

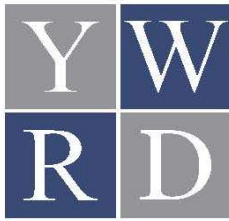
***CITY OF TOOL, TEXAS***

**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended September 30, 2022

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# YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Tool, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Tool, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Tool, Texas, as of September 30, 2022, 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.

### Basis of Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Required Supplementary Information**

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

*YWRD, P.C.*

YWRD, P.C.  
*Certified Public Accountants*

Ennis, Texas  
November 26, 2024

# ***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, 2022.

### **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 \$3,419,260 (net position). Of this amount, \$771,389 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 \$693,948.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$649,361, or 35% 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, deferred outflows of resources 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 two 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 Balance for the General Fund which is considered to be a major fund. Data from the other governmental fund is in a single, aggregate presentation.

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 15-29 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, and Schedule of Contributions. Required supplementary information can be found on pages 31-32 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 \$3,419,260, at the close of the most recent fiscal year.

## CITY OF TOOL, TEXAS' NET POSITION

	Governmental Activities		Total	
	2022	2021	2022	2021
Current and other assets	\$ 2,704,111	\$ 2,390,888	\$ 2,704,111	\$ 2,390,888
Capital assets	5,483,258	5,527,982	5,483,258	5,527,982
Total assets	8,187,369	7,918,870	8,187,369	7,918,870
Total deferred outflows of resources	22,817	11,607	22,817	11,607
Long term liabilities	4,739,864	5,109,695	4,739,864	5,109,695
Other liabilities	51,062	95,470	51,062	95,470
Total liabilities	4,790,926	5,205,165	4,790,926	5,205,165
Net position:				
Net investment in capital assets	2,010,582	1,684,370	2,010,582	1,684,370
Restricted	637,289	505,436	637,289	505,436
Unrestricted	771,389	535,506	771,389	535,506
Total net position	\$ 3,419,260	\$ 2,725,312	\$ 3,419,260	\$ 2,725,312

A portion of the City's net position (58.8%) 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 (18.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$768,064 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 \$693,948 from the prior fiscal year. The reasons for this overall increase are discussed in the following section for governmental activities.



## CITY OF TOOL, TEXAS' CHANGES IN NET POSITION

	Governmental Activities		Total	
	2022	2021	2022	2021
Revenues:				
Program revenues:				
Charges for services	\$ 181,511	\$ 219,774	\$ 181,511	\$ 219,774
Operating grants and contributions	303,466	323,859	303,466	323,859
Capital grants and contributions	17,957	-	17,957	-
General revenues:				
Property taxes	1,200,521	1,153,043	1,200,521	1,153,043
Sales taxes	350,080	295,735	350,080	295,735
Franchise taxes	148,622	135,963	148,622	135,963
Hotel occupancy taxes	11,800	16,351	11,800	16,351
Mixed beverage taxes	1,607	1,812	1,607	1,812
Investment earnings	10,070	3,657	10,070	3,657
Miscellaneous	20,218	18,175	20,218	18,175
Gain (loss) on disposal of assets	(2,195)	2,000	(2,195)	2,000
Total revenues	<u>2,243,657</u>	<u>2,170,369</u>	<u>2,243,657</u>	<u>2,170,369</u>
Expenses:				
General government	402,153	471,950	402,153	471,950
Public safety	663,526	680,779	663,526	680,779
Public works	368,872	290,916	368,872	290,916
Cultural and recreational	22,309	-	22,309	-
Interest	92,849	117,097	92,849	117,097
Total expenses	<u>1,549,709</u>	<u>1,560,742</u>	<u>1,549,709</u>	<u>1,560,742</u>
Change in net position	693,948	609,627	693,948	609,627
Net position - beginning	2,725,312	2,115,685	2,725,312	2,115,685
Net position - ending	<u>\$ 3,419,260</u>	<u>\$ 2,725,312</u>	<u>\$ 3,419,260</u>	<u>\$ 2,725,312</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$693,948 from the prior fiscal year for an ending balance of \$3,419,260.

- Property tax increased by \$47,478 (4%) during the year. The increase is due to an increase in property value during the current year.
- Sales tax increased by \$54,345 (18%) during the year. The increase is due to an increase in economic activity in the current year.
- General government expenses decreased by \$69,797 (15%), public safety expenses decreased by \$17,253 (3%), public works increased by \$77,956 (27%), and culture and recreational expenses increased \$22,309 (100%) 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, 2022, the City's governmental funds reported ending fund balance of \$2,620,523, an increase of \$363,279 in comparison with the prior year. Approximately 25% of this amount (\$649,361) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$6,693), 2) restricted for particular purposes (\$1,891,149), or 3) assigned for particular purposes (\$73,320).

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 \$649,361, while total fund balance increased to \$2,614,523. 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 34.7% of total general fund expenditures, while total fund balance represents approximately 139.8% of that same amount.

### **General Fund Budgetary Highlights**

***Final budget compared to actual results.*** General fund actual revenues of \$2,213,458 exceeded budgeted revenues of \$1,879,843 by \$333,615. 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 \$48,190.
- Actual intergovernmental revenue exceeded budgeted revenue by \$284,765.

Budgeted general fund expenditures of \$3,116,473 exceeded actual expenditures of \$1,867,524 by \$1,248,949.

### **Capital Assets and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental activities as of September 30, 2022, amounts to \$5,483,258 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure and machinery and equipment. The total decrease in capital assets for the current fiscal year was approximately 1%.

**City of Tool, Texas' Capital Assets**  
(net of depreciation)

	<b>Governmental Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land	\$ 259,094	\$ 259,094	\$ 259,094	\$ 259,094
Construction in progress	129,889	68,289	129,889	68,289
Buildings	119,325	61,529	119,325	61,529
Infrastructure	4,672,001	4,800,135	4,672,001	4,800,135
Machinery and equipment	302,949	338,935	302,949	338,935
Total	<u>\$ 5,483,258</u>	<u>\$ 5,527,982</u>	<u>\$ 5,483,258</u>	<u>\$ 5,527,982</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 \$4,730,000, a decrease of \$365,000 (7%).

**City of Tool, Texas' Long-Term Debt**

	<b>Governmental Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Certificates of obligation	\$ 3,335,000	\$ 3,430,000	\$ 3,335,000	\$ 3,430,000
General obligation bonds	1,395,000	1,665,000	1,395,000	1,665,000
Total	<u>\$ 4,730,000</u>	<u>\$ 5,095,000</u>	<u>\$ 4,730,000</u>	<u>\$ 5,095,000</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 2022-23 Budget, General Fund revenues will increase slightly (5%), with property tax making up about 63% 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, 2022

	<b>Governmental Activities</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,569,701	\$ 2,569,701
Receivables (net of allowance for uncollectibles)	127,717	127,717
Prepaid items	6,693	6,693
Capital assets:		
Non-depreciable	388,983	388,983
Depreciable (net of accumulated depreciation)	5,094,275	5,094,275
Total Assets	<u>8,187,369</u>	<u>8,187,369</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	9,464	9,464
Deferred outflows of resources related to pension	12,479	12,479
Deferred outflows of resources related to OPEB	874	874
Total Deferred Outflows of Resources	<u>22,817</u>	<u>22,817</u>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	28,835	28,835
Accrued payroll payable	11,188	11,188
Accrued interest payable	11,039	11,039
Noncurrent liabilities:		
Due within one year	379,864	379,864
Due in more than one year	4,360,000	4,360,000
Total Liabilities	<u>4,790,926</u>	<u>4,790,926</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,010,582	2,010,582
Restricted for:		
Public safety	36,074	36,074
Public works	342,149	342,149
Grants	259,066	259,066
Unrestricted	771,389	771,389
Total Net Position	<u>\$ 3,419,260</u>	<u>\$ 3,419,260</u>

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, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Function/Program:	Expenses					
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 402,153	\$ 98,915	\$ 303,466	\$ -	\$ 228	\$ 228
Cultural and recreational	22,309	-	-	17,957	(4,352)	(4,352)
Public safety	663,526	82,596	-	-	(580,930)	(580,930)
Public works	368,872	-	-	-	(368,872)	(368,872)
Interest	92,849	-	-	-	(92,849)	(92,849)
Total governmental activities	1,549,709	181,511	303,466	17,957	(1,046,775)	(1,046,775)
Total primary government	<u>\$ 1,549,709</u>	<u>\$ 181,511</u>	<u>\$ 303,466</u>	<u>\$ 17,957</u>	<u>(1,046,775)</u>	<u>(1,046,775)</u>
General revenues:						
Property taxes					1,200,521	1,200,521
Sales taxes					350,080	350,080
Franchise taxes					148,622	148,622
Hotel occupancy taxes					11,800	11,800
Mixed beverage taxes					1,607	1,607
Investment earnings					10,070	10,070
Miscellaneous					20,218	20,218
Loss on disposal of assets					(2,195)	(2,195)
Total general revenues					<u>1,740,723</u>	<u>1,740,723</u>
Change in net position					693,948	693,948
Net position - beginning					<u>2,725,312</u>	<u>2,725,312</u>
Net position - ending					<u>\$ 3,419,260</u>	<u>\$ 3,419,260</u>

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

**CITY OF TOOL, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2022

	<b>General</b>	<b>Nonmajor Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,560,911	\$ 8,790	\$ 2,569,701
Receivables (net of allowance for uncollectibles)	127,717	-	127,717
Prepaid items	6,693	-	6,693
Due from other fund	2,790	-	2,790
Total assets	<u>\$ 2,698,111</u>	<u>\$ 8,790</u>	<u>\$ 2,706,901</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 28,835	\$ -	\$ 28,835
Accrued payroll payable	11,188	-	11,188
Due to other fund	-	2,790	2,790
Total liabilities	<u>40,023</u>	<u>2,790</u>	<u>42,813</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	43,565	-	43,565
Total deferred inflows of resources	<u>43,565</u>	<u>-</u>	<u>43,565</u>
<b>FUND BALANCE</b>			
<b>Nonspendable:</b>			
Prepaid items	6,693	-	6,693
<b>Restricted for:</b>			
Cultural and recreational	-	6,000	6,000
Public safety	36,074	-	36,074
Public works	1,590,009	-	1,590,009
Grants	259,066	-	259,066
<b>Assigned:</b>			
Capital improvements	73,320	-	73,320
<b>Unassigned</b>	649,361	-	649,361
Total fund balance	<u>2,614,523</u>	<u>6,000</u>	<u>2,620,523</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,698,111</u>	<u>\$ 8,790</u>	
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.			5,483,258
Other assets (deferred charges) shown in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			9,464
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.			43,565
Deferred outflows of resources are not reported in the governmental funds:			
Deferred outflows of resources related to pension	\$ 12,479		
Deferred outflows of resources related to OPEB	874		13,353
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Accrued interest payable	(11,039)		
Due within one year	(379,864)		
Due in more than one year	(4,360,000)		(4,750,903)
Net position of governmental activities (page 10)			<u>\$ 3,419,260</u>

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, 2022

	<b>General</b>	<b>Nonmajor Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 1,206,860	\$ -	\$ 1,206,860
Sales taxes	350,080	-	350,080
Franchise taxes	148,622	-	148,622
Hotel occupancy taxes	11,800	-	11,800
Alcoholic beverage taxes	1,607	-	1,607
Licenses and permits	98,915	-	98,915
Fines and forfeitures	82,596	-	82,596
Revenue from use of money	10,070	-	10,070
Miscellaneous	20,218	-	20,218
Intergovernmental	285,765	-	285,765
Contributions and donations	10,969	24,689	35,658
Total revenues	<u>2,227,502</u>	<u>24,689</u>	<u>2,252,191</u>
<b>EXPENDITURES</b>			
Current:			
General government	425,483	-	425,483
Cultural and recreational	65,220	18,689	83,909
Public safety	689,871	-	689,871
Public works	233,251	-	233,251
Debt service:			
Principal retirement	365,000	-	365,000
Interest charges	91,398	-	91,398
Total expenditures	<u>1,870,223</u>	<u>18,689</u>	<u>1,888,912</u>
Net change in fund balance	357,279	6,000	363,279
Fund balance at beginning of year	<u>2,257,244</u>	<u>-</u>	<u>2,257,244</u>
Fund balance at end of year	<u><u>\$ 2,614,523</u></u>	<u><u>\$ 6,000</u></u>	<u><u>\$ 2,620,523</u></u>

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, 2022

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)	\$	363,279
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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.		173,248
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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.		(215,777)
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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.

Bond principal retirement	\$ 365,000	
Amortization of deferred charge on refunding	(2,143)	362,857

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.		691
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(6,339)
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Pension and OPEB contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual pension and OPEB amounts.

Deferred outflows of resources related to pension	12,479	
Deferred outflows of resources related to OPEB	874	13,353

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		4,831
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Change in net position of governmental activities (page 11)	\$	693,948
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The notes to financial statements are an integral part of this statement.



**CITY OF TOOL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2022

**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.

**Blended component unit.** The Eight at Tool, Inc. (the "Organization") is a not-for-profit organization under section 501(c)(3) of the Internal Revenue Code. The Organization was created for the purpose of creating, operating and maintaining a municipal park. The City is the sole member of the Organization. The Organization's operations are reported as a blended special revenue fund (nonmajor).

**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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**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.

**CITY OF TOOL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of presentation - fund financial statements (continued)**

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.

**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.

**CITY OF TOOL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/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.

**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, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/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 a deferred outflow of resources for contributions made to the City's defined benefit plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, and a deferred charge on refunding. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. 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, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/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 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, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/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, 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, liabilities, deferred outflows/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, 2022

**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 \$1,339,339. Of the bank balance, \$510,412 was covered by federal depository insurance and the remaining balance, \$837,927, 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 \$1,250,000.

**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, 2022

**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>\$1,247,860</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 Sheet 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	\$ 141,714	\$ 141,714
Other	5,989	5,989
Gross receivables	147,703	147,703
Less: allowance for uncollectibles	(19,986)	(19,986)
Net total receivable	<u>\$ 127,717</u>	<u>\$ 127,717</u>

**CITY OF TOOL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2022

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

**D. Capital assets**

Capital asset activity for the year ended September 30, 2022 was as follows:

**Governmental activities:**

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 259,094	\$ -	\$ -	\$ 259,094
Construction in progress	68,289	61,600	-	129,889
Total capital assets not being depreciated	<u>327,383</u>	<u>61,600</u>	<u>-</u>	<u>388,983</u>
Capital assets being depreciated:				
Buildings	612,181	62,548	-	674,729
Infrastructure	5,125,364	-	-	5,125,364
Machinery and equipment	971,696	49,100	(73,713)	947,083
Total capital assets being depreciated	<u>6,709,241</u>	<u>111,648</u>	<u>(73,713)</u>	<u>6,747,176</u>
Less accumulated depreciation for:				
Buildings	(550,652)	(4,752)	-	(555,404)
Infrastructure	(325,229)	(128,134)	-	(453,363)
Machinery and equipment	(632,761)	(82,891)	71,518	(644,134)
Total accumulated depreciation	<u>(1,508,642)</u>	<u>(215,777)</u>	<u>71,518</u>	<u>(1,652,901)</u>
Total capital assets being depreciated, net	<u>5,200,599</u>	<u>(104,129)</u>	<u>(2,195)</u>	<u>5,094,275</u>
Governmental activities capital assets, net	<u><u>\$ 5,527,982</u></u>	<u><u>\$ (42,529)</u></u>	<u><u>\$ (2,195)</u></u>	<u><u>\$ 5,483,258</u></u>

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

**Governmental activities:**

General government	\$ 6,171
Public safety	60,383
Public works	149,223
	<u><u>\$ 215,777</u></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, 2022

**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, 2022 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>\$ 3,335,000</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, 2022 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>\$ 1,395,000</u>

**CITY OF TOOL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2022

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

**F. Long-term liability (continued)**

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

Year Ending September 30	Governmental Activities			
	Certificates of Obligation		General Obligation Bonds	
	Principal	Interest	Principal	Interest
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	110,000	62,370	280,000	5,633
2027	110,000	60,060	290,000	1,900
2028-2032	1,960,000	193,410	-	-
2033-2034	845,000	17,798	-	-
	<u>\$ 3,335,000</u>	<u>\$ 534,084</u>	<u>\$ 1,395,000</u>	<u>\$ 46,276</u>

**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, 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
Certificates of obligation	\$ 3,430,000	\$ -	\$ (95,000)	\$ 3,335,000	\$ 100,000
General obligation bonds	1,665,000	-	(270,000)	1,395,000	270,000
Total bonds payable	5,095,000	-	(365,000)	4,730,000	370,000
Compensated absences	14,695	14,252	(19,083)	9,864	9,864
Governmental activity					
Long-term liabilities	<u>\$ 5,109,695</u>	<u>\$ 14,252</u>	<u>\$ (384,083)</u>	<u>\$ 4,739,864</u>	<u>\$ 379,864</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, 2022

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

**G. Interfund receivables and payables**

The composition of interfund balances as of September 30, 2022 is as follows:

***Due to/from other funds:***

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
General	Nonmajor governmental	<u>\$ 2,790</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**H. Subsequent events**

Subsequent to year end, the City:

- Approved the purchase of equipment for approximately \$30,000.
- Approved a contract for building renovations for approximately \$125,000.

**NOTE 3 – DEFINED BENEFIT PENSION PLANS**

**A. Plan description**

The City of Tool, Texas participates as one of 895 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 (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

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

**B. 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.

**CITY OF TOOL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2022

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**B. Benefits provided (continued)**

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

***Employees covered by benefit terms***

At the December 31, 2021, valuation and measurement date, the City had no employees covered in TMRS.

**C. Contributions**

Member contribution rates in TMRS are either 5%, 6%, or 7% of the Member's total compensation, and the city matching percentages are either 1:1, 1.5:1, or 2:1, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Tool, Texas were required to contribute 5% of their annual compensation during the fiscal year. The contribution rate for the City of Tool, Texas was 3.57% in calendar year 2022. The City's contributions to TMRS for the year ended September 30, 2022, were \$12,479, and were equal to the required contributions.

**Payables to the Pension Plan** - Legally required contributions outstanding at the end of the year totaled \$2,474.

**D. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions**

For the year ended September 30, 2022, the City recognized pension expense of \$0.

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

	<b>Deferred Outflows of Resources</b>
Contributions subsequent to the measurement date	<u><u>\$ 12,479</u></u>

**CITY OF TOOL, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2022

**NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS**

**A. Plan description**

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The 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) and 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. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

**B. Benefits provided**

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). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

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

***Employees covered by benefit terms***

At the December 31, 2021, valuation and measurement date, the City had no employees covered by the benefit terms.

**C. OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB**

For the year ended September 30, 2022, the City recognized OPEB expense of \$0. At September 30, 2022, the City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>
Contributions subsequent to the measurement date	<u>\$ 874</u>

**D. Payable to the OPEB plan**

At September 30, 2022, the City reported a payable of \$173 for the outstanding amount of contributions to the Plan required for the year ended September 30, 2022.

## 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, 2022

	<b>Original and Final Budget</b>	<b>Actual GAAP Basis</b>	<b>Adjustments Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>					
Property taxes	\$ 1,187,375	\$ 1,206,860	\$ (121)	\$ 1,206,739	\$ 19,364
Sales taxes	296,900	350,080	(4,990)	345,090	48,190
Franchise taxes	134,510	148,622	194	148,816	14,306
Hotel occupancy taxes	8,000	11,800	-	11,800	3,800
Alcoholic beverage taxes	1,500	1,607	(164)	1,443	(57)
Licenses and permits	85,000	98,915	(855)	98,060	13,060
Fines and forfeitures	154,500	82,596	(8,108)	74,488	(80,012)
Revenue from use of money	4,018	10,070	-	10,070	6,052
Miscellaneous	7,040	20,218	-	20,218	13,178
Intergovernmental	1,000	285,765	-	285,765	284,765
Contributions and donations	-	10,969	-	10,969	10,969
Total revenues	<u>1,879,843</u>	<u>2,227,502</u>	<u>(14,044)</u>	<u>2,213,458</u>	<u>333,615</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,672,016	425,483	10,329	435,812	(1,236,204)
Cultural and recreational	-	65,220	-	65,220	65,220
Public safety:					
Police	609,404	563,688	(9,368)	554,320	(55,084)
Judicial	71,500	57,443	94	57,537	(13,963)
Code enforcement	89,354	61,491	-	61,491	(27,863)
Animal control	7,750	7,249	-	7,249	(501)
Public works	210,373	233,251	(3,754)	229,497	19,124
Debt service:					
Principal retirement	456,076	365,000	91,398	456,398	322
Interest charges	-	91,398	(91,398)	-	-
Total expenditures	<u>3,116,473</u>	<u>1,870,223</u>	<u>(2,699)</u>	<u>1,867,524</u>	<u>(1,248,949)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,236,630)</u>	<u>357,279</u>	<u>(11,345)</u>	<u>345,934</u>	<u>1,582,564</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Certificates of obligation issued	1,236,630	-	-	-	(1,236,630)
Total other financing sources (uses)	<u>1,236,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,236,630)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 357,279</u>	<u>\$ (11,345)</u>	<u>\$ 345,934</u>	<u>\$ 345,934</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.

**CITY OF TOOL, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years (will ultimately be displayed)

	<u><b>2022</b></u>
Actuarially Determined Contribution	\$ 12,479
Contributions in relation to the actuarially determined contribution	<u>12,479</u>
Contribution deficiency (excess)	-
Covered payroll	349,553
Contributions as a percentage of covered payroll	3.57%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information:**

Notes There were no benefit changes during the year.