

VILLAGE OF TIMBERCREEK CANYON

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2020**

VILLAGE OF TIMBERCREEK CANYON
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2020

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PART I
INTRODUCTORY SECTION

VILLAGE OF TIMBERCREEK CANYON

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2020

| | |
|---------------------|---------------|
| Bill Young | Mayor |
| Brian Giffin | Mayor Pro-Tem |
| Jennifer Huddleston | Alderwoman |
| Mike Fuller | Alderman |
| Dickie Haney | Alderman |
| Mary Watley | Alderwoman |
| Elaine Dollar | Co-Treasurer |
| Ayne Sharp | Co-Treasurer |

PART II
FINANCIAL SECTION



To The Honorable Mayor,
Alderwomen and Aldermen of
Village of Timbercreek Canyon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the General fund with its budgetary comparison of the Village of Timbercreek Canyon (the Village), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the General fund with its budgetary comparison of the Village of Timbercreek Canyon, as of September 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 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.

Doshier, Pickens & Francis, LLC

Doshier, Pickens & Francis, LLC
December 31, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS

**VILLAGE OF TIMBERCREEK CANYON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL HIGHLIGHTS

- The assets of the Village of Timbercreek Canyon (the Village) exceeded its liabilities as of September 30, 2020 by \$391,497 (net position). Of this amount \$215,258 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizens and creditors as of September 30, 2020.
- The Village's total net position increased by \$24,402 for the year ended September 30, 2020.
- As of September 30, 2020, the unassigned fund balance for the general fund was \$215,258, or approximately 160 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements have three components: government-wide financial statements, fund financial statements, and the notes to financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all the Village's assets and liabilities, with the difference between the two 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 Village is improving or deteriorating.

The statement of activities presents information showing how the Village'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 in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activities of the Village include general government, public safety, judicial and public facilities.

The government-wide financial statements can be found on pages 9 through 10 of this report.

Continued

**VILLAGE OF TIMBERCREEK CANYON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (continuation)

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 Village, like most governmental entities, uses fund accounting to ensure and reflect compliance with finance-related legal requirements.

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 inflow 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 evaluating 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 Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains one governmental fund, the General Fund. The Village adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to 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 16 through 23 of this report.

**VILLAGE OF TIMBERCREEK CANYON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Activities

Village of Timbercreek Canyon's Net Position

| | 2020 |
|---|------------|
| Current assets | \$ 220,730 |
| Capital assets, net of accumulated depreciation | 176,239 |
| Total assets | 396,969 |
| Current liabilities | 5,472 |
| Net position | |
| Invested in capital assets | 176,239 |
| Unrestricted | 215,258 |
| Total net position | \$ 391,497 |

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. The Village's assets exceed liabilities by \$391,497 at September 30, 2020.

At September 30, 2020, the capital assets (buildings, improvements and equipment), net of accumulated depreciation of the governmental activities of the Village was \$176,239.

At September 30, 2020, approximately 45 percent of the Village's net position reflects its investment in capital assets. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Continued

**VILLAGE OF TIMBERCREEK CANYON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continuation)

Governmental Activities

Village of Timbercreek Canyon's Changes in Net Position

| | 2020 |
|------------------------------------|------------|
| Revenues | |
| Program revenues: | |
| Charges for services | \$ 7,145 |
| Operating grants and contributions | 14,020 |
| Capital grants and contributions | 7,243 |
| General revenues: | |
| Property and franchise taxes | 129,509 |
| Other general revenues | 2,167 |
| Total revenues | 160,084 |
| Expenses: | |
| General government | 65,517 |
| Judicial | 3,906 |
| Public facilities | 5,192 |
| Public safety | 61,067 |
| Total expenses | 135,682 |
| Change in net position | 24,402 |
| Net position, beginning of year | 367,095 |
| Net position, end of year | \$ 391,497 |

Property and franchise taxes were the largest revenue source for governmental activities, accounting for approximately 81 percent of total revenues during the year ended September 30, 2020. Grants and contributions revenue during year ended September 30, 2020 provided approximately 13 percent of total revenues. Charges for services and other general revenues provided approximately 6 percent of total revenues during the year ended September 30, 2020.

**VILLAGE OF TIMBERCREEK CANYON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE VILLAGE'S GENERAL FUND

The Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Village's governmental fund is to provide information on near-term inflows, outflows and balances of spendable and available resources. Such information is useful in assessing the Village's financing requirements.

The fund balance of the Village's general fund increased by \$26,359 in fiscal year 2020.

For the year ended September 30, 2020, actual expenditures were less than the final budgeted expenditures by 12 percent or \$18,675. At the same time actual revenues exceeded the final budgeted revenues in the general fund by \$7,684 or approximately 5 percent due to excess unbudgeted grant revenues and insurance recovery. The excess of unspent budgeted expenditures and the excess revenues over budget totaled \$26,359.

GENERAL FUND BUDGETARY HIGHLIGHTS

As identified earlier, actual revenues exceeded budgeted revenues by \$7,684 for the year ended September 30, 2020 primarily due to unbudgeted grant revenues and insurance recovery. This excess was used to fund actual expenditures, including capital outlay which exceeded budget by \$3,958 for the year ended September 30, 2020.

CAPITAL ASSETS

The Village's investment in capital assets for its governmental activities as of September 30, 2020 totaled \$176,239, net of accumulated depreciation. This investment in capital assets includes equipment, vehicles, improvements, buildings and land.

Capital assets, net of depreciation, as of September 30, 2020, decreased by \$1,957 or approximately 1.1 percent. The decrease in fiscal year 2020 is due to current period depreciation expense of \$21,515 which exceeded additions to capital assets of \$19,558.

Village of Timbercreek Canyon's Capital Assets

| | 2020 |
|-------------------------------------|------------|
| Fire truck and fire equipment | \$ 290,649 |
| Equipment | 115,086 |
| Vehicles | 31,511 |
| Buildings | 50,193 |
| Improvements | 169,820 |
| Land, not being depreciated | 24,883 |
| Total capital assets | 682,142 |
| Less accumulated depreciation | (505,903) |
| Capital assets, net of depreciation | \$ 176,239 |

Additional information about the Village's capital assets can be found in Note 9 on pages 22 and 23.

**VILLAGE OF TIMBERCREEK CANYON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenues in the 2020-2021 adopted budget are \$171,708. Property taxes, franchise fees and intergovernmental revenues continue to be the primary sources of revenue for the Village and appear to be stable in the long-term. The Village will use these revenues to fund current services.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances and to show the Village's commitment to the public accountability. If you have any questions about this report or to request any additional information, please contact Katie Paul, Panhandle Regional Planning Commission, P.O. Box 9257, 415 W. 8th Avenue, Amarillo, Texas 79105.



BASIC FINANCIAL STATEMENTS

**VILLAGE OF TIMBERCREEK CANYON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 213,471 |
| Accounts receivable | 7,259 |
| Capital assets net of accumulated depreciation | <u>176,239</u> |
| Total assets | <u>396,969</u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | <u>5,472</u> |
| Total liabilities | <u>5,472</u> |
| NET POSITION | |
| Invested in capital assets | 176,239 |
| Unrestricted | <u>215,258</u> |
| Total net position | <u><u>\$ 391,497</u></u> |

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

**VILLAGE OF TIMBERCREEK CANYON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|-------------------------------|-------------------|-------------------------|----------------------|----------------------|----------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Capital</u> | <u>Revenue and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> | <u>Changes in</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> | <u>Net Position</u> |
| | | | | | <u>Governmental</u> |
| | | | | | <u>Activities</u> |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 65,517 | \$ 7,145 | \$ - | \$ 3,489 | \$ (54,883) |
| Judicial | 3,906 | - | - | - | (3,906) |
| Public facilities | 5,192 | - | - | - | (5,192) |
| Public safety | 61,067 | - | 14,020 | 3,754 | (43,293) |
| Total governmental activities | <u>\$ 135,682</u> | <u>\$ 7,145</u> | <u>\$ 14,020</u> | <u>\$ 7,243</u> | <u>(107,274)</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 105,252 |
| Franchise taxes | | | | | 24,257 |
| Unrestricted interest | | | | | 2,052 |
| Other income | | | | | 115 |
| Total general revenues | | | | | <u>131,676</u> |
| Change in net position | | | | | <u>24,402</u> |
| Net position - beginning | | | | | <u>367,095</u> |
| Net position - ending | | | | | <u>\$ 391,497</u> |

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

**VILLAGE OF TIMBERCREEK CANYON
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2020**

General Fund

ASSETS

| | | |
|---------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 213,471 |
| Receivables | | <u>7,259</u> |
| Total assets | \$ | <u><u>220,730</u></u> |

LIABILITIES AND FUND BALANCE

| | | |
|---------------------------------------|----|-----------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ | <u>5,472</u> |
| Total liabilities | | <u>5,472</u> |
| Fund balance: | | |
| Unassigned | | <u>215,258</u> |
| Total fund balance | | <u>215,258</u> |
| Total liabilities and fund balance | \$ | <u><u>220,730</u></u> |

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

**VILLAGE OF TIMBERCREEK CANYON
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total fund balance - governmental fund \$ 215,258

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 in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

176,239

Net position - governmental activities \$ 391,497

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

**VILLAGE OF TIMBERCREEK CANYON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | General Fund |
|--------------------------------------|---------------------|
| REVENUES | |
| Property taxes | \$ 105,252 |
| Franchise taxes | 24,257 |
| Permits and fees | 7,145 |
| Intergovernmental | 13,500 |
| Investment earnings | 2,052 |
| Grant revenue | 3,754 |
| Donations | 520 |
| Insurance recovery | 3,489 |
| Miscellaneous | 115 |
| | <u>160,084</u> |
| Total revenues | <u>160,084</u> |
| EXPENDITURES | |
| Current: | |
| General government | 65,517 |
| Judicial - Municipal Court/Clerk | 3,906 |
| Public facilities - Parks Department | 1,789 |
| Public safety - Police Department | 35,118 |
| Public safety - Fire Department | 7,837 |
| Capital Outlay | 19,558 |
| | <u>133,725</u> |
| Total expenditures | <u>133,725</u> |
| NET CHANGE IN FUND BALANCE | 26,359 |
| FUND BALANCE - BEGINNING | <u>188,899</u> |
| FUND BALANCE - ENDING | <u>\$ 215,258</u> |

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

**VILLAGE OF TIMBERCREEK CANYON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balance - governmental fund: \$ 26,359

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

The governmental fund reports outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation expense, \$21,515, was more than capital outlays, \$19,558, in the current period.

(1,957)

Change in net position - governmental activities

\$ 24,402

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

**VILLAGE OF TIMBERCREEK CANYON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 105,717 | \$ 104,000 | \$ 105,252 | \$ 1,252 |
| Franchise taxes | 25,800 | 24,245 | 24,257 | 12 |
| Permits and fees | 5,700 | 7,675 | 7,145 | (530) |
| Fines | 150 | 150 | - | (150) |
| Intergovernmental | 13,500 | 13,500 | 13,500 | - |
| Investment earnings | 3,300 | 2,830 | 2,052 | (778) |
| Grant revenue | - | - | 3,754 | 3,754 |
| Donations | - | - | 520 | 520 |
| Insurance recovery | - | - | 3,489 | 3,489 |
| Reimbursement for fence | - | - | 115 | 115 |
| | <u>154,167</u> | <u>152,400</u> | <u>160,084</u> | <u>7,684</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 78,232 | 70,840 | 65,517 | 5,323 |
| Judicial - Municipal Court/Clerk | 5,645 | 4,925 | 3,906 | 1,019 |
| Public facilities - Parks Department | 4,250 | 2,750 | 1,789 | 961 |
| Public safety - Police Department | 47,180 | 43,500 | 35,118 | 8,382 |
| Public safety - Fire Department | 16,425 | 14,785 | 7,837 | 6,948 |
| Capital Outlay | 2,435 | 15,600 | 19,558 | (3,958) |
| | <u>154,167</u> | <u>152,400</u> | <u>133,725</u> | <u>18,675</u> |
| NET CHANGE IN FUND BALANCE | - | - | 26,359 | 26,359 |
| FUND BALANCE - BEGINNING | <u>188,899</u> | <u>188,899</u> | <u>188,899</u> | - |
| FUND BALANCE - ENDING | <u>\$ 188,899</u> | <u>\$ 188,899</u> | <u>\$ 215,258</u> | <u>\$ 26,359</u> |

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

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Timbercreek Canyon's (the Village) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The most significant accounting and reporting policies of the Village are described in the following notes to the financial statements.

A. Financial Reporting Entity

The Village was incorporated on August 13, 1983 under the provisions of the State of Texas. The Village is a Type B general law city which operates with a mayor and five aldermen/alderwomen elected at large, comprising the general governing body of the Village. The Village provides police and emergency services, as well as enforcement of zoning and building codes. The Village also funds the operations of the Timbercreek Canyon Volunteer Fire Department.

The accompanying basic financial statements present the government defined according to criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. These financial statements would include all funds, organizations and entities for which the Village is financially accountable. There are no other organizations or entities which should be included in these basic financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all activities of the Village. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Fund-Level Statements

Separate **fund financial statements** are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund meets criteria as a *major governmental fund*.

Continued

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Major revenue types which have been accrued are franchise taxes and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflows of resources.

Revenues susceptible to accrual include property taxes, fines, forfeitures, permits, interest income, and charges for service and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The Village reports the following major governmental fund:

The **General Fund** is the general operating fund of the Village. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property and franchise taxes, intergovernmental revenues and investment of idle funds. Primary expenditures are for general government, judicial, public facilities, public safety and capital acquisition.

D. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Continued

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. When the Village's bank balances exceed the Federal Deposit Insurance Corporation coverage of \$250,000, custodial banks are required to pledge for the purpose of securing Village funds, securities of the following kind, in an amount equal to the amount of such Village funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

The Village's investment policy authorizes the Village to keep funds in interest bearing demand deposits, time deposits, local government investment pools or obligations of the United States. The Village is required by Government Code Chapter 2256, the Public Funds Investment Act ("Act"), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity. The Act requires an annual audit of investment policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in areas of investment practices, management has reported and established appropriate policies. The Village adheres to the requirements of the Act. Additionally, investment practices of the Village are in accordance with local policies.

2. Receivables and Payables

Receivables consist of amounts due for franchise taxes that are available and expected to be collected within the current period or no more than 60 days thereafter. Delinquent taxes receivable are immaterial to these financial statements, and therefore, are not recorded. Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables, if material and recorded, and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

4. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. According to the Village's capitalization policy, capital assets are defined as individual assets (or systems of assets) having a cost of \$750 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Continued

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Position or Equity – Continuation

4. Capital Assets - Continuation

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 15 - 40 years |
| Equipment | 5 - 10 years |

5. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Village’s highest level of decision-making authority. Commitments may be changed or lifted only by the Village taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the Village for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Aldermen or (b) a body (budget, finance committee, or Village Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed.

Unassigned Fund Balance – this classification represents 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.

6. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Invested in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Continued

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Position or Equity – Continuation

6. Net Position - Continuation

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “invested in capital assets” or “restricted net position”.

7. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

8. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the proposed budget is submitted to the Mayor and Aldermen.
2. A public hearing on the Village budget prior to the levy of taxes by the Mayor and Aldermen.
3. Prior to October 1, the budget is legally adopted by order of the Mayor and Aldermen for the General Fund.
4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Village as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Mayor and Aldermen. They have the authority to make such changes in the budget, in its judgment of facts, the law warrant, and as the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures for the Village do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for the General Fund.
5. Budgets for the General Fund are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.

Continued

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund.
7. All appropriations lapse at the end of the Village's fiscal year and may be re-budgeted the next year.

B. Excess of Expenditures Over Appropriations

For the year ended September 30, 2020, total actual expenditures were under budgeted total appropriations in the General Fund by \$18,675. Capital outlay expenditures of \$19,558 exceeded budget by \$3,958. This excess was funded by other expenditures which were under budget.

NOTE 3 – DEPOSITS

Following is a reconciliation of the Village's cash and deposit balances as of September 30, 2020:

Cash and deposit balances consist of:

| | |
|---------------|-------------------|
| Bank deposits | \$ <u>213,471</u> |
|---------------|-------------------|

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Governmental activities:

| | |
|--------------|-------------------|
| Unrestricted | \$ <u>213,471</u> |
|--------------|-------------------|

Custodial credit risk – deposits. As of September 30, 2020, the carrying amount of the Village's deposits with financial institutions was \$213,471 and the bank's balance was \$214,687. The bank balance of \$214,687 was insured through the Federal Depository Insurance Corporation (FDIC).

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The Village manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Village policy limits cash investments to the safest types of investments, pre-qualifying the financial institutions and broker/dealers with which the Village does business and diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2020, all of the Village's carrying value of cash was deposited with the Village's depository bank and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$1.50 on each \$100 of assessed valuation. The tax rate on the 2019 tax roll was \$.208 per \$100, which means that the Village has a tax margin of \$1.292 per \$100 and could raise up to \$656,666 additional revenue from the 2019 assessed valuation of \$50,825,525 before the limit is reached.

Continued

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4 – PROPERTY TAX – Continuation

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

NOTE 5 – INTERGOVERNMENTAL REVENUES

The Village has an annually renewing agreement with Randall County, Texas to provide fire protection service. In consideration of fire protection services, Randall County pays the Village \$5,000 annually, disbursed in quarterly installments.

The Village also receives \$8,500 annually, disbursed in quarterly installments from the Randall County Assistance District who collects sales tax in the unincorporated areas of Randall County. This revenue is restricted to fire protection services.

NOTE 6 – RISK MANAGEMENT

The Village's major areas of risk management are: public officials, law enforcement, and automobile liability, general comprehensive liability and property damage, and workers' compensation. The Village has obtained insurance with an insurance company to which all risk is transferred for all the above areas. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

NOTE 7 – MANAGEMENT AGREEMENT

The Village has an inter-local governmental cooperation contract with the Panhandle Regional Planning Commission (PRPC), under which arrangement PRPC provides professional management expertise to the Village, including the negotiation of franchise and similar agreements, the recommendation of ordinances, resolutions and operating procedures, oversight of major financial matters such as budgets and insurance coverage and general administrative functions such as preparation of meeting agendas, management presentations at alderman meetings, and maintenance of critical records. Under this agreement, a consulting manager employed by PRPC serves as Village Manager and the Manager is supported by PRPC's internal departmental resources. In accordance with the terms of the contract, the Village's monthly payments were \$1,375 to PRPC during the year ended September 30, 2020. The Village recognized professional fees expense under the PRPC contract of \$16,500 for the year ended September 30, 2020.

NOTE 8 – OPERATING LEASE

The Village leased the gatehouse on a month to month basis until December 31, 2019. On January 1, 2020 the gatehouse was transferred to the Village via a deed transfer. Total gatehouse rental expense included in the financial statements is \$3,375 for year ended September 30, 2020.

NOTE 9 – CAPITAL ASSETS

Substantially all property owners of the Village are also members of the Timbercreek Canyon Property Owners Association, Inc. (TCPOA). This is a gated community, and through court action initiated in 2001, it was determined the roads within the community are privately owned. As a result of the court's findings, the Village ceased all activities relating to road repairs and maintenance, which included maintenance of a steel and concrete bridge, an earthen and concrete dam which also serves as a water crossing for vehicles, and boundary gates. These responsibilities were then assumed by the TCPOA. However, the Village maintains jurisdiction over law enforcement within the community, including traffic law enforcement.

Continued

**VILLAGE OF TIMBERCREEK CANYON
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 9 – CAPITAL ASSETS - Continuation

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. Capital asset activity for the year ended September 30, 2020 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 15,394 | \$ 9,489 | \$ - | \$ 24,883 |
| Total capital assets, not being depreciated | <u>15,394</u> | <u>9,489</u> | <u>-</u> | <u>24,883</u> |
| Capital assets, being depreciated: | | | | |
| Fire truck and fire equipment | 290,649 | - | - | 290,649 |
| Equipment | 115,086 | - | - | 115,086 |
| Vehicles | 31,511 | - | - | 31,511 |
| Buildings | 50,193 | - | - | 50,193 |
| Improvements | <u>159,751</u> | <u>10,069</u> | <u>-</u> | <u>169,820</u> |
| Total capital assets, being depreciated | <u>647,190</u> | <u>10,069</u> | <u>-</u> | <u>657,259</u> |
| Less accumulated depreciation for: | | | | |
| Fire truck and fire equipment | (251,107) | (7,321) | - | (258,428) |
| Equipment | (111,019) | (1,186) | - | (112,205) |
| Vehicles | (31,511) | - | - | (31,511) |
| Buildings | (13,379) | (1,064) | - | (14,443) |
| Improvements | <u>(77,372)</u> | <u>(11,944)</u> | <u>-</u> | <u>(89,316)</u> |
| Total accumulated depreciation | <u>(484,388)</u> | <u>(21,515)</u> | <u>-</u> | <u>(505,903)</u> |
| Total capital assets, being depreciated, net | <u>162,802</u> | <u>(11,446)</u> | <u>-</u> | <u>151,356</u> |
| Governmental activities capital assets, net | <u>\$ 178,196</u> | <u>\$ (1,957)</u> | <u>\$ -</u> | <u>\$ 176,239</u> |

Depreciation expense for the year ended September 30, 2020 was charged to the functions/programs as follows:

| | |
|----------------------------|------------------|
| Public facilities | \$ 3,403 |
| Public safety | <u>18,112</u> |
| Total Depreciation Expense | <u>\$ 21,515</u> |