

CITY OF TOOL, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2020

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For the Fiscal Year Ended September 30, 2020

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YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Brandon Diviney, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Tool, Texas

We have audited the accompanying financial statements of the governmental activities and general fund of the City of Tool, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and City Council
City of Tool, Texas
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the City of Tool, Texas, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 29 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.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Waxahachie, Texas
July 9, 2021

CITY OF TOOL, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Tool, Texas, 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, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$2,115,685 (net position). Of this amount, \$787,224 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$310,064.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$765,336, or 41% of the total general fund expenditures.

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 Financial 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 financial information on all of the City's assets and liabilities, with the difference 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.

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 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).

The government-wide financial statements distinguish functions of the City that are principally supported by sales and franchise taxes. The governmental activities of the City include general government, public safety, and public works.

The government-wide financial statements can be found on pages 10-11 of this report.

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 are governmental 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 one individual governmental fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund which is considered to be a major fund.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 15-27 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's General fund Budget Comparison Schedule. Required supplementary information can be found on page 29 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$2,115,685, at the close of the most recent fiscal year.

CITY OF TOOL'S NET POSITION

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and other assets	\$ 4,364,988	\$ 980,913	\$ 4,364,988	\$ 980,913
Capital assets	3,222,586	3,037,100	3,222,586	3,037,100
Total assets	<u>7,587,574</u>	<u>4,018,013</u>	<u>7,587,574</u>	<u>4,018,013</u>
Long term liabilities	5,436,483	2,165,016	5,436,483	2,165,016
Other liabilities	49,156	47,376	49,156	47,376
Total liabilities	<u>5,485,639</u>	<u>2,212,392</u>	<u>5,485,639</u>	<u>2,212,392</u>
Net position:				
Net investment in capital assets	1,238,690	887,100	1,238,690	887,100
Restricted	89,771	39,940	89,771	39,940
Unrestricted	787,224	878,581	787,224	878,581
Total net position	<u>\$ 2,115,685</u>	<u>\$ 1,805,621</u>	<u>\$ 2,115,685</u>	<u>\$ 1,805,621</u>

A portion of the City's net position (58.5%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, infrastructure and machinery and equipment), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$787,224 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's net investment in capital assets increased as a result of current year's capital asset additions exceeding depreciation.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

The City's overall net position increased \$310,064 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental activities.

CITY OF TOOL'S CHANGES IN NET POSITION

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program revenues:				
Charges for services	\$ 203,486	\$ 148,840	\$ 203,486	\$ 148,840
Operating grants and contributions	1,061	1,253	1,061	1,253
Capital grants and contributions	67,710	-	67,710	-
General revenues:				
Property taxes	1,119,496	1,049,763	1,119,496	1,049,763
Sales taxes	215,470	111,125	215,470	111,125
Franchise taxes	149,476	155,934	149,476	155,934
Hotel occupancy taxes	3,206	-	3,206	-
Mixed beverage taxes	1,757	1,443	1,757	1,443
Investment earnings	12,022	20,666	12,022	20,666
Miscellaneous	7,531	11,278	7,531	11,278
Total revenues	1,781,215	1,500,302	1,781,215	1,500,302
Expenses:				
General government	335,481	318,961	335,481	318,961
Public safety	764,431	755,829	764,431	755,829
Public works	333,627	204,333	333,627	204,333
Interest	37,612	57,962	37,612	57,962
Total expenses	1,471,151	1,337,085	1,471,151	1,337,085
Change in net position	310,064	163,217	310,064	163,217
Net position - beginning	1,805,621	1,642,404	1,805,621	1,642,404
Net position - ending	\$ 2,115,685	\$ 1,805,621	\$ 2,115,685	\$ 1,805,621

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$310,064 from the prior fiscal year for an ending balance of \$2,115,685.

- Charges for services increased by \$54,646 (37%) during the year. The increase is due to an increase in citations and building permits issued.
- Capital Grants and contributions increased by \$67,710 (100%) during the year. The increase is due to a contribution of park land in the current year.
- Sales tax increased by \$104,345 (94%) during the year. The increase is due to an increase in the sales tax rate restricted for street repair and maintenance.
- General government expenses increased by \$16,520 (5%), public safety expenses increased by \$8,602 (1%) and public works increased by \$129,294 (63%) during the year.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At September 30, 2020, the City's General fund reported ending fund balance of \$4,283,251, an increase of \$3,392,399 in comparison with the prior year. Approximately 18% of this amount (\$765,336) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable or restricted to indicate that it is 1) not in spendable form (\$5,790) or 2) restricted for particular purposes (\$3,512,125).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$765,336, while total fund balance increased to \$4,283,251. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 41.4% of total general fund expenditures, while total fund balance represents approximately 231.9% of that same amount.

The fund balance of the City's general fund increased \$3,392,399 during the current fiscal year.

General Fund Budgetary Highlights

Original budget compared to final budget. Approximate differences between the original budget and final amended budget can be briefly summarized as follows:

- \$31,341 increase in sales tax revenue.
- \$19,920 decrease in licenses and permits
- \$171,375 increase in prior year fund balance
- \$153,677 increase in administrative expenditures.
- \$71,098 decrease in public safety expenditures.
- \$74,825 increase in public works expenditures.
- \$66,168 increase in debt service expenditures.
- \$3,527,424 increase in other financing sources.

Final budget compared to actual results. General fund actual revenues of \$1,868,669 exceeded budgeted revenues of \$1,827,795 by \$40,874. Following are the main components that experienced an increase or decrease of actual revenue compared to budgeted revenue:

- Actual sales tax revenue exceeded budgeted revenue by \$48,789.
- Budgeted fines and forfeitures revenue exceeded actual revenue by \$20,793.

Budgeted general fund expenditures of \$1,886,610 exceeded actual expenditures of \$1,852,481 by \$34,129.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of September 30, 2020, amounts to \$3,222,586 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure and machinery and equipment. The total increase in capital assets for the current fiscal year was approximately 6.11%.

City of Tool's Capital Assets (net of depreciation)

	Governmental Activities		Total	
	2020	2019	2020	2019
Land	\$ 259,094	\$ 57,630	\$ 259,094	\$ 57,630
Construction in progress	2,889	11,375	2,889	11,375
Buildings	65,630	46,186	65,630	46,186
Infrastructure	2,726,704	2,800,254	2,726,704	2,800,254
Machinery and equipment	168,269	121,655	168,269	121,655
Total	<u>\$ 3,222,586</u>	<u>\$ 3,037,100</u>	<u>\$ 3,222,586</u>	<u>\$ 3,037,100</u>

Additional information on the City of Tool's capital assets can be found in Note 2.D on page 24 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$5,420,000, an increase of \$3,270,000 (152%).

City of Tool's Long-Term Debt

	Governmental Activities		Total	
	2020	2019	2020	2019
Certificates of obligation	\$ 3,500,000	\$ 2,150,000	\$ 3,500,000	\$ 2,150,000
General obligation bonds	1,920,000	-	1,920,000	-
Total	<u>\$ 5,420,000</u>	<u>\$ 2,150,000</u>	<u>\$ 5,420,000</u>	<u>\$ 2,150,000</u>

Additional information on the City's long term-debt can be found in Note 2.F on page 25-26 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2020-21 Budget, General Fund revenues will increase slightly (3%), with property tax making up about 59% of general fund budgeted revenues.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Tool, Texas, 701 N. Tool Drive, Tool, Texas 75143, (903) 432-3522.

CITY OF TOOL, TEXAS
STATEMENT OF NET POSITION
September 30, 2020

	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 4,234,464	\$ 4,234,464
Receivables (net of allowance for uncollectibles)	124,734	124,734
Prepaid items	5,790	5,790
Capital assets:		
Non-depreciable	261,983	261,983
Depreciable (net of accumulated depreciation)	2,960,603	2,960,603
Total Assets	7,587,574	7,587,574
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	13,750	13,750
Total Assets	13,750	13,750
LIABILITIES		
Accounts payable and other current liabilities	10,671	10,671
Accrued payroll payable	19,851	19,851
Accrued interest payable	18,634	18,634
Noncurrent liabilities:		
Due within one year	341,483	341,483
Due in more than one year	5,095,000	5,095,000
Total Liabilities	5,485,639	5,485,639
NET POSITION		
Net investment in capital assets	1,238,690	1,238,690
Restricted for public safety	27,519	27,519
Restricted for public works	62,252	62,252
Unrestricted	787,224	787,224
Total Net Position	\$ 2,115,685	\$ 2,115,685

The notes to financial statements are an integral part of this statement.

CITY OF TOOL, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Function/Program:						
Primary government:						
Governmental activities:						
General government	\$ 335,481	\$ 73,442	\$ -	\$ 67,710	\$ (194,329)	\$ (194,329)
Public safety	764,431	130,044	1,061	-	(633,326)	(633,326)
Public works	333,627	-	-	-	(333,627)	(333,627)
Interest	37,612	-	-	-	(37,612)	(37,612)
Total governmental activities	<u>1,471,151</u>	<u>203,486</u>	<u>1,061</u>	<u>67,710</u>	<u>(1,198,894)</u>	<u>(1,198,894)</u>
Total primary government	<u>\$ 1,471,151</u>	<u>\$ 203,486</u>	<u>\$ 1,061</u>	<u>\$ 67,710</u>	<u>(1,198,894)</u>	<u>(1,198,894)</u>
General revenues:						
Property taxes					1,119,496	1,119,496
Sales taxes					215,470	215,470
Franchise taxes					149,476	149,476
Hotel occupancy taxes					3,206	3,206
Mixed beverage taxes					1,757	1,757
Investment earnings					12,022	12,022
Miscellaneous					7,531	7,531
Total general revenues					<u>1,508,958</u>	<u>1,508,958</u>
Change in net position					310,064	310,064
Net position - beginning					<u>1,805,621</u>	<u>1,805,621</u>
Net position - ending					<u>\$ 2,115,685</u>	<u>\$ 2,115,685</u>

11

The notes to financial statements are an integral part of this statement.

CITY OF TOOL, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 4,234,464	\$ 4,234,464
Receivables (net of allowance for uncollectibles)	124,734	124,734
Prepaid items	5,790	5,790
Total assets	\$ 4,364,988	\$ 4,364,988
LIABILITIES		
Accounts payable and other current liabilities	\$ 10,671	\$ 10,671
Accrued payroll payable	19,851	19,851
Total liabilities	30,522	30,522
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	51,215	51,215
Total deferred inflows of resources	51,215	51,215
FUND BALANCE		
Nonspendable:		
Prepaid items	5,790	5,790
Restricted for:		
Public safety	27,519	27,519
Public works	3,484,606	3,484,606
Unassigned	765,336	765,336
Total fund balance	4,283,251	4,283,251
Total liabilities, deferred inflows of resources and fund balance	\$ 4,364,988	

Amounts reported for governmental activities in the statement of net position (page 10) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,222,586
Other assets (deferred charges) shown in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		13,750
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		51,215
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest payable	\$ (18,634)	
Due within one year	(341,483)	
Due in more than one year	(5,095,000)	(5,455,117)
Net position of governmental activities (page 10)		\$ 2,115,685

The notes to financial statements are an integral part of this statement.

CITY OF TOOL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2020

	General	Total Governmental Funds
REVENUES		
Property taxes	\$ 1,117,900	\$ 1,117,900
Sales taxes	215,470	215,470
Franchise taxes	149,476	149,476
Hotel occupancy taxes	3,206	3,206
Alcoholic beverage taxes	1,757	1,757
Licenses and permits	73,442	73,442
Fines and forfeitures	130,044	130,044
Revenue from use of money	12,022	12,022
Miscellaneous	7,531	7,531
Intergovernmental	961	961
Contributions and donations	100	100
Total revenues	1,711,909	1,711,909
EXPENDITURES		
Current:		
General government	478,299	478,299
Public safety	741,002	741,002
Public works	223,124	223,124
Debt service:		
Principal retirement	245,000	245,000
Interest charges	52,085	52,085
Bond issuance costs	107,424	107,424
Total expenditures	1,846,934	1,846,934
Excess (deficiency) of revenues over (under) expenditures	(135,025)	(135,025)
OTHER FINANCING SOURCES (USES)		
Certificates of obligation issued	3,500,000	3,500,000
Refunding bonds issued	1,920,000	1,920,000
Payment to refunded bond escrow agent	(1,892,576)	(1,892,576)
Total other financing sources (uses)	3,527,424	3,527,424
Net change in fund balance	3,392,399	3,392,399
Fund balance at beginning of year	890,852	890,852
Fund balance at end of year	\$ 4,283,251	\$ 4,283,251

The notes to financial statements are an integral part of this statement.

CITY OF TOOL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2020

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances-total governmental funds (page 13)	\$ 3,392,399
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.	310,970
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.	(125,484)
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. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Certificates of obligation issued	\$ (3,500,000)
Refunding bonds issued	(1,920,000)
Deferred charge on refunding	15,000
Bond principal retirement	2,150,000
Amortization of deferred charge on refunding	(1,250)
	(3,256,250)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.	(11,700)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,596
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 the governmental funds.	
Compensated absences	(1,467)
Change in net position of governmental activities (page 11)	\$ 310,064

The notes to financial statements are an integral part of this statement.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - 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. *Governmental activities* are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting entity

The City of Tool, Texas (the "City") was incorporated March 22, 1969 and is a Type "A" General Law municipality consisting of a Mayor and five City Council members. It provides the following services for its residents: general administrative services, public safety, and public works.

The City applies the criteria set forth in GASB Statement No. 61, The Financial Reporting Entity, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected official's accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, liabilities, deferred inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexSTAR.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAm by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools.

J.P. Morgan Investment Management Inc. ("JPMIM" or the "investment manager") and Hilltop Securities Inc. ("HTS") serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (the "Board"). JPMIM provides investment management services, and First Southwest, A Division of HTS, provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. ("BFDS" or the "Transfer Agent"). Each of JPMIM, HTS, BFDS, and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors or delegates.

3. Receivables and Allowances for Doubtful Accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. All past due trade accounts receivables comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

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 governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset class</u>	<u>Lives</u>
Buildings	40
Machinery and equipment	5
Infrastructure	10-15

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include deferred charge on refunding. 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. No deferred outflows of resources affect the governmental funds financial statements in the current year.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

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. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes and intergovernmental revenue are reported in the governmental funds balance sheet.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net position flow assumption

Net position represent the difference between assets and liabilities on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

Sometimes the City 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 statement, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund balance flow assumption

The governmental fund financial statements present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance.

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the General Fund.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

Sometimes the City 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 City'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.

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.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st on the assessed value listed as of the prior January 1st for all real and personal property. Appraised values are established by the Henderson County Appraisal District as market value and assessed at 100% of appraised value. The Henderson County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1st. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time, substantially all taxes are collected.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Vacation leave shall be taken during the year following its accumulation.

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

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 fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end, the City's bank balance was \$843,763. Of the bank balance, \$251,402 was covered by federal depository insurance and the remaining balance, \$592,361, was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$1,375,000.

B. Investments

Investments. State statutes authorize the City to invest in the following: (1) obligations of, or guaranteed by governmental entities, (2) certificates of deposit and share certificates, (3) repurchase agreements, (4) securities lending program, (5) banker's acceptances, (6) commercial paper, (7) mutual funds, (8) guaranteed investment contracts, and (9) investments pools.

TexSTAR operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The pool seeks to maintain a \$1 value per share as required by the Texas Public Funds Investment Act. The Pool has a credit rating of AAAM from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments (continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the Public Funds Investment Act, and the actual rating as of year end.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexSTAR	<u>\$3,422,354</u>	N/A	AAAm

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

TexSTAR is considered a cash equivalent on the Government-wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line. Below is the detail of receivables for the general fund, including the applicable allowances for uncollectible accounts:

<u>Receivables:</u>	<u>General</u>	<u>Total</u>
Taxes	\$ 139,950	\$ 139,950
Less: allowance for uncollectibles	(15,216)	(15,216)
Net total receivable	<u>\$ 124,734</u>	<u>\$ 124,734</u>

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Capital assets

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

Governmental activities:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 57,630	\$ 201,464	\$ -	\$ 259,094
Construction in progress	11,375	15,620	(24,106)	2,889
Total capital assets not being depreciated	<u>69,005</u>	<u>217,084</u>	<u>(24,106)</u>	<u>261,983</u>
Capital assets being depreciated:				
Buildings	588,075	24,106	-	612,181
Infrastructure	2,941,994	-	-	2,941,994
Machinery and equipment	668,352	93,886	-	762,238
Total capital assets being depreciated	<u>4,198,421</u>	<u>117,992</u>	<u>-</u>	<u>4,316,413</u>
Less accumulated depreciation for:				
Buildings	(541,889)	(4,662)	-	(546,551)
Infrastructure	(141,740)	(73,550)	-	(215,290)
Machinery and equipment	(546,697)	(47,272)	-	(593,969)
Total accumulated depreciation	<u>(1,230,326)</u>	<u>(125,484)</u>	<u>-</u>	<u>(1,355,810)</u>
Total capital assets being depreciated, net	<u>2,968,095</u>	<u>(7,492)</u>	<u>-</u>	<u>2,960,603</u>
Governmental activities capital assets, net	<u>\$ 3,037,100</u>	<u>\$ 209,592</u>	<u>\$ (24,106)</u>	<u>\$ 3,222,586</u>

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

Governmental activities:

General government	\$ 6,889
Public safety	33,873
Public works	84,722
	<u>\$ 125,484</u>

E. 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; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Long-term liability

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition, construction and maintenance of major capital facilities. Certificates of obligation have been issued for governmental activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government. Certificates of obligation outstanding at September 30, 2020 are as follows:

Governmental Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2020	\$ 3,500,000	2/15/2034	2.10	<u>\$ 3,500,000</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2020 are as follows:

Governmental Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2020 - Refunding	\$ 1,920,000	2/15/2027	1.31	<u>\$ 1,920,000</u>

The debt service requirements for the City's certificates of obligation and general obligation refunding are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>			
	<u>Certificates of Obligation</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 70,000	\$ 91,548	\$ 255,000	\$ 29,909
2022	95,000	71,033	270,000	20,043
2023	100,000	68,985	270,000	16,506
2024	105,000	66,833	275,000	12,936
2025	105,000	64,628	280,000	9,301
2026-2030	1,370,000	263,235	570,000	7,533
2031-2034	1,655,000	70,403	-	-
	<u>\$ 3,500,000</u>	<u>\$ 696,665</u>	<u>\$ 1,920,000</u>	<u>\$ 96,228</u>

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Long-term liability (continued)

Advance Refunding

The City issued \$1,920,000 in general obligation bonds with interest rate at 1.31%. The proceeds were used to advance refund \$1,905,000 of outstanding 2017 Series, certificates of obligation which had an interest rate of 2.58%. The net proceeds of \$1,892,576 (after payment of issuance costs of \$27,424) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, 2007 Series, certificates of obligation are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2020, \$0 of defeased bonds remain outstanding.

The City advance refunded 2017 Series, certificates of obligation to reduce its total debt service payments over 7 years by \$61,101 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$65,953.

Compensated Absences -

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund.

Changes in long-term liability

Changes in the City's long-term liability for the year ended September 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 2,150,000	\$ 3,500,000	\$ (2,150,000)	\$ 3,500,000	\$ 70,000
General obligation bonds	-	1,920,000	-	1,920,000	255,000
Total bonds payable	<u>2,150,000</u>	<u>5,420,000</u>	<u>(2,150,000)</u>	<u>5,420,000</u>	<u>325,000</u>
Compensated absences	15,016	28,539	(27,072)	16,483	16,483
Governmental activity					
Long-term liabilities	<u>\$ 2,165,016</u>	<u>\$ 5,448,539</u>	<u>\$ (2,177,072)</u>	<u>\$ 5,436,483</u>	<u>\$ 341,483</u>

Certificates of obligation and general obligation bonds issued for governmental activity purposes are liquidated by the general fund. Governmental compensated absences will be liquidated by the general fund. Vacation leave is expected to be taken during the year following its accumulation.

CITY OF TOOL, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Subsequent events

Subsequent to year end, the City purchased equipment for approximately \$209,000.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

This supplementary schedule is included to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

CITY OF TOOL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended September 30, 2020

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Property taxes	\$ 1,113,618	\$ 1,113,618	\$ 1,117,900	\$ (2,815)	\$ 1,115,085	\$ 1,467
Sales taxes	105,000	136,341	215,470	(30,340)	185,130	48,789
Franchise taxes	155,669	151,984	149,476	(670)	148,806	(3,178)
Hotel occupancy taxes	-	-	3,206	-	3,206	3,206
Alcoholic beverage taxes	75	2,840	1,757	(154)	1,603	(1,237)
Licenses and permits	90,420	70,500	73,442	-	73,442	2,942
Fines and forfeitures	166,146	155,802	130,044	4,965	135,009	(20,793)
Revenue from use of money	21,375	14,460	12,022	-	12,022	(2,438)
Miscellaneous	8,600	8,740	7,531	-	7,531	(1,209)
Intergovernmental	2,135	2,135	961	-	961	(1,174)
Contributions and donations	-	-	100	-	100	100
Prior year fund balance	-	171,375	-	185,774	185,774	14,399
Total revenues	<u>1,663,038</u>	<u>1,827,795</u>	<u>1,711,909</u>	<u>156,760</u>	<u>1,868,669</u>	<u>40,874</u>
EXPENDITURES						
Current:						
Administration	355,843	509,520	478,299	1,556	479,855	(29,665)
Public safety:						
Police	605,486	565,016	570,914	4,238	575,152	10,136
Judicial	82,938	78,535	86,259	(1,649)	84,610	6,075
Code enforcement	111,986	86,151	81,116	379	81,495	(4,656)
Animal control	5,030	4,640	2,713	-	2,713	(1,927)
Public works	163,189	238,014	223,124	1,023	224,147	(13,867)
Debt service:						
Principal retirement	338,566	297,310	245,000	52,085	297,085	(225)
Interest charges	-	-	52,085	(52,085)	-	-
Bond issuance costs	-	107,424	107,424	-	107,424	-
Total expenditures	<u>1,663,038</u>	<u>1,886,610</u>	<u>1,846,934</u>	<u>5,547</u>	<u>1,852,481</u>	<u>(34,129)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(58,815)</u>	<u>(135,025)</u>	<u>151,213</u>	<u>16,188</u>	<u>75,003</u>
OTHER FINANCING SOURCES (USES)						
Certificates of obligation issued	-	3,500,000	3,500,000	-	3,500,000	-
Refunding bonds issued	-	1,920,000	1,920,000	-	1,920,000	-
Payment to refunded bond escrow agent	-	(1,892,576)	(1,892,576)	-	(1,892,576)	-
Total other financing sources (uses)	<u>-</u>	<u>3,527,424</u>	<u>3,527,424</u>	<u>-</u>	<u>3,527,424</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,468,609</u>	<u>\$ 3,392,399</u>	<u>\$ 151,213</u>	<u>\$ 3,543,612</u>	<u>\$ 75,003</u>

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

The annual budget for the general fund is prepared on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.