

CITY OF TODD MISSION
GRIMES COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019

McCALL GIBSON SWEDLUND BARTFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council
City of Todd Mission
Grimes County, Texas

We have audited the accompanying financial statements of the governmental activities and major fund of the City of Todd Mission (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the preceding 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 major fund of the City as of December 31, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of City Council
City of Todd Mission

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements and is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding any portion marked "Unaudited" on which we express no opinion, and has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

June 11, 2020

**CITY OF TODD MISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Management’s discussion and analysis of the City of Todd Mission (the “City”) financial performance provides an overview of the City’s financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the City’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) the government-wide financial statements, (2) the fund financial statements, and (3) the notes to the financial statements. This report also includes required and other supplementary information in addition to the basic financial statements.

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 government-wide financial statements are prepared utilizing the economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position presents information on the City’s assets, liabilities and, if applicable deferred inflows and outflows of resources 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. Other non-financial factors should also be taken into consideration, such as changes in the City’s sales tax base and the condition of the City’s infrastructure (i.e. buildings, vehicles and equipment), to assess the overall health or financial condition of the City.

The Statement of Activities presents information showing how the City’s net position changed during the most recent fiscal year. All of the revenues and expenses are taken into account as soon as the underlying event giving rise to the item occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Position and the Statement of Activities, the City presents the following types of activities:

- * Governmental Activities - Most of the City’s basic services are reported here, including police, municipal courts, and general administration. Sales taxes, franchise fees, fines and forfeitures finance most of these activities.

**CITY OF TODD MISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FUND FINANCIAL STATEMENTS

The combined statements also include 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 has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, general revenues, sales tax revenues, parking revenues, operating costs and general expenditures.

Governmental funds are reported in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. The focus in the fund statements provides a distinctive view of the City’s governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the City and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”). The City adopts an annual unappropriated budget for its General Fund. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City’s financial position. In the case of the governmental activities of the City, assets exceeded liabilities by \$262,677 as of December 31, 2019.

With the first-year audit, the City is not presenting comparable prior-year columns in the various comparisons and analysis. In future years, when prior year information is available, a comparable analysis of government wide changes in net position will be presented.

The following table provides a summary of the Statement of Net Position as of December 31, 2019:

**CITY OF TODD MISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position
	2019
Current and Other Assets	\$ 89,060
Capital Assets (Net of Accumulated Depreciation)	235,182
Total Assets	\$ 324,242
Long-Term Liabilities	\$ 14,529
Other Liabilities	47,036
Total Liabilities	\$ 61,565
Net Position:	
Net Investment in Capital Assets	\$ 220,653
Unrestricted	42,024
Total Net Position	\$ 262,677

The following table provides a summary of the City's operations for the year ended December 31, 2019:

	Summary of the Statement of Activities
	2019
Revenues:	
Program Revenues - Charges for Services	\$ 79,283
General Revenues - Sales Taxes	343,238
Other Revenues	324,450
Total Revenues	\$ 746,971
Expenses:	
General Government	\$ 297,638
Police Department	563,086
Municipal Courts	19,213
Total Expenses	\$ 879,937
Change in Net Position	\$ (132,966)
Net Position, Beginning of Year	395,643
Net Position, End of Year	\$ 262,677

**CITY OF TODD MISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

The City's General Fund fund balance as of the fiscal year ended December 31, 2019, was \$42,024, a decrease of \$116,284 from the prior year, primarily due to general operating costs exceeding sales taxes, franchise fees, fines and forfeitures and other revenues received during the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City amended the budget during the current fiscal year to increase expenditures to include mosquito abatement costs. Actual revenue was \$221,971 more than budgeted revenue, primarily due to revenues received from the Texas Renaissance Festival (the "Festival") for the use of the City's Police Department, which was unbudgeted. Actual expenditures were \$336,228 more than budgeted expenditures, primarily due to Police Department payroll costs related to work performed at the Festival, which was reimbursed by the Festival. See budget to actual comparison for additional analysis.

CAPITAL ASSETS

Capital assets as of December 31, 2019, total \$235,182 (net of accumulated depreciation) and include buildings, equipment, and vehicles.

Capital Assets At Year-End Net of Accumulated Depreciation	
	2019
Capital Assets Subject to Depreciation:	
Buildings and Improvements	\$ 120,544
Vehicles and Equipment	114,638
Total Net Capital Assets	\$ 235,182

LONG-TERM DEBT ACTIVITY

At year-end, the City had total debt payable of \$14,529. The changes in the debt position of the City during the fiscal year ended December 31, 2019, are summarized as follows:

Note Payable, January 1, 2019	\$	21,120
Less: Principal Retired		(6,591)
Note Payable, December 31, 2019	\$	14,529

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide a general overview of the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Todd Mission, 21718 FM 1774, Todd Mission, Texas 77363.

**CITY OF TODD MISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 6,369
Investments	82,691
Capital Assets (Net of Accumulated Depreciation)	<u>235,182</u>
TOTAL ASSETS	<u>\$ 324,242</u>
LIABILITIES	
Accounts Payable	\$ 47,036
Long-Term Liabilities:	
Financing Note, Due Within One Year	6,859
Financing Note, Due After One Year	<u>7,670</u>
TOTAL LIABILITIES	<u>\$ 61,565</u>
NET POSITION	
Net Investment in Capital Assets	\$ 220,653
Unrestricted	<u>42,024</u>
TOTAL NET POSITION	<u>\$ 262,677</u>

The accompanying notes to the financial statements are an integral part of this report.

**CITY OF TODD MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

		Program Revenues	
	Expenses	Charges for Services	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General Government	\$ 297,638	\$ 55,345	\$
Police Department	563,086	23,938	
Municipal Court	19,213		
TOTAL GOVERNMENTAL ACTIVITIES	\$ 879,937	\$ 79,283	\$ - 0 -

GENERAL REVENUES

Sales Taxes
Franchise Fees
Parking Revenues
Other

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION - JANUARY 1, 2019

NET POSITION -DECEMBER 31, 2019

The accompanying notes to the financial
statements are an integral part of this report.

Net (Expense) Revenue and
Changes in Net Position
Primary Government
Governmental
Activities

\$	(242,293)
	(539,148)
	<u>(19,213)</u>
\$	<u>(800,654)</u>

\$	343,238
	34,450
	275,000
	<u>15,000</u>

\$	<u>667,688</u>
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\$	(132,966)
	<u>395,643</u>

\$	<u><u>262,677</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

**CITY OF TODD MISSION
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2019**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 6,369
Investments	<u>82,691</u>
TOTAL ASSETS	<u>\$ 89,060</u>
LIABILITIES	
Accounts Payable	<u>\$ 47,036</u>
FUND BALANCE	
Unassigned	<u>\$ 42,024</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 89,060</u>

The accompanying notes to the financial
statements are an integral part of this report.

CITY OF TODD MISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Fund Balance - Governmental Fund	\$ 42,024
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	235,182
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of a vehicle financing note.	<u>(14,529)</u>
Total Net Position - Governmental Activities	<u>\$ 262,677</u>

The accompanying notes to the financial statements are an integral part of this report.

**CITY OF TODD MISSION
GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>
REVENUES	
Sales Taxes	\$ 343,238
Franchise Fees	34,450
Permits and Licenses	55,345
Fines and Forfeitures	23,938
Festival Traffic Coordination	275,000
Other	15,000
TOTAL REVENUES	\$ 746,971
 EXPENDITURES	
General Government	\$ 287,775
Police Department	556,267
Municipal Court	19,213
TOTAL EXPENDITURES	\$ 863,255
 NET CHANGE IN FUND BALANCE	 \$ (116,284)
 FUND BALANCE - JANUARY 1, 2019	 158,308
FUND BALANCE - DECEMBER 31, 2019	\$ 42,024

The accompanying notes to the financial statements are an integral part of this report.

CITY OF TODD MISSION
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balance - Governmental Fund	\$ (116,284)
--	--------------

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

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(23,273)
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Governmental funds report debt principal payments as expenditures. However, in the Statement of Net Position, principal payments are reported as decreases in long-term liabilities.	6,591
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Change in Net Position - Governmental Activities	\$ <u>(132,966)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. CREATION OF CITY

The City of Todd Mission (the “City”) was incorporated in 1982, under the provisions of the State of Texas. The City operates under a Council-Mayor form of government and provides the following services as authorized by general law, public safety and general administrative services.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The City is a political subdivision of the State of Texas governed by an elected board. The Governmental Accounting Standards Board (“GASB”) has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the City is considered a primary government and is not a component unit of any other government.

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the GASB.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of net position imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the City’s policy to use restricted resources first.

CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

The City's fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The City has one governmental fund, therefore it is considered to be a major fund.

General Fund - To account for resources not accounted for in another fund, general revenues, sales tax revenues, parking revenues, operating costs and general expenditures.

Basis of Accounting

The City uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The City considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

All City infrastructure assets with a useful life of at least two years and a total cost of \$5,000; infrastructure assets with a useful life of at least two years and a total cost of \$10,000 such as buildings and other capital assets with a total cost of \$10,000 or more (including installation costs, if any, and associated professional fees) shall be capitalized and depreciated using no salvage value and the straight line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings and Improvements	40
Vehicles and Equipment	7-10

Program Revenues

In the Statement of Activities, program revenues include fines and forfeitures, licenses and permits, and grant proceeds, if applicable.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the City Council. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Budget Comparison Schedule – General Fund – presents the original and revised budget amounts, compared to the actual amounts of revenues and expenditures for the current year.

CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The City does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The City does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the City. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The City does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the City of securities eligible under the laws of Texas to secure the funds of the City, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the City's deposits was \$6,369 and the bank balance was \$27,441. The City was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at December 31, 2019, as listed below:

	Cash
GENERAL FUND	\$ 6,369

Investments

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the City's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth.

CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The City’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest City funds without express written authority from the City Council.

Texas statutes include specifications for and limitations applicable to the City and its authority to purchase investments as defined in the Public Funds Investment Act. The City has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The City’s investment policy may be more restrictive than the Public Funds Investment Act.

The City invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the City’s position in the pool the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS. As of December 31, 2019, the City had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	<u>\$ 82,691</u>	<u>\$ 82,691</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019, the City’s investments in Texas CLASS were rated “AAAm” by Standard and Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the City, unless there has been a significant change in value.

CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended December 31, 2019.

	January 1, 2019	Increases	Decreases	December 31, 2019
Capital Assets Subject to Depreciation				
Buildings and Improvements	\$ 174,004	\$	\$	\$ 174,004
Vehicles and Equipment	157,870			157,870
Total Capital Assets Subject to Depreciation	<u>\$ 331,874</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 331,874</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ 46,297	\$ 7,163	\$	\$ 53,460
Vehicles and Equipment	27,122	16,110		43,232
Total Accumulated Depreciation	<u>\$ 73,419</u>	<u>\$ 23,273</u>	<u>\$ - 0 -</u>	<u>\$ 96,692</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 258,455</u>	<u>\$ (23,273)</u>	<u>\$ - 0 -</u>	<u>\$ 235,182</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 258,455</u></u>	<u><u>\$ (23,273)</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 235,182</u></u>

Depreciation categorized by department at December 31, 2019, is as follows:

General Government	\$ 9,863
Police Department	<u>13,410</u>
Total	<u><u>\$ 23,273</u></u>

NOTE 5. RISK ASSESSMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, mobile equipment, law enforcement, crime coverage, errors and omissions and workers compensation coverage. The City, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 6. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which are likely to have an impact on the operations of the City. The City is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

CITY OF TODD MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. FINANCING NOTE AGREEMENT

On January 30, 2016, the City executed a note with Ally Bank to finance the purchase of a 2016 Dodge RAM pick-up. The note bears interest at the rate of 3.99% per annum. The City will make monthly payments of \$609.50, beginning February 29, 2016, and ending January 29, 2022. The note balance as of fiscal year end is \$14,529. The following is a summary of transactions regarding the note payable for the year ended December 31, 2019.

Note Payable, January 1, 2019	\$	21,120
Less: Principal Retired		<u>(6,591)</u>
Note Payable, December 31, 2019	\$	<u>14,529</u>
Note Payable, Due Within One Year	\$	6,859
Note Payable, Due After One Year		<u>7,670</u>
Total	\$	<u>14,529</u>

As of December 31, 2019, the debt service requirements on the note outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 6,859	\$ 455	\$ 7,314
2021	7,138	176	7,314
2022	<u>532</u>	<u>2</u>	<u>534</u>
	<u>\$ 14,529</u>	<u>\$ 633</u>	<u>\$ 15,162</u>

CITY OF TODD MISSION
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

CITY OF TODD MISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Sales Taxes	\$ 395,000	\$ 395,000	\$ 343,238	\$ (51,762)
Franchise Fees	60,000	60,000	34,450	(25,550)
Permits and Licenses	30,000	30,000	55,345	25,345
Fines and Forfeitures	40,000	40,000	23,938	(16,062)
Festival Traffic Coordination*			275,000	275,000
Other			15,000	15,000
TOTAL REVENUES	<u>\$ 525,000</u>	<u>\$ 525,000</u>	<u>\$ 746,971</u>	<u>\$ 221,971</u>
EXPENDITURES				
General Government	\$ 209,800	\$ 211,840	\$ 287,775	\$ (75,935)
Police Department*	306,387	306,387	556,267	(249,880)
Municipal Court	8,800	8,800	19,213	(10,413)
TOTAL EXPENDITURES	<u>\$ 524,987</u>	<u>\$ 527,027</u>	<u>\$ 863,255</u>	<u>\$ (336,228)</u>
NET CHANGE IN FUND BALANCE	\$ 13	\$ (2,027)	\$ (116,284)	\$ (114,257)
FUND BALANCE - JANUARY 1, 2019	<u>158,308</u>	<u>158,308</u>	<u>158,308</u>	
FUND BALANCE - DECEMBER 31, 2019	<u>\$ 158,321</u>	<u>\$ 156,281</u>	<u>\$ 42,024</u>	<u>\$ (114,257)</u>

* The City received \$275,000 to reimburse traffic coordination costs during the current fiscal year.

See accompanying independent auditor's report.

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CITY OF TODD MISSION

OTHER SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

CITY OF TODD MISSION
SCHEDULE OF EXPENDITURES BY DEPARTMENT
- BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Administration			
	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
ADMINISTRATION				
Personnel	\$ 128,000	\$ 128,000	\$ 202,598	\$ (74,598)
Professional Fees:				
Legal	8,000	8,000	8,492	(492)
CPA Services	3,000	3,000	925	2,075
Contribution to Todd Mission VFD	18,000	18,000	18,000	
Information Technology	3,000	3,000	3,467	(467)
Insurance	12,000	12,000	4,629	7,371
Maintenance and Repairs	21,000	21,000	15,744	5,256
Training	2,500	2,500	5,375	(2,875)
Utilities	7,000	7,000	10,604	(3,604)
Supplies, Materials and Operations Costs	7,300	9,340	17,941	(8,601)
TOTAL ADMINISTRATION	<u>\$ 209,800</u>	<u>\$ 211,840</u>	<u>\$ 287,775</u>	<u>\$ (75,935)</u>

	Police Department			
	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
POLICE DEPARTMENT				
Personnel	\$ 274,363	\$ 274,363	\$ 283,483	\$ (9,120)
Personnel - Festival Traffic Coordination*			246,967	(246,967)
Maintenance	13,000	13,000	10,126	2,874
Note Payments	7,524	7,524	7,314	210
Materials and Supplies	10,500	10,500	7,348	3,152
Training	1,000	1,000	1,029	(29)
TOTAL POLICE DEPARTMENT	<u>\$ 306,387</u>	<u>\$ 306,387</u>	<u>\$ 556,267</u>	<u>\$ (249,880)</u>

* The City received \$275,000 to reimburse these costs during the current fiscal year.

	Municipal Court			
	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
MUNICIPAL COURT				
Personnel	\$ 4,800	\$ 4,800	\$ 5,364	\$ (564)
Court Fees			8,159	(8,159)
Other Operations Costs	4,000	4,000	5,690	(1,690)
TOTAL MUNICIPAL COURT	<u>\$ 8,800</u>	<u>\$ 8,800</u>	<u>\$ 19,213</u>	<u>\$ (10,413)</u>

See accompanying independent auditor's report.

