total Current Assets	1,665,981	6,504,540	8,170,521
Restricted cash	68,688	-	68,688
Capital assets:			
Non-depreciable	2,053,194	1,755,923	3,809,117
Net depreciable capital assets	6,063,740	14,400,499	20,464,239
Total Noncurrent Assets	8,185,622	16,156,422	24,342,044
Total Assets	9,851,603	22,660,962	32,512,565
Deferred Outflows of Resources			
Pension contributions	54,717	16,344	71,061
OPEB contributions	785	235	1,020
Pension investment losses (earnings)	284,715	85,045	369,760
Pension changes in assumptions	2,423	724	3,147
Pension difference in expected and actual experience	39,634	11,839	51,473
Total Deferred Outflows of Resources	382,274	114,187	496,461
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	294,707	55,933	350,640
Customer deposits	-	151,658	151,658
Accrued interest payable	12,980	35,770	48,750
Compensated absences, current	136,491	55,082	191,573
Long-term debt due within one year	309,258	690,000	999,258
Total Current Liabilities	753,436	988,443	1,741,879
Noncurrent liabilities:			
OPEB liability	104,625	31,251	135,876
Net pension liability	64,424	19,244	83,668
Compensated absences, noncurrent	15,166	6,120	21,286
Long-term debt due in more than one year	3,616,700	11,873,085	15,489,785
Total Noncurrent Liabilities	3,800,915	11,929,700	15,730,615
Total Liabilities	4,554,351	12,918,143	17,472,494

See Notes to Financial Statements.

**Component
Unit**

**Economic
Dev. Corp.**

325,097

117,140

442,237

-

304,561

13,856

318,417

760,654

-

-

-

-

-

-

-

327

-

-

-

-

327

-

-

-

-

-

327

City of Mineola, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2019

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<u>Deferred Inflows of Resources</u>			
OPEB difference in expected and actual experience	748	223	971
OPEB investment experience	2,739	818	3,557
Deferred gain on refunding	10,474	-	10,474
Total Deferred Inflows of Resources	13,961	1,041	15,002
<u>Net Position</u>			
Net investment in capital assets	4,190,971	8,752,626	12,943,597
Restricted for:			
Debt service	27,303	-	27,303
Park development	59,034	-	59,034
Law enforcement	23,972	-	23,972
Other activities	2,831	-	2,831
Pensions	317,065	94,708	411,773
Economic development	-	-	-
Unrestricted	1,044,389	1,008,631	2,053,020
Total Net Position	\$ 5,665,565	\$ 9,855,965	\$ 15,521,530

See Notes to Financial Statements.

Component Unit
<u>Economic Dev. Corp.</u>
-
-
-
<u>-</u>
<u>-</u>
318,417
-
-
-
-
-
441,910
-
<u>\$ 760,327</u>

City of Mineola, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 949,637	\$ -	\$ 279,223	\$ -
Public safety	2,085,694	348,607	-	52,529
Public works	923,115	58,151	128,838	-
Culture and recreation	59,851	-	-	82,450
Solid waste	519,557	735,686	-	-
Community development	373,912	-	-	-
Interest and fiscal charges	108,424	-	-	-
Total Governmental Activities	5,020,189	1,142,444	408,061	134,979
Business-Type Activities				
Water & Sewer	2,288,200	2,431,397	336,404	189,954
Total Business-Type Activities	2,288,200	2,431,397	336,404	189,954
Total Primary Government	\$ 7,308,389	\$ 3,573,841	\$ 744,465	\$ 324,933
Component Unit Activities				
Economic Development	637,542	-	-	-
Total Component Unit Activities	\$ 637,542	\$ -	\$ -	\$ -

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		Economic
Activities	Activities	Total	Dev. Corp.
\$ (670,414)	\$ -	\$ (670,414)	\$ -
(1,684,558)	-	(1,684,558)	-
(736,126)	-	(736,126)	-
22,599	-	22,599	-
216,129	-	216,129	-
(373,912)	-	(373,912)	-
(108,424)	-	(108,424)	-
<u>(3,334,705)</u>	<u>-</u>	<u>(3,334,705)</u>	<u>-</u>
-	669,555	669,555	-
-	669,555	669,555	-
<u>(3,334,705)</u>	<u>669,555</u>	<u>(2,665,150)</u>	<u>-</u>
			(637,542)
			<u>\$ (637,542)</u>
1,450,984	-	1,450,984	-
1,487,910	-	1,487,910	722,206
243,426	-	243,426	-
69,549	-	69,549	-
111,314	111,065	222,379	15,133
53,364	94	53,458	1,200
(656,100)	656,100	-	-
<u>2,760,447</u>	<u>767,259</u>	<u>3,527,706</u>	<u>738,539</u>
(574,258)	1,436,814	862,556	100,997
6,239,823	8,419,151	14,658,974	659,330
<u>\$ 5,665,565</u>	<u>\$ 9,855,965</u>	<u>\$ 15,521,530</u>	<u>\$ 760,327</u>

City of Mineola, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 1,023,610	\$ 93,164	\$ 1,116,774
Restricted cash	68,688	-	68,688
Receivables, net	536,616	12,591	549,207
Total Assets	\$ 1,628,914	\$ 105,755	\$ 1,734,669
 <u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 288,813	\$ 5,894	\$ 294,707
Total Liabilities	288,813	5,894	294,707
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue:			
Property tax	91,558	12,591	104,149
Total Deferred Inflows of Resources	91,558	12,591	104,149
 <u>Fund Balances</u>			
Restricted for:			
Debt service	-	27,303	27,303
Law enforcement	23,972	-	23,972
Municipal court	-	2,731	2,731
CDBG grant activity	-	100	100
Park development	-	59,034	59,034
Committed to:			
Fire department equipment	68,688	-	68,688
Unassigned reported in:			
General fund	1,155,883	-	1,155,883
Hotel motel fund	-	(1,898)	(1,898)
Total Fund Balances	1,248,543	87,270	1,335,813
Total Liabilities, Fund Balances, and Deferred Inflows of Resources	\$ 1,628,914	\$ 105,755	\$ 1,734,669

See Notes to Financial Statements.

City of Mineola, Texas

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

September 30, 2019

Fund Balances - Total Governmental Funds	\$ 1,335,813
 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	2,053,194
Capital assets - net depreciable	6,063,740
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Property tax receivable	104,149
 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	54,717
Pension changes in assumptions	2,423
Pension investment losses (earnings)	284,715
Pension differences in expected and actual experience	39,634
OPEB contributions	785
 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.	
OPEB differences in expected and actual experience	(748)
OPEB investment losses (earnings)	(2,739)
Deferred gain on refunding	(10,474)
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Accrued interest	(12,980)
Compensated absences	(151,657)
Net pension liability	(64,424)
OPEB liability	(104,625)
Bonds (including premiums), notes, and capital leases	(3,925,958)
Net Position of Governmental Activities	\$ 5,665,565

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, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>			
Property tax	\$ 1,227,547	\$ 241,017	\$ 1,468,564
Sales tax	1,487,910	-	1,487,910
Franchise and local taxes	243,426	-	243,426
Hotel occupancy taxes	-	69,549	69,549
Intergovernmental	128,612	189,067	317,679
Charges for services	721,436	14,250	735,686
License and permits	58,151	-	58,151
Fines and forfeitures	348,607	-	348,607
Investment income	111,314	-	111,314
Grants and donations	96,523	128,838	225,361
Other revenue	56,219	283	56,502
Total Revenues	4,479,745	643,004	5,122,749
<u>Expenditures</u>			
Current:			
General government	713,176	98,730	811,906
Public safety	2,030,268	-	2,030,268
Public works	680,133	-	680,133
Community development	367,263	-	367,263
Solid waste	519,557	-	519,557
Culture & recreation	-	81,841	81,841
Debt service:			
Principal	92,343	195,000	287,343
Interest and fiscal charges	6,840	123,999	130,839
Capital outlay	156,676	83,246	239,922
Total Expenditures	4,566,256	582,816	5,149,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	(86,511)	60,188	(26,323)

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, 2019

Other Financing Sources (Uses)

Transfers in	-	2,731	2,731
Transfers (out)	(2,731)	-	(2,731)
Insurance proceeds	34,727	-	34,727
Lease proceeds	92,180	-	92,180
Sale of capital assets	44	-	44
Total Other Financing Sources	124,220	2,731	126,951
Net Change in Fund Balances	37,709	62,919	100,628
Beginning fund balances	1,210,834	24,351	1,235,185
Ending Fund Balances	\$ 1,248,543	\$ 87,270	\$ 1,335,813

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, 2019

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

Net changes in fund balances - total governmental funds	\$	100,628
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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		414,222
Depreciation expense		(457,611)
Adjustment for disposal of capital assets		(37,909)
Assets transferred to business-type activities		(656,100)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(17,580)
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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		1,899
Accrued interest		940
Pension expense		(126,482)
OPEB expense		(12,903)

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.

Lease issuance		(92,180)
Amortization of debt premium		20,670
Amortization of deferred gain on refunding		805
Principal payments		287,343

Change in Net Position of Governmental Activities	\$	(574,258)
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See Notes to Financial Statements.

City of Mineola, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2019

		Water & Sewer
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$	6,140,062
Receivables, net		364,478
	Total Current Assets	6,504,540
<u>Noncurrent Assets</u>		
Capital assets:		
Non-depreciable		1,755,923
Net depreciable capital assets		14,400,499
	Total Noncurrent Assets	16,156,422
	Total Assets	22,660,962
<u>Deferred Outflows of Resources</u>		
Pension contributions		16,344
OPEB contributions		235
Pension investment losses (earnings)		85,045
Pension difference in expected and actual experience		11,839
Pension difference in assumptions		724
	Total Deferred Outflows of Resources	114,187
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities		55,933
Customer deposits		151,658
Accrued interest		35,770
Compensated absences, current		55,082
Long-term debt due within one year		690,000
	Total Current Liabilities	988,443
<u>Noncurrent Liabilities</u>		
OPEB liability		31,251
Net pension liability		19,244
Compensated absences, noncurrent		6,120
Long-term debt due in more than one year		11,873,085
	Total Liabilities	12,918,143
<u>Deferred Inflows of Resources</u>		
OPEB difference in expected and actual experience		223
OPEB investment experience		818
	Total Deferred Inflows of Resources	1,041
<u>Net Position</u>		
Net investment in capital assets		8,752,626
Restricted for pensions		94,708
Unrestricted		1,008,631
	Total Net Position	\$ 9,855,965

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, 2019

	Water & Sewer
<u>Operating Revenues</u>	
Charges for services	\$ 2,431,397
Total Operating Revenues	2,431,397
 <u>Operating Expenses</u>	
Personnel services	707,736
Supplies	67,336
Contractual services	293,362
Repairs and maintenance	169,188
Depreciation	633,361
Total Operating Expenses	1,870,983
Operating Income (Loss)	560,414
 <u>Nonoperating Revenues (Expenses)</u>	
Investment income	111,065
Intergovernmental revenue	189,954
Grant income	172,183
Interest expense	(417,217)
Gain on sale of capital assets	94
Total Nonoperating Revenues (Expenses)	56,079
Income Before Capital Contributions and Transfers	616,493
 <u>Capital Contributions and Transfers</u>	
Capital contributions	164,221
Transfers in	656,100
Total Capital Contributions and Transfers	820,321
Change in Net Position	1,436,814
Beginning net position	8,419,151
Ending Net Position	\$ 9,855,965

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, 2019

	Water & Sewer
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 2,398,059
Payments to suppliers	(574,928)
Payments to employees	(672,822)
Net Cash Provided by Operating Activities	1,150,309
<u>Cash Flows from Noncapital Financing Activities</u>	
Proceeds from component unit	189,954
Net Cash Provided (Used) by Noncapital Financing Activities	189,954
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(772,955)
Grant proceeds	172,183
Proceeds from sale of capital assets	94
Principal paid on debt	(665,000)
Interest paid on debt	(450,726)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,716,404)
<u>Cash Flows from Investing Activities</u>	
Interest received on investments	111,065
Net Cash Provided (Used) by Investing Activities	111,065
Increase (Decrease) in Cash and Cash Equivalents	(265,076)
Beginning cash and cash equivalents	6,405,138
Ending Cash and Cash Equivalents	\$ 6,140,062

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, 2019

**Water &
Sewer**

Reconciliation of Operating Income (Loss)
to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$	560,414
Adjustments to reconcile operating income (loss) to net cash provided:		
Depreciation		633,361
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable		(40,484)
Prepaid expense		11,425
Net pension liability		172,679
OPEB liability		(6,391)
Deferred outflows of resources		(117,228)
Increase (Decrease) in:		
Accounts payable and accrued liabilities		(56,467)
Customer deposits		7,146
Deferred inflows of resources		(14,146)
Net Cash Provided by Operating Activities	\$	1,150,309

Schedule of Non-Cash Capital and Related Financing Activities

Capital assets contributed by governmental activities	\$	656,100
Capital assets contributed by entity		164,221

See Notes to Financial Statements.

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City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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 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.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 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

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

forfeitures, and charges for services. Expenditures include general government, public safety, public works, solid waste, and culture and recreation.

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 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

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 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.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 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.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 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.

City of Mineola, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
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.

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.

City of Mineola, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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 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

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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, capital 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 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 capital 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, capital 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.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

12. 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.

13. 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 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.

G. 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.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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-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, 2019, 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

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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:		
Community development	\$	33,312
Solid waste		29,557
Principal		257
Capital outlay		61,676

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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, 2019, 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 executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

B. Receivables

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

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	<u>Total</u>
Solid waste	\$ 103,599	\$ -	\$ -	\$ 103,599
Sales tax	279,677	-	-	279,677
Property tax	139,011	12,591	-	151,602
Franchise and other taxes	63,761	-	-	63,761
Accounts	2,073	-	371,790	373,863
Allowance	(51,505)	-	(7,312)	(58,817)
	<u>\$ 536,616</u>	<u>\$ 12,591</u>	<u>\$ 364,478</u>	<u>\$ 913,685</u>

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

	<u>Economic Dev. Corp.</u>
Sales tax	<u>\$ 117,140</u>
	<u>\$ 117,140</u>

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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	\$ 2,053,194	\$ -	\$ -	\$ 2,053,194
Construction in progress	537,262	118,838	(656,100)	-
Total capital assets not being depreciated	<u>2,590,456</u>	<u>118,838</u>	<u>(656,100)</u>	<u>2,053,194</u>
Capital assets, being depreciated:				
Buildings and improvements	3,729,129	96,020	-	3,825,149
Machinery & equipment	4,000,617	199,364	(48,100)	4,151,881
Infrastructure	6,611,441	-	-	6,611,441
Total capital assets being depreciated	<u>14,341,187</u>	<u>295,384</u>	<u>(48,100)</u>	<u>14,588,471</u>
Less accumulated depreciation				
Buildings and improvements	(2,216,876)	(97,703)	-	(2,314,579)
Machinery & equipment	(3,318,955)	(183,688)	10,191	(3,492,452)
Infrastructure	(2,541,480)	(176,220)	-	(2,717,700)
Total accumulated depreciation	<u>(8,077,311)</u>	<u>(457,611)</u>	<u>10,191</u>	<u>(8,524,731)</u>
Net capital assets being depreciated	<u>6,263,876</u>	<u>(162,227)</u>	<u>(37,909)</u>	<u>6,063,740</u>
Total Net Capital Assets	<u><u>\$ 8,854,332</u></u>	<u><u>\$ (43,389)</u></u>	<u><u>\$ (694,009)</u></u>	<u><u>\$ 8,116,934</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 50,194
Public safety	114,442
Public works	221,527
Culture and recreation	71,448
Total Governmental Activities Depreciation Expense	<u><u>\$ 457,611</u></u>

The carrying value of leased capital assets was \$220,187 as of September 30, 2019.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

A summary of changes in business-type 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	\$ 1,498,522	\$ -	\$ -	\$ 1,498,522
Construction in progress	378,376	729,649	(850,624)	257,401
Total capital assets not being depreciated	<u>1,876,898</u>	<u>729,649</u>	<u>(850,624)</u>	<u>1,755,923</u>
Capital assets, being depreciated:				
Water & sewer system	21,344,187	99,063	1,506,724	22,949,974
Buildings and improvements	43,552	-	-	43,552
Machinery and equipment	928,605	108,464	-	1,037,069
Total capital assets being depreciated	<u>22,316,344</u>	<u>207,527</u>	<u>1,506,724</u>	<u>24,030,595</u>
Less accumulated depreciation				
Water & sewer system	(8,180,511)	(574,372)	-	(8,754,883)
Buildings and systems	(38,702)	(1,369)	-	(40,071)
Machinery and equipment	(777,522)	(57,620)	-	(835,142)
Total accumulated depreciation	<u>(8,996,735)</u>	<u>(633,361)</u>	<u>-</u>	<u>(9,630,096)</u>
Net capital assets being depreciated	13,319,609	(425,834)	1,506,724	14,400,499
Total Net Capital Assets	<u>\$ 15,196,507</u>	<u>\$ 303,815</u>	<u>\$ 656,100</u>	<u>\$ 16,156,422</u>

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 304,561	\$ -	\$ 304,561
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,561</u>
Capital assets, being depreciated:				
Equipment	\$ 8,452	\$ -	\$ -	\$ 8,452
Infrastructure	10,000	-	-	10,000
Total capital assets being depreciated	<u>18,452</u>	<u>-</u>	<u>-</u>	<u>18,452</u>
Less accumulated depreciation				
Equipment	(1,019)	(1,690)	-	(2,709)
Infrastructure	(1,220)	(667)	-	(1,887)
Total accumulated depreciation	<u>(2,239)</u>	<u>(2,357)</u>	<u>-</u>	<u>(4,596)</u>
Net capital assets being depreciated	<u>16,213</u>	<u>(2,357)</u>	<u>-</u>	<u>13,856</u>
Total Net Capital Assets	<u>\$ 16,213</u>	<u>\$ (2,357)</u>	<u>\$ -</u>	<u>\$ 318,417</u>

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds and other payables:					
General Obligation Bonds	\$ 195,000	\$ -	\$ (195,000)	\$ -	\$ -
General Obligation Refunding Bonds	3,430,000	-	-	3,430,000	220,000
Note payable	32,855	-	(32,855)	-	-
Capital leases	194,328	92,180	(59,488)	227,020	89,258
Premium	289,608	-	(20,670)	268,938	-
Total Governmental Activities	<u>\$ 4,141,791</u>	<u>\$ 92,180</u>	<u>\$ (308,013)</u>	<u>\$ 3,925,958</u>	<u>\$ 309,258</u>
Long-term liabilities due in more than one year				<u>\$ 3,616,700</u>	
Business-Type Activities:					
Bonds, leases, and other payables:					
General Obligation Bond	\$ 605,000	\$ -	\$ (105,000)	\$ 500,000	\$ 105,000
Certificates of Obligation	12,110,000	-	(560,000)	11,550,000	585,000
Premium	546,594	-	(33,509)	513,085	-
Total Business-Type Activities	<u>\$ 13,261,594</u>	<u>\$ -</u>	<u>\$ (698,509)</u>	<u>\$ 12,563,085</u>	<u>\$ 690,000</u>
Long-term liabilities due in more than one year				<u>\$ 11,873,085</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. Capital 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.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
\$965,000 General Obligation Bond, Series 2014, due in installments through 2024, interest at 2.00%	\$ -	\$ 500,000	\$ 500,000
Total General Obligation Bonds	\$ -	\$ 500,000	\$ 500,000
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%	\$ 3,430,000	\$ -	\$ 3,430,000
Total General Obligation Refunding Bonds	\$ 3,430,000	\$ -	\$ 3,430,000
Certificates of Obligation:			
\$5,660,000 Certificates of Obligation, Series 2017, due in annual installments through 2037, interest at 2.00% to 4.00%	\$ -	\$ 5,305,000	\$ 5,305,000
\$4,980,000 Certificates of Obligation, Series 2014, due in annual installments through 2034, interest at 2.00% to 4.00%	-	4,605,000	4,605,000
\$2,590,000 Certificates of Obligation, Series 2009, due in annual installments through 2028, interest at 4.00% - 4.55%	-	1,640,000	1,640,000
Total Certificates of Obligation	\$ -	\$ 11,550,000	\$ 11,550,000
Capital Leases Payable:			
\$92,180 Capital lease payable, due in installments through 2022, interest at 2.25%	\$ 92,180	\$ -	\$ 92,180
\$205,030 Capital lease payable, fire truck, due in annual installments of \$24,604 through 2020, interest at 3.41%	23,778	-	23,778
\$80,984 Capital lease payable for equipment, due in annual installments of \$22,270 through 2022, interest at 2.25%	61,947	-	61,947
\$102,528 Capital lease payable for truck, due in annual installments of \$19,878 through 2022, interest at 4.5%	49,115	-	49,115
Total Capital Leases Payable	\$ 227,020	\$ -	\$ 227,020
Premiums on debt issuances	268,938	513,085	782,023
Total Debt	\$ 3,925,958	\$ 12,563,085	\$ 16,489,043

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

Year ending September 30,	General Obligation Bonds		Capital leases	
	Principal	Interest	Principal	Interest
2020	\$ 220,000	\$ 113,750	\$ 89,258	\$ 8,526
2021	230,000	109,350	69,506	5,231
2022	230,000	104,750	68,256	2,662
2023	235,000	100,150	-	-
2024	240,000	93,100	-	-
2025	250,000	85,900	-	-
2026	260,000	78,400	-	-
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	<u>\$ 3,430,000</u>	<u>\$ 940,800</u>	<u>\$ 227,020</u>	<u>\$ 16,419</u>

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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	
	Principal	Interest	Principal	Interest
2020	\$ 105,000	\$ 10,000	\$ 585,000	\$ 419,950
2021	100,000	7,900	605,000	402,950
2022	100,000	5,900	620,000	385,400
2023	100,000	3,900	645,000	367,070
2024	95,000	1,900	670,000	346,966
2025	-	-	790,000	325,448
2026	-	-	615,000	299,586
2027	-	-	635,000	277,648
2028	-	-	660,000	252,321
2029	-	-	690,000	225,976
2030	-	-	715,000	200,376
2031	-	-	740,000	172,800
2032	-	-	770,000	143,200
2033	-	-	810,000	112,400
2034	-	-	840,000	80,000
2035	-	-	370,000	46,400
2036	-	-	385,000	31,600
2037	-	-	405,000	16,200
Total	<u>\$ 500,000</u>	<u>\$ 29,600</u>	<u>\$ 11,550,000</u>	<u>\$ 4,106,291</u>

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 153,556	\$ -	\$ (1,899)	\$ 151,657	\$ 136,491
Total Governmental Activities	<u>\$ 153,556</u>	<u>\$ -</u>	<u>\$ (1,899)</u>	<u>\$ 151,657</u>	<u>\$ 136,491</u>
Long-term Liabilities Due in More than One Year				<u>\$ 15,166</u>	
Business-Type Activities:					
Compensated Absences	\$ 61,202	\$ -	\$ -	\$ 61,202	\$ 55,082
Total Business-Type Activities	<u>\$ 61,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,202</u>	<u>\$ 55,082</u>
Long-term Liabilities Due in More than One Year				<u>\$ 6,120</u>	

F. Interfund Transactions

Transfers between the primary government funds during the 2019 year were as follows:

<u>Transfer out:</u>	<u>Transfer In</u>		<u>Total</u>
	<u>Nonmajor Governmental</u>	<u>Water & Sewer</u>	
General	\$ 2,731	\$ -	\$ 2,731
Governmental Activities	-	656,100	656,100
	<u>\$ 2,731</u>	<u>\$ 656,100</u>	<u>\$ 658,831</u>

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

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 \$10,474 for governmental activities. Current year amortization for governmental activities totaled \$805.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

H. Customer Deposits

The City had customer deposits of \$151,658 in the water and sewer fund as of year end. 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.

I. 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.

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

	Restricted	Committed
Debt service	\$ 27,303	\$ -
Law enforcement	23,972 *	-
Municipal court	2,731 *	-
Park development	59,034	-
CDBG grant activity	100	-
Fire department equipment	-	68,688
	\$ 113,140	\$ 68,688

* 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

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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.

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, Continued
September 30, 2019

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

City of Mineola, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	5.0%	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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	37
Active employees	48
Total	115

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 4.27% and 4.18% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$94,171.

City of Mineola, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a

City of Mineola, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	<u>5.0%</u>	7.75%
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, Continued
September 30, 2019

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) – (b)
Balance at 12/31/17	\$ 6,479,275	\$ 7,146,382	\$ (667,107)
Changes for the year:			
Service Cost	221,763	-	221,763
Interest (on the Total Pension Liab.)	434,322	-	434,322
Difference between expected and actual experience	77,281	-	77,281
Changes of assumptions	-	-	-
Contributions – employer	-	92,564	(92,564)
Contributions – employee	-	108,389	(108,389)
Net investment income	-	(214,007)	214,007
Benefit payments, including refunds of emp. contributions	(311,505)	(311,505)	-
Administrative expense	-	(4,137)	4,137
Other changes	-	(218)	218
Net changes	421,861	(328,914)	750,775
Balance at 12/31/18	\$ 6,901,136	\$ 6,817,468	\$ 83,668

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%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 1,010,779	\$ 83,668	\$ (680,125)

Pension Plan Fiduciary Net Position:

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$258,431.

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between projected and investment earnings	\$ 369,760
Differences between expected and actual economic experience	51,473
Changes in assumptions	3,147
Contributions subsequent to the measurement date	71,061
Total	\$ 495,441

The City reported \$71,061 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, 2020.

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:	
2019	\$ 149,444
2020	66,691
2021	68,011
2022	140,234
Thereafter	-
	\$ 424,380

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.

City of Mineola, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	7
Active employees	48
Total	78

The City's contributions to the TMRS SDBF for the years ended 2019, 2018, and 2017 were \$1,345, \$1,067, and \$826 respectively, which equaled the required contributions each year. The required contribution rates for the retiree for 2019, 2018, and 2017 were 0.06%, 0.05% and 0.04%, respectively.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

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

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

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 3.71%, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Single Rate Assumption 3.71%	1% Increase (4.71%)
\$ 163,161	\$ 135,876	\$ 114,461

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/17	\$ 139,416
Changes for the year:	
Service Cost	7,154
Interest	4,715
Difference between expected and actual experience	(4,298)
Changes of assumptions	(10,027)
Benefit payments	(1,084)
Net changes	(3,540)
Balance at 12/31/18	\$ 135,876

City of Mineola, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$11,327.

At September 30, 2019, 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	\$ -	\$ (971)
Difference between expected and actual experience	-	(3,557)
Contributions after the measurement	1,020	-
Total	\$ 1,020	\$ (4,528)

The City reported \$1,020 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, 2020.

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:	
2019	\$ (542)
2020	(542)
2021	(542)
2022	(926)
2023	(1,976)
Thereafter	-
	\$ (4,528)

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, Continued
September 30, 2019

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, 2019:

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year Property Tax</u>
Whataburger - Quick service restaurant	100%	\$ 3,015
Total		\$ 3,015

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

On October 21, 2019, the City issued a \$1,695,000 General Obligation Refunding Bond. This issuance refunded the 2009 Certificate of Obligation outstanding for the City. The issuance reduced total debt service payments by \$140,979 and resulted in present value savings of \$126,556.

There were no other material subsequent events through August 5, 2020, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Mineola, Texas

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

GENERAL FUND

For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 1,219,259	\$ 1,219,259	\$ 1,227,547	\$ 8,288
Sales tax	1,388,585	1,388,585	1,487,910	99,325
Franchise and local taxes	240,000	240,000	243,426	3,426
Intergovernmental	138,580	138,580	128,612	(9,968)
Charges for services	700,100	700,100	721,436	21,336
License and permits	45,600	45,600	58,151	12,551
Fines and forfeitures	430,000	430,000	348,607	(81,393)
Investment income	15,000	111,314	111,314	-
Grants and donations	92,205	102,826	96,523	(6,303)
Other revenue	92,500	95,450	56,219	(39,231)
Total Revenues	<u>4,361,829</u>	<u>4,471,714</u>	<u>4,479,745</u>	<u>8,031</u>
Expenditures				
Current:				
General government	804,192	885,069	713,176	171,893
Public safety	2,026,091	2,044,540	2,030,268	14,272
Public works	764,311	781,704	680,133	101,571
Community development	177,684	333,951	367,263	(33,312) *
Solid waste	490,000	490,000	519,557	(29,557) *
Debt Service:				
Principal	92,086	92,086	92,343	(257) *
Interest and fiscal charges	7,465	7,465	6,840	625
Capital outlay	95,000	95,000	156,676	(61,676) *
Total Expenditures	<u>4,456,829</u>	<u>4,729,815</u>	<u>4,566,256</u>	<u>163,559</u>
Revenues Over (Under) Expenditures	<u>(95,000)</u>	<u>(258,101)</u>	<u>(86,511)</u>	<u>171,590</u>
Other Financing Sources (Uses)				
Transfers (out)	-	-	(2,731)	(2,731)
Insurance proceeds	-	34,727	34,727	-
Lease proceeds	95,000	95,000	92,180	(2,820)
Sale of capital assets	-	-	44	44
Total Other Financing Sources (Uses)	<u>95,000</u>	<u>129,727</u>	<u>124,220</u>	<u>(5,507)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (128,374)</u>	37,709	<u>\$ 166,083</u>
Beginning fund balance			1,210,834	
Ending Fund Balance			<u>\$ 1,248,543</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 12/31/2018	12/31/2017	12/31/2016
Total pension liability			
Service cost	\$ 221,763	\$ 214,213	\$ 208,360
Interest	434,322	410,713	395,900
Differences between expected and actual	77,281	21,446	(54,275)
Changes of assumptions	-	-	-
Benefit payments, including refunds of participant contributions	(311,505)	(289,242)	(377,704)
Net change in total pension liability	421,861	357,130	172,281
Total pension liability - beginning	6,479,275	6,122,145	5,949,864
Total pension liability - ending (a)	6,901,136	6,479,275	6,122,145
Plan fiduciary net position			
Contributions - employer	\$ 92,564	\$ 91,092	\$ 71,133
Contributions - members	108,389	103,987	100,754
Net investment income	(214,007)	881,814	416,142
Benefit payments, including refunds of participant contributions	(311,505)	(289,242)	(377,704)
Administrative expenses	(4,137)	(4,571)	(4,700)
Other	(218)	(231)	(253)
Net change in plan fiduciary net position	(328,914)	782,849	205,372
Plan fiduciary net position - beginning	7,146,382	6,363,533	6,158,161
Plan fiduciary net position - ending (b)	\$ 6,817,468	\$ 7,146,382	\$ 6,363,533
Fund's net pension liability (asset) - ending (a) - (b)	\$ 83,668	\$ (667,107)	\$ (241,388)
 Plan fiduciary net position as a percentage of the total pension liability	 99%	 110%	 104%
Covered payroll	\$ 2,167,772	\$ 2,079,738	\$ 2,015,088
Fund's net pension liability as a percentage of covered employee payroll	 4%	 -32%	 -12%

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>12/31/2015</u>	<u>12/31/2014</u>
\$ 221,516	\$ 184,453
378,161	356,968
33,894	(57,569)
117,602	-
<u>(185,699)</u>	<u>(213,543)</u>
565,474	270,309
<u>5,384,390</u>	<u>5,114,081</u>
<u>5,949,864</u>	<u>5,384,390</u>
\$ 86,489	\$ 68,646
110,317	98,628
9,065	335,127
(185,699)	(213,543)
(5,522)	(3,499)
(273)	(288)
<u>14,377</u>	<u>285,071</u>
6,143,784	5,858,713
<u>\$ 6,158,161</u>	<u>\$ 6,143,784</u>
<u>\$ (208,297)</u>	<u>\$ (759,394)</u>
104%	114%
\$ 2,206,336	\$ 1,972,561
-9%	-38%

City of Mineola, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended:

	¹ 9/30/2019	9/30/2018	9/30/2017
Actuarially determined employer contributions	\$ 94,171	\$ 91,650	\$ 86,236
Actual contributions made	\$ 94,171	\$ 91,650	\$ 86,236
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Annual covered payroll	\$ 2,241,232	\$ 2,133,318	\$ 2,064,166
Employer contributions as a % of covered payroll	4.20%	4.30%	4.18%

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 Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2016</u>	<u>9/30/2015</u>
\$ 85,565	\$ 82,930
\$ 85,565	\$ 82,930
\$ -	\$ -
\$ 2,208,312	\$ 2,068,903
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 12/31/2017	<u>12/31/2018</u>
Total OPEB liability		
Service cost	\$ 6,031	\$ 7,154
Interest	4,576	4,715
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(4,298)
Changes of assumptions	11,184	(10,027)
Benefit payments, including refunds of participant contributions	(832)	(1,084)
Net change in total OPEB liability	<u>20,959</u>	<u>(3,540)</u>
Total OPEB liability - beginning	<u>\$ 118,457</u>	<u>\$ 139,416</u>
Total OPEB liability - ending (a)	² <u><u>\$ 139,416</u></u>	<u>\$ 135,876</u>
Covered payroll	\$ 2,079,738	\$ 2,167,772
City's total OPEB liability as a percentage of covered payroll	6.70%	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.

COMBINING STATEMENTS

City of Mineola, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2019

	<u>CDBG Grant</u>	<u>Court Security and Technology</u>	<u>Debt Service</u>	<u>Hotel Motel</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 100	\$ 2,731	\$ 28,201	\$ 2,281
Accounts receivable	-	-	12,591	-
Total Assets	<u>\$ 100</u>	<u>\$ 2,731</u>	<u>\$ 40,792</u>	<u>\$ 2,281</u>
<u>Liabilities</u>				
Accounts payable & accrued liabilities	\$ -	\$ -	\$ 898	\$ 4,179
Total Liabilities	<u>-</u>	<u>-</u>	<u>898</u>	<u>4,179</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Property tax	-	-	12,591	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>12,591</u>	<u>-</u>
<u>Fund Balances</u>				
Restricted for:				
Debt service	-	-	27,303	-
Grant activities	100	-	-	-
Municipal court	-	2,731	-	-
Park development	-	-	-	-
Unassigned	-	-	-	(1,898)
Total Fund Balances	<u>100</u>	<u>2,731</u>	<u>27,303</u>	<u>(1,898)</u>
Total Liabilities, Fund Balances, and Deferred Inflows	<u>\$ 100</u>	<u>\$ 2,731</u>	<u>\$ 40,792</u>	<u>\$ 2,281</u>

Nature Preserve Project	Total
\$ 59,851	\$ 93,164
-	12,591
<u>\$ 59,851</u>	<u>\$ 105,755</u>
<u>\$ 817</u>	<u>\$ 5,894</u>
<u>817</u>	<u>5,894</u>
<u>-</u>	<u>12,591</u>
<u>-</u>	<u>12,591</u>
-	27,303
-	100
-	2,731
59,034	59,034
-	(1,898)
<u>59,034</u>	<u>87,270</u>
<u>\$ 59,851</u>	<u>\$ 105,755</u>

City of Mineola, Texas

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended September 30, 2019

	CDBG Grant	Court Security and Technology	Debt Service	Hotel Motel
<u>Revenues</u>				
Property tax	\$ -	\$ -	\$ 241,017	\$ -
Hotel occupancy tax	-	-	-	69,549
Charges for services	-	-	-	-
Intergovernmental	-	-	79,617	27,000
Other revenue	-	-	-	283
Grants and donations	128,838	-	-	-
Total Revenues	128,838	-	320,634	96,832
<u>Expenditures</u>				
Current:				
General government	-	-	-	98,730
Culture & recreation	-	-	-	-
Debt Service:				
Principal	-	-	195,000	-
Interest and fiscal charges	-	-	123,999	-
Capital outlay	71,938	-	-	-
Total Expenditures	71,938	-	318,999	98,730
Revenues Over (Under)				
Expenditures	56,900	-	1,635	(1,898)
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	2,731	-	-
Total Other Financing (Uses)	-	2,731	-	-
Net Change in Fund Balances	56,900	2,731	1,635	(1,898)
Beginning fund balances	(56,800)	-	25,668	-
Ending Fund Balances	\$ 100	\$ 2,731	\$ 27,303	\$ (1,898)

Nature Preserve Project	Total
\$ -	\$ 241,017
-	69,549
14,250	14,250
82,450	189,067
-	283
-	128,838
96,700	643,004
-	98,730
81,841	81,841
-	195,000
-	123,999
11,308	83,246
93,149	582,816
3,551	60,188
-	2,731
-	2,731
3,551	62,919
55,483	24,351
\$ 59,034	\$ 87,270

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