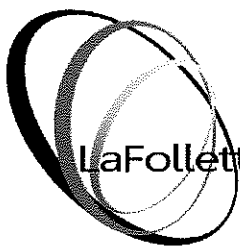


**CITY OF TOM BEAN, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2011**

**City of Tom Bean, Texas  
Annual Financial Report  
For the Year Ended September 30, 2011**

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**LaFollett and Company PLLC**  
Certified Public Accountants

Independent Auditor's Report

To the City Council  
City of Tom Bean, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tom Bean, Texas (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tom Bean, Texas, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 31 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.

*LaFollett & Company PLLC*

Tom Bean, Texas  
March 22, 2012

**City of Tom Bean, Texas**  
**Management Discussion and Analysis**  
**For the Year Ended September 30, 2011**

Our discussion and analysis of City of Tom Bean's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2011 (FY11) by \$1,918,361. This is a decrease in net assets of \$25,751 over FY10's net asset, as restated, value of \$1,944,112. Unrestricted net assets at the close of FY11 are \$98,990 and may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$15,482 over FY10's unrestricted net asset value of \$83,508.
- As of the close of the current fiscal year, the City's governmental funds reported on page 10 have an ending fund balance of \$17,420 due to a current year increase of \$3,959.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 10) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements show how services were financed in short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources. Proprietary fund financial statements report activity for the City's water and wastewater operations.

The notes to the financial statements (beginning on page 17) provide narrative explanations and additional data needed for full disclosures for the government-wide statements and the fund financial statements.

**Reporting the City as a Whole – Government-Wide Financial Statements**

**The Statement of Net Assets and the Statement of Activities**

Government-wide financial statements, which provide an analysis of the City's overall financial condition and operation, begin on page 8. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Assets includes all the City's assets and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) grants and contributions, and 3) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activities:

**Governmental Activities** – City services such as police protection, court services, street maintenance, parks, and general administration are reported here. City property taxes, sales taxes, franchise taxes, and court fines finance most of these activities.

**Business-Type Activities** - The City uses proprietary (business-type) funds to account for its water, sewer, and sanitation operations. The services are supported by monthly charges to citizens.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements begin on page 10 and provide detailed information about the most significant funds. The City's two types of funds, governmental and proprietary, use different accounting approaches.

**Governmental Funds** – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed, short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 11 and 13.

**Proprietary Funds** – The City uses proprietary (business-type) funds to account for its water and wastewater operations. The full-accrual basis of accounting is used for all proprietary type funds.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS COMPARISON

Below is a summary of FY2011 government-wide financial statements with a comparison to FY2010 balances:

### City of Tom Bean-Statement of Activities

	<b>FY11</b>	<b>FY10</b>
<b>Revenues:</b>		
Program revenues		
Water Fund charges for services	\$ 457,459	\$ 397,468
General Fund charges for services	143,763	159,647
Grants and contributions	1,048	22,545
General revenues	245,605	245,722
<b>Total Revenues</b>	<b>847,875</b>	<b>825,382</b>
<b>Expenses:</b>		
General government	213,282	210,915
Water, sewer, and sanitation	469,941	397,615
Police	185,403	180,202
Emergency medical service	5,000	5,000
<b>Total Expenses</b>	<b>873,626</b>	<b>793,732</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (25,751)</b>	<b>\$ 31,650</b>

### City of Tom Bean-Statement of Net Assets

	<b>FY11</b>	<b>FY10</b>
Current and other assets	\$ 266,956	\$ 272,038
Capital assets	2,434,612	2,479,632
<b>Total assets</b>	<b>2,701,568</b>	<b>2,751,670</b>
Current payables & other liabilities	76,160	95,653
Long-Term Liabilities	707,047	711,905
<b>Total Liabilities</b>	<b>783,207</b>	<b>807,558</b>
<b>Net assets:</b>		
Invested in capital assets, net of debt	1,727,565	1,767,727
Restricted for debt service & other	91,806	92,877
Unrestricted	98,990	83,508
<b>Total net assets</b>	<b>\$ 1,918,361</b>	<b>\$ 1,944,112</b>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

The City's net assets decreased from \$1,944,112 to \$1,918,361. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$98,990 at September 30, 2011. Ninety percent (90%) of the City's net assets are invested in capital assets; land, streets, water systems, buildings, vehicles and other equipment, less any outstanding debt used to acquire these assets.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Revenues and other financing sources for the City's general fund were \$396,833, while total expenditures were \$392,874. This resulted in an increase of expenditures over revenues of \$3,959 from current operations. Last year's result was an excess of revenues over expenditures of \$19,404. The City's general fund revenues for FY11 were \$44,743 less than the previous year. Most of this decrease in revenues resulted from grant income of \$22,545 and loan proceeds of \$53,400 in FY10. Total expenditures decreased \$82,698 from 2010 totals. One of the largest decreases in expenditures came from a \$71,542 decrease in capital outlays. Most of this decrease relates to the acquisition of two new police vehicles and streets in FY10.

The governmental fund (as presented in the balance sheet on page 10) reported a fund balance of \$17,420 compared to \$13,461 in FY10. This represents an increase of \$3,959. This increase also resulted in a \$731 positive variance with the General Fund's budgeted results as shown on page 31.

Revenues for the City's proprietary fund were \$457,982 while expenses were \$469,941. This resulted in a decrease in net assets of \$11,959. Last year's result was an increase in net assets of \$4,563.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for all activities as of September 30, 2011 amounts to \$2,434,612, compared to \$2,479,632 (net of accumulated depreciation) at September 30, 2010. This investment in capital assets includes land, buildings and improvements, street improvements, water and wastewater systems, equipment and vehicles.

### **Long-term Debt**

At year-end, the City's long-term debt consisted of contractual obligations and notes payable totaling \$707,047. One note payable was paid off in FY 2011 with the issuance of a new bank note payable in the amount of \$183,766. The note provided an additional \$60,000 of funding for water well improvements. FY2011 principal payments totaled \$188,624 and all payments were made when due.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In spite of economic slowdown, the City continued to experience moderate growth in property tax revenue. Property taxes are the City's primary source of revenue in the general fund.

These revenues and other factors were considered in preparing the City's budget for the 2011-2012 fiscal year. The operating budget for the 2011-2012 fiscal year developed by city management and approved by the City's elected officials focused on using the City's available resources and maintaining close scrutiny on operating costs. Each department head continued to have the responsibility of coming up with their own budget and submitting to the Mayor in midsummer. Each area's budget was discussed, revised, and approved. Each department head is held responsible/accountable for maintaining their budget throughout the year and annual performance evaluations include how they handled their budgeted funds throughout the year.

The City's Operating Budget is prepared each year in September, prior to the commencement of the fiscal year for which the budget is adopted. The City Council is provided a monthly report of revenues and expenditures to review and assess how consistent actual revenue and expenditures are in relation to the budget that was approved.

## **THE CITY AS A WHOLE**

The City was not qualified to receive a street grant for the upgrade of Ball Street due to a deficiency of points attributed directly to the City property tax rate being lower than most other cities in the region, therefore the council voted to approve the raising of property taxes for the 2011 tax year from \$.049990 to \$.0535100 per \$100 of assessed value thus adding an additional \$12,000 to the tax base. Revenue from old outstanding warrants remained constant due to the close working interaction with the court clerk and the police department. The Water Fund or Proprietary Fund continues to show a steady increase in revenue, but due to the formation of the Red River Groundwater District, the City is being billed for all water that is pumped each year at a rate of \$.06/per 1000 gallons. This has forced the City to pass this increase on to its citizens in order to maintain the present budget. The City hired a Water Loss/Water Survey company this year in order to help the Public Works staff locate water leaks over the entire city. Many of these have already been repaired and are experiencing a smaller number of gallons being pumped from both wells. The City also took out a \$60,000 loan to get the downtown well upgraded to meet TCEQ requirements for gallons per minute. The City is now in compliance with TCEQ and is fully capable of providing water to its water customers in case either Whitemound or the downtown well has issues and is forced to be out of service for repairs. Older water meters are being changed out as needed by Public Works Department personnel along with regular checking of water hydrants and valves around town.

Since the Type A Community Development and Type B Economic Development Boards have been in existence for over one year, they have been able to realize sales tax revenues of approximately \$16,000 in each of the accounts. This money is to be used for betterment of the community and plans are being worked for future projects for both boards.

The City has completed all but one street in town with that being Ball Street. Budget was set for \$25,000 and spent to complete the other half of Dale Street. Hot patching efforts continue to be a part of the road maintenance with the county.



The City took the necessary steps to purchase the new United Systems Technology Incorporated fund account software for 2011. It is now online and city personnel are working with software representatives and a consultant to ensure a smooth transition of financial recordkeeping.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to exhibit transparency in the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the mayor's office, at 201 South Britton, Tom Bean, Texas 75489 or 903.546.6321 or visit [www.tombean.net](http://www.tombean.net).

Sherry Howard, Mayor  
City of Tom Bean, Texas

**BASIC FINANCIAL STATEMENTS**

**City of Tom Bean, Texas**  
**Statement of Net Assets**  
**September 30, 2011**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 41,407	\$ 52,430	\$ 93,837	\$ 13,314	\$ 13,219
Property Taxes Receivable, net	15,967	-	15,967	-	-
Court Receivable, net	14,171	-	14,171	-	-
Sales Taxes Receivable, net	6,308	-	6,308	3,154	3,154
Other Receivables, net	9,604	27,936	37,540	-	-
Prepaid Bond Issue Costs, net	-	9,598	9,598	-	-
Internal Balances	(22,852)	22,852	-	-	-
Restricted Assets:					
Deposits held in Trust by GTUA	-	89,535	89,535	-	-
Capital Assets not being Depreciated:					
Land	7,000	9,850	16,850	-	-
Capital Assets net of Accumulated Depreciation:					
Buildings	81,787	-	81,787	-	-
Furniture and Fixtures	3,897	-	3,897	-	-
Machinery and Equipment	53,883	17,894	71,777	-	-
Public Infrastructure	990,423	1,269,878	2,260,301	-	-
<b>Total Assets</b>	<b>1,201,595</b>	<b>1,499,973</b>	<b>2,701,568</b>	<b>16,468</b>	<b>16,373</b>
<b>LIABILITIES</b>					
Accounts Payable and Other Current Liabilities	38,429	11,016	49,445	-	-
Interest Payable	-	6,132	6,132	-	-
Customer Deposits Payable	-	20,583	20,583	-	-
Noncurrent Liabilities:					
Due within One Year	38,466	228,581	267,047	-	-
Due in More than One Year	-	440,000	440,000	-	-
<b>Total Liabilities</b>	<b>76,895</b>	<b>706,312</b>	<b>783,207</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>					
Investment in Capital Assets, net of Related Debt	1,098,524	629,041	1,727,565	-	-
Restricted for:					
Court Security and Technology	2,271	-	2,271	-	-
Deposits Held by GTUA	-	89,535	89,535	-	-
Unrestricted	23,905	75,085	98,990	16,468	16,373
<b>Total Net Assets</b>	<b>\$ 1,124,700</b>	<b>\$ 793,661</b>	<b>\$ 1,918,361</b>	<b>\$ 16,468</b>	<b>\$ 16,373</b>

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

**City of Tom Bean, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2011**

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-Type Activities	Economic Development Corporation	Community Development Corporation
<b>Primary Government:</b>								
Governmental Activities:								
Police	\$ 185,403	\$ -	\$ 1,048	\$ -	(184,355)	\$		
General Government	157,915	17,866	-	-	(140,049)			
Court	47,003	125,897	-	-	78,894			
Fire Protection and Ambulance	11,180	-	-	-	(11,180)			
Interest on Long-Term Debt	2,184	-	-	-	(2,184)			
<b>Total Governmental Activities</b>	<b>403,685</b>	<b>143,763</b>	<b>1,048</b>	<b>-</b>	<b>(258,874)</b>	<b>(258,874)</b>		
<b>Business-Type Activities</b>								
Water, Sewer, and Sanitation Operations	469,941	457,459	-	-	-	(12,482)		
<b>Total Business-Type Activities</b>	<b>469,941</b>	<b>457,459</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,482)</b>		
<b>Total Primary Government</b>	<b>\$ 873,626</b>	<b>\$ 601,222</b>	<b>\$ 1,048</b>	<b>\$ -</b>	<b>(258,874)</b>	<b>(12,482)</b>		
<b>Component Units:</b>								
Economic Development Corporation	\$ 1,115	\$ -	\$ -	\$ -			\$ (1,115)	\$ -
Community Development Corporation	1,210	-	-	-			-	(1,210)
<b>Total Component Units</b>	<b>\$ 2,325</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>(1,115)</b>	<b>(1,210)</b>
General Revenues:								
Property Taxes					\$ 166,395	\$ -	\$ 17,583	\$ 17,583
General Sales and Use Taxes					32,241	-	-	-
Franchise Taxes					46,076	-	-	-
Investment Earnings					370	523	-	-
<b>Total General Revenues</b>					<b>245,082</b>	<b>523</b>	<b>17,583</b>	<b>17,583</b>
Change in Net Assets					(13,792)	(11,959)	16,468	16,373
Net Assets - Beginning, As Restated					1,138,492	805,620	-	-
Net Assets - Ending					<b>\$ 1,124,700</b>	<b>\$ 793,661</b>	<b>\$ 16,468</b>	<b>\$ 16,373</b>

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

**City of Tom Bean, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 41,407
Receivables, Net:	
Property Taxes	15,967
Court	14,171
Sales Taxes	6,308
Franchise	9,604
Total Current Assets	<u>87,457</u>
<b>Total Assets</b>	<u><u>87,457</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Current Liabilities:	
Accounts Payable	38,429
Due to Water Fund	22,852
Deferred Revenue	8,756
Total Current Liabilities	<u>70,037</u>
 Fund Balances:	
Restricted Court Security and Technology	2,271
Assigned for Future Projects	3,271
Unassigned	11,878
Total Fund Balances	<u>17,420</u>
 <b>Total Liabilities and Fund Balances</b>	<u><u>\$ 87,457</u></u>

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

**City of Tom Bean, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**For the Year Ended September 30, 2011**

**Fund Balance of Governmental Funds** \$ 17,420

Amounts reported for *Governmental Activities* in the Statement of Net Assets differ from the Balance Sheet for the following reasons:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in Governmental Funds. 1,136,990

Long term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in Governmental Funds. (38,466)

Delinquent property taxes and court revenue are reported as deferred income on the fund financial statement, but the amount should not be shown as a liability on the Statement of Net Assets. 8,756

**Net Assets of Governmental Activities** \$ 1,124,700

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

**City of Tom Bean, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2011**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes:	
Property	\$ 169,417
Franchise	46,076
General Sales and Use	32,241
Municipal Court	129,815
Other Revenue	18,914
Interest Revenue	370
Total Revenues	<u>396,833</u>
<b>EXPENDITURES</b>	
Current:	
Police Department	166,205
General Government	130,920
Municipal Court	47,003
Fire Protection	6,180
Emergency Medical Service	5,000
Debt Service:	
Principal	9,564
Interest	2,184
Capital Outlay:	
Infrastructure and Buildings	<u>25,818</u>
Total Expenditures	<u>392,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,959</u>
<b>OTHER FINANCING SOURCES/(USES)</b>	<u>-</u>
Net Change in Fund Balance	3,959
Fund Balance - Beginning, As Restated	13,461
Fund Balance - Ending	<u><u>\$ 17,420</u></u>

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

**City of Tom Bean, Texas**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2011**

<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ 3,959</b>
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Amounts reported for *Governmental Activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays.	(20,375)
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Governmental funds repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.

Long-Term Debt Added in Current Year	-
Long-Term Debt Repaid in Current Year	9,564

Governmental funds report some prior year tax and court revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.

Net Amounts Earned in Prior Years	(6,940)
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (13,792)</b>
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The notes to the financial statements are an integral part of these financial statements.



**City of Tom Bean, Texas**  
**Statement of Net Assets**  
**Proprietary Fund**  
**September 30, 2011**

	<b>Proprietary Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 52,430
Accounts Receivables, Net	27,936
Due from General Fund	22,852
Prepaid Bond Issue Costs	9,598
Total Current Assets	<u>112,816</u>
Restricted Assets:	
Restricted Cash Held by GTUA	<u>89,535</u>
Total Restricted Assets	<u>89,535</u>
Capital Assets:	
Land	9,850
Machinery, Furniture, and Equipment	89,038
Water and Sewer System	2,642,746
Less Accumulated Depreciation	<u>(1,444,012)</u>
Total Capital Assets, Net	<u>1,297,622</u>
<b>Total Assets</b>	<u><b>1,499,973</b></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	11,016
Interest Payable	6,132
Customer Deposits Payable	20,583
Notes payable ORCA Match - Current Portion	178,581
Contractual Obligation - Current Portion	<u>50,000</u>
Total Current Liabilities	<u>266,312</u>
Noncurrent Liabilities:	
Contractual Obligation - Long Term Portion	<u>440,000</u>
Total Noncurrent Liabilities	<u>440,000</u>
<b>Total Liabilities</b>	<u><b>706,312</b></u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	629,041
Restricted Deposits with GTUA	89,535
Unrestricted	<u>75,085</u>
<b>Total Net Assets</b>	<u><b>\$ 793,661</b></u>

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

**City of Tom Bean, Texas**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the Year Ended September 30, 2011**

	<b>Proprietary Fund</b>
<b>Operating Revenues:</b>	
Water	\$ 236,093
Sewer	114,877
Sanitation	42,561
Late Charges, Connect Fees, and Other	63,928
Total Operating Revenues	<u>457,459</u>
<b>Operating Expenses:</b>	
Salaries and Benefits	117,514
Supplies, Maintenance & Repairs	87,141
Depreciation	85,939
Utilities	64,588
Sanitation Contract	41,417
Other Operating Expenses	29,889
Bad Debt	4,181
Small Equipment Purchases	3,675
Total Operating Expenses	<u>434,344</u>
Operating Income (Loss)	<u>23,115</u>
<b>Nonoperating Sources (Uses)</b>	
Bond Issuance Costs	(1,553)
Interest income	523
Interest Expense	(34,044)
Total Nonoperating Revenue (Expenses)	<u>(35,074)</u>
<b>Change in Net Assets</b>	(11,959)
Total Net Assets - Beginning	805,620
Total Net Assets - Ending	<u><u>\$ 793,661</u></u>

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

**City of Tom Bean, Texas**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended September 30, 2011**

	<b>Proprietary Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 457,459
Cash Paid to Employees	(93,170)
Cash Paid to Suppliers for Goods and Services	(251,232)
Net Cash Provided by Operating Activities	<u>113,057</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer (to) from General Fund	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(61,293)
Proceeds from New Debt	183,766
Interest Paid on Capital Debt	(34,808)
Principal Paid on Capital Debt	(179,060)
Net Cash Provided (Used) by Capital and related Financing Activities	<u>(91,395)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	523
Net Cash Provided by Investing Activities	<u>523</u>
Net Increase (decrease) in Cash and Cash Equivalents	22,185
Cash and Cash Equivalents, October 1, 2010	30,245
Cash and Cash Equivalents, September 30, 2011	<u>\$ 52,430</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 23,115
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation & Amortization Expense	85,939
(Increase) Decrease in Restricted Cash Account held by GTUA	2,069
(Increase) Decrease in Accounts Receivable	5,479
(Increase) Decrease in Due from other funds	7,060
Increase (Decrease) in Accounts Payable	(13,477)
Increase (Decrease) in Other Current Liabilities	2,872
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 113,057</u></u>

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

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Tom Bean, Texas (City), was established in 1887 and was incorporated in 1897. The City operates under a council-mayor form of government. The general government functions include law enforcement, streets, sanitation, public improvements, planning and zoning, and general administrative services. Proprietary Funds are used to account for the operations of the City's water, sewer, and sanitation services. Fire protection is provided by a separate entity, the Tom Bean Volunteer Fire Department.

The financial statements of the City of Tom Bean are prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publications entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (where applicable.) The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements. The following is a summary of the more significant policies:

**1. Financial Reporting Entity**

In evaluating how to define the City for financial statement purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles and Government Accounting Standards Board Statement No. 14. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability to exercise oversight responsibility, includes, but is not limited to: the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned criteria, the City's Community Development Corporation (CDC) and Economic Development Corporation (EDC) are component units of the City. The EDC and CDC are nonprofit organizations established in fiscal year ended 2010 to act on behalf of the City of Tom Bean under the Development Corporation Act of 1979, section 4A and 4B, respectively.

The financial statements include government-wide statements prepared on an accrual basis of accounting and fund financial statements that present information for individual major funds rather than by fund type.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2. Government-Wide Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from proprietary activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a given function are 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. Taxes or other items not included among functional revenues are reported as general revenues.

**3. 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, as are the proprietary (business-type activity) fund. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the 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 when eligibility requirements imposed by the provider have been met.

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 made.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as current assets. Gross receipts and sales taxes are considered measurable and recognizable when in the control of the intermediary collecting government that presents information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of fund's assets, liabilities, fund equity, revenues and expenses, as appropriate. Government resources are allocated to and for individual funds based on the purposes and functions for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

**GOVERNMENTAL FUND TYPES**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**ENTERPRISE FUND TYPES**

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is to recover costs (expenses, including depreciation) of providing goods or services to the general public through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. The Water and Sewer Fund is accounted for under this proprietary fund type. Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued, unless those pronouncements conflict with or contradict GASB pronouncements.

**4. Cash and Cash Equivalents**

The City considers all cash on hand, demand deposits, and highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

**5. Inter-fund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is recorded as "Amounts Due To" and "Amounts Due From" other funds appropriately. The General Fund owes the Water Fund \$22,852 at September 30, 2011 for various operating expenses.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**6. Property Taxes**

Ad valorem taxes are levied on October 1<sup>st</sup> and are due and payable at that time. All unpaid taxes levied October 1<sup>st</sup> become delinquent February 1<sup>st</sup> of the following year. Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Property tax revenues are recognized when they become available. Available includes those property taxes receivable, which are expected to be collected within sixty days after year-end.

**7. Bad Debts**

The City uses the allowance method of recording water, ambulance, court fines, and forfeiture bad debts. The City has established an allowance for doubtful accounts for delinquent taxes to the extent that their collection is improbable.

**8. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid in the government-wide fund financial statements.

**9. Property, Plant and Equipment**

Property, plant and equipment with a cost greater than \$1,000 and useful life over one year is capitalized and depreciated over its useful life. Property, plant and equipment used in governmental fund type operations are shown on the statement of net assets, rather than governmental funds. Accumulated depreciation has been provided on such property, plant and equipment. Depreciation expense is allocated in the general fund by function and is included as expense on the statement of activities.

All property, plant and equipment is reported at historical cost or estimated historical cost if actual historical cost is not available. Property, plant and equipment acquired through donation are recorded at estimated fair value on the date of donation. Depreciation is provided in the enterprise funds in amounts sufficient to relate the cost of the depreciable assets to operations over the estimated service life on the straight-line basis. The service lives by asset classification are follows:

Furniture, Fixtures and Equipment	5-10 years
Buildings and Improvements	12-40 years
Public Infrastructure	20 years
Water and Sewer Systems	20-50 years

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**10. Compensated Absences**

It is the City's policy to not carryover any unused employee vacation time as of each fiscal year-end. Therefore, there is no accrued compensated absences liability shown on these financial statements.

**11. 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.

**12. Net Assets and Fund Balances**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. For the year ended September 30, 2011, the Water Fund had restricted net assets in the amount of \$89,535. This amount includes funds held at Greater Texoma Utility Authority (GTUA) to be used exclusively for water and sewer system capital projects and repayment of contractual obligations.

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes in the fund financial statements for governmental type funds. It does not apply for the government-wide financial statements.

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

*Nonspendable* – such fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

*Restricted* – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,



**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**12. Net Assets and Fund Balances (continued)**

*Committed* – fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the Council (the City's highest level of decision-making authority),

*Assigned* – fund balance classification are intended to be used by the City's general fund for specific purposes but do not meet the criteria to be classified as restricted or committed, and

*Unassigned* – fund balance is the residual classification for the City's general fund and includes amounts not contained in the other classifications, and other fund's that have total negative fund balances.

For the classification of Governmental Fund balances, The City considers expenditure to be made from the most restrictive first when more than one classification is available. The City's general fund balances at September 30, 2011 are Restricted by law \$2,271, Assigned for future projects \$3,271, and Unassigned \$11,878.

**13. Budget and Budgetary Accounting**

Prior to September 1, the City Council submits a proposed budget for the ensuing fiscal year. At the meeting of the City Council at which the budget is submitted, the City Council fixes the time and place of the public hearing on the budget and causes to be published a notice of the budget hearing. After the budget hearing the budget may be adopted by a favorable vote of the majority vote of the Council. The City adopts a budget for the Governmental Fund Type and the Proprietary Fund Type during the month of September.

**NOTE B - CASH AND INVESTMENTS**

As of September 30, 2011, the City maintains bank accounts at First National Bank of Tom Bean. The City's investments are limited to demand deposits and certificates of deposits in financial institutions that are members of the Federal Deposit Insurance Corporation. At September 30, 2011, the City's deposits in its depository bank totaled \$93,637 with the full balance insured by the FDIC.

**Reconciliation of Balance Sheet Cash:**

Primary Government Cash on Balance Sheet	\$ 183,372
Restricted Cash and Investments on Balance Sheet	
(Less) Cash Deposits Held by GTUA	(89,535)
(Less) Petty Cash on Balance Sheet	(200)
Deposits with Financial Institutions:	<u>\$ 93,637</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE C – RECEIVABLES**

Government-wide receivables as of September 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund	Totals
Receivables:			
Ad valorem taxes	\$ 15,967	\$ -	\$ 15,967
Sales taxes	6,308	-	6,308
Court	91,623	-	91,623
Franchise	9,604	-	9,604
Accounts	-	36,776	36,776
Gross receivables	123,502	36,776	160,278
Less: Uncollectible allowance	(77,452)	(8,840)	(86,292)
Net total receivables	<u>\$ 46,050</u>	<u>\$ 27,936</u>	<u>\$ 73,986</u>

**NOTE D – PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of the property, plant and equipment of the proprietary funds at September 30, 2011:

	October 1, 2010	Additions	Deletions	September 30, 2011
Capital assets, non-depreciable				
Land	\$ 9,850	\$ -	\$ -	\$ 9,850
Capital assets, being depreciated				
Machinery & equipment	81,410	6,128	-	87,538
Furniture & fixtures	1,500	-	-	1,500
Water & sewer system	2,587,581	55,165	-	2,642,746
Total business-type capital assets	2,680,341	61,293	-	2,741,634
Less: accumulated depreciation	(1,358,073)	(85,939)	-	(1,444,012)
<b>Business-type capital assets, net</b>	<u>\$ 1,322,268</u>	<u>\$ (24,646)</u>	<u>\$ -</u>	<u>\$ 1,297,622</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE D – PROPERTY, PLANT AND EQUIPMENT (continued)**

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2011:

	October 1, 2010	Additions	Deletions	September 30, 2011
Capital assets, not being depreciated				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital assets, being depreciated				
Parks	46,223	-	-	46,223
Buildings	111,459	2,500	-	113,959
Other improvements	86,282	1,200	-	87,482
Vehicles and equipment	194,376	-	-	194,376
Streets and other infrastructure	1,368,493	22,118	-	1,390,611
Furniture and fixtures	28,317	-	-	28,317
Total capital assets	1,842,150	25,818	-	1,867,968
Less: accumulated depreciation	(684,786)	(46,193)	-	(730,979)
<b>Governmental capital assets, net</b>	<b>\$ 1,157,364</b>	<b>\$ (20,375)</b>	<b>\$ -</b>	<b>\$ 1,136,990</b>

Several beginning asset balances were restated per footnote J. Depreciation for general fixed assets is included as an expense for governmental activities on the statement of activities. Depreciation is allocated to each governmental function of the primary government as follows:

Public Safety	\$ 19,198
General Government	26,995
Total	<u>\$ 46,193</u>

**NOTE E – PROPERTY TAX REVENUE**

Property and personal taxes are billed and collected by the Office of John Ramsey, Grayson County Tax Assessor/Collector. For the year ended September 30, 2011 the tax rate was \$.499980 per \$100 assessed valuation.

**NOTE F - RETIREMENT PLAN**

**Plan Description**

The City provides pension benefits for full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of hundreds administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE F - RETIREMENT PLAN (continued)**

TMRS issues publically available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the Plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his/her salary in the last three years that are one year before the effective date. At retirement (any age with 20 years of service), the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The Plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rate:	5%
Matching Ratio (City to Employee):	1 to 1
Member Vested After:	5 years of service
Retirement Eligibility:	Minimum age 60 with 5 years of service. Any age with 20 years of service

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and the prior service contribution rate include recognition of the projected impact of annually repeating the benefits, such as Updated Service Credits and Annuity

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE F - RETIREMENT PLAN (continued)**

Increases. The City contributes to the TMRS Plan at an actuarial determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2009 valuation is effective for rates beginning January 2010).

The City's total payroll in the current year was \$231,582 and the City's TMRS covered payroll was \$231,582. Both the City and the covered employees made the required contributions, amounting to \$2,665 (2.50% of covered payroll during the 4th quarter of calendar year 2010 and 2.80% of covered payroll during the first thru third quarters of calendar year 2011) for the City and \$10,000 for the employees.

The annual pension cost and net pension obligation/asset are as follows:

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	12/31/2010	12/31/2009	12/31/2008
Value of Assets	\$ 139,499	\$ 111,165	\$ 94,833
Accrued Liability	150,836	134,724	118,071
(Unfunded) Accrued Liability	\$ (11,337)	\$ (23,559)	\$ (23,238)
Percentage Funded	92.5%	82.5%	80.3%
Annual Covered Payroll	\$ 210,336	\$ 217,224	\$ 218,253
Ratio of Unfunded to Annual Covered Payroll	5.5%	10.8%	10.6%
Financial Year Ended September 30,	2011	2010	2009
Contributions Made	\$ 2,665	\$ 6,265	\$ 5,598

**NOTE G – LONG-TERM LIABILITIES**

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2011:

**Governmental Activities**

Description	Interest Rate Payable	Balance October 1, 2010	Additions	Retired	Balance September 30, 2011	Due Within One Year
Demand Note Payable - Trucks	5.0%	48,030	-	(9,564)	38,466	10,049
		\$ 48,030	\$ -	\$ (9,564)	\$ 38,466	\$ 10,049

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE G – LONG-TERM LIABILITIES (continued)**

On February 22, 2010, the City entered into a \$53,400 loan agreement to purchase two police trucks. The note is payable upon demand, but if no demand is made, there will be sixty-two monthly payments and will mature on April 22, 2015. Collateral for these City notes are the related financed vehicles.

The following is a schedule of future vehicle demand note payable payments, if paid according to terms:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,049	\$ 1,699	\$ 11,748
2013	10,568	1,180	11,748
2014	11,109	639	11,748
2015	6,740	113	6,853
Totals	<u>\$ 38,466</u>	<u>\$ 3,631</u>	<u>\$ 42,097</u>

Due to the demand provisions of this note, the entire \$38,466 balance is presented as current portions of long-term debt on the statement of net assets.

**Business-Type Activities (Proprietary Fund)**

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2011</u>	<u>Due Within One Year</u>
<b>GTUA Contractual Obligations:</b>						
Series 1988 Obligation	7.44%	\$ 85,000	\$ -	\$ (40,000)	\$ 45,000	\$ 45,000
Series 2000 Obligation	4.74%	450,000	-	(5,000)	445,000	5,000
Total Contractual Obligations:		535,000	-	(45,000)	490,000	50,000
<b>Notes Payable:</b>						
ORCA demand note payable	4.50%	128,875	-	(128,875)	-	-
Refinance ORCA Loan	4.50%	-	183,766	(5,185)	178,581	10,871
Total Notes Payable:		128,875	183,766	(134,060)	178,581	10,871
Total Long-Term Debt:		<u>\$ 663,875</u>	<u>\$ 183,766</u>	<u>\$ (179,060)</u>	<u>\$ 668,581</u>	<u>\$ 60,871</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE G – LONG-TERM LIABILITIES (continued)**

The City entered into two separate long-term water supply and sewer service contracts with Greater Texoma Utility Authority (GTUA) on October 3, 2000 and June 1, 1988. The City has an obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, and pay the administrative and overhead expenses by GTUA in connection with the bonds.

Under the terms of the contracts, the City's obligation to make payments to GTUA terminates when all GTUA bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

The original principal obligation of the series 2000 contract was \$500,000, with interest rates of 4.74%. The City's obligation to GTUA under the 2000 contract expires with the retirement of the GTUA bonds in the fiscal year ending July 1, 2020.

The original principal obligation of the 1988 contract was \$480,000, with interest rates 7.44%. The City's obligation to GTUA under the 1988 contract expires with the retirement of the GTUA bonds in the fiscal year ending July 1, 2012.

The following is a schedule of future GTUA contractual obligation payments:

Year Ending September 30	Principal	Interest	Total
2012	\$ 50,000	\$ 24,527	\$ 74,527
2013	45,000	20,930	65,930
2014	50,000	18,882	68,882
2015	50,000	16,582	66,582
2016	55,000	14,258	69,258
2017-2020	240,000	29,930	269,930
Totals	<u>\$ 490,000</u>	<u>\$ 125,109</u>	<u>\$ 615,109</u>

On January 7, 2009, the City of Tom Bean entered into a \$147,000 note agreement to finance the City's matching portion required for a state grant. The note is payable upon demand, but if no demand is made, then there will be one-hundred and forty-four (144) monthly payments and mature in January of 2021. The loan's interest rate was 4.5% at September 30, 2010. The rate is adjusted annually to equal the Wall Street Journal's published prime rate, but may not go below 4.5% or above 12%. Collateral for the note is proprietary fund accounts receivable.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE G – LONG-TERM LIABILITIES (continued)**

On March 14, 2011, the City of Tom Bean paid off the ORCA note payable described above with the issuance of a new bank note payable in the amount of \$183,766. In addition to retiring all \$123,766 of ORCA note debt remaining on that date, the note also provided an additional \$60,000 of funding for the City to make water well improvements. The note has a fixed 4.5% interest rate and is secured by accounts receivable for the proprietary fund. The terms of the agreement allow the bank to demand payment in full at any time, but if no such demand is made, this will be a thirteen year note with monthly payments and will mature on March 14, 2024.

The following is a schedule of future refinanced ORCA note payable payments, if paid according to the terms:

Year Ending September 30	Principal	Interest	Total
2012	\$ 10,871	\$ 7,833	\$ 18,704
2013	11,393	7,311	18,704
2014	11,916	6,788	18,704
2015	12,464	6,240	18,704
2016	13,021	5,683	18,704
2017-2021	74,721	18,797	93,518
2022-2024	44,195	2,610	46,805
Totals	\$ 178,581	\$ 55,262	\$ 233,843

Due to the demand provisions of the ORCA note, the entire \$178,581 balance is presented as current portions of long-term debt on the financial statements.

**NOTE H – INSURANCE COVERAGE**

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2010 to September 30, 2011 the City maintained insurance coverage as follows:

Type of Coverage

General Liability	Errors & Omissions Liability	Law Enforcement Liability
Automobile Liability	Real & Personal Property	
Auto Physical Damage	Mobile Equipment	

**NOTE I – SUBSEQUENT EVENTS**

The City has evaluated all events or transactions that occurred after September 30, 2011 up through the date the financial statements were issued. During this period, there were no subsequent events requiring disclosure.



**City of Tom Bean, Texas**  
**Notes to the Financial Statements**  
**September 30, 2011**

**NOTE J – PRIOR PERIOD ADJUSTMENTS**

The General Fund balance, the Governmental Activities net assets and certain capital asset balances were restated at September 30, 2010 due to the identification of capital outlay expenditures in the amount of \$18,679 recorded in the incorrect period and certain assets no longer in service in the amount of \$14,853 that were not removed from the depreciation schedule. The following are the original and restated balances:

	<u>As restated</u>	<u>Original audited balance</u>
General Fund balances	\$ 13,461	\$ 32,140
Governmental Activities net assets	\$ 1,944,112	\$ 1,958,965
Beginning capital asset balances, net	<u>\$ 1,157,364</u>	<u>\$ 1,153,540</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Tom Bean, Texas**  
**General Fund Budgetary Comparison**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Property Taxes	\$ 162,775	\$ 162,775	\$ 169,417	\$ 6,642
Police Department and Court	144,000	144,000	129,815	(14,185)
Franchise Taxes	42,000	42,000	46,076	4,076
General Sales and Use Taxes	35,000	35,000	32,241	(2,759)
Grants, Permits and Other	2,890	2,890	19,284	16,394
Total Revenues	386,665	386,665	396,833	10,168
<b>EXPENDITURES</b>				
Police Department	169,359	169,359	166,205	3,154
General Government	113,560	113,560	130,920	(17,360)
Court	52,050	52,050	47,003	5,047
Capital Outlay	25,300	25,300	25,818	(518)
Debt Service	11,808	11,808	11,748	60
Fire Protection	6,360	6,360	6,180	180
Emergency & Medical Service	5,000	5,000	5,000	-
Total Expenditures	383,437	383,437	392,874	(9,437)
Excess (Deficiency) of Revenues over Expenditures	3,228	3,228	3,959	731
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	-	-	-
Total Other financing Sources (Uses)	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>\$ 3,228</b>	<b>\$ 3,228</b>	<b>\$ 3,959</b>	<b>\$ 731</b>

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