

CITY OF TOM BEAN, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2012

City of Tom Bean, Texas
Annual Financial Report
For the Year Ended September 30, 2012

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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, 2012, 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, 2012, 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
May 20, 2013

REQUIRED SUPPLEMENTARY INFORMATION

City of Tom Bean, Texas
Management Discussion and Analysis
For the Year Ended September 30, 2012

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, 2012. 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, 2012 (FY12) by \$1,939,619. This is an increase in net assets of \$21,258 over FY11's net asset value of \$1,918,361. Unrestricted net assets at the close of FY12 are \$145,082 and may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$46,092 over FY11's unrestricted net asset value of \$98,990.
- As of the close of the current fiscal year, the City's governmental funds reported on page 10 have an ending fund balance of \$10,546 due to a current year decrease of \$6,875.

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 FY2012 government-wide financial statements with a comparison to FY2011 balances:

City of Tom Bean-Statement of Activities

	<u>FY12</u>	<u>FY11</u>
Revenues:		
Program revenues		
Water Fund charges for services	\$ 433,160	\$ 457,459
General Fund charges for services	162,285	143,763
Grants and contributions	-	1,048
General revenues	<u>257,521</u>	<u>245,605</u>
Total Revenues	<u>852,966</u>	<u>847,875</u>
Expenses:		
General government & Court	208,592	213,282
Water, sewer, and sanitation	421,560	469,941
Police	196,556	185,403
Emergency medical service	<u>5,000</u>	<u>5,000</u>
Total Expenses	<u>831,708</u>	<u>873,626</u>
Increase (Decrease) in Net Assets	<u>\$ 21,258</u>	<u>\$ (25,751)</u>

City of Tom Bean-Statement of Net Assets

	<u>FY12</u>	<u>FY11</u>
Current and other assets	\$ 315,041	\$ 266,956
Capital assets	<u>2,339,609</u>	<u>2,434,612</u>
Total assets	<u>2,654,650</u>	<u>2,701,568</u>
Current payables & other liabilities	78,895	76,160
Long-Term Liabilities	<u>636,136</u>	<u>707,047</u>
Total Liabilities	<u>715,031</u>	<u>783,207</u>
Net assets:		
Invested in capital assets, net of debt	1,703,473	1,727,565
Restricted for debt service & other	91,064	91,806
Unrestricted	<u>145,082</u>	<u>98,990</u>
Total net assets	<u>1,939,619</u>	<u>\$ 1,918,361</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The City's net assets increased to \$1,939,619 from \$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 \$145,082 at September 30, 2012. Eighty eight percent (88%) 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 \$402,292, while total expenditures were \$409,167. This resulted in an excess of expenditures over revenues of \$6875 from current operations. Last year's result was an excess of revenues over expenditures of \$3,959. The City's general fund revenues for FY12 were \$5,459 more than the previous year. Most of this increase in revenues resulted from increases in court income and property taxes. Total expenditures increased \$16,293 from 2011 totals. One of the largest increases in expenditures came from a \$10,048 increase in capital outlays for street improvements.

The governmental fund (as presented in the balance sheet on page 10) reported a fund balance of \$10,546 compared to \$17,420 in FY11. This represents a decrease of \$6,875. This decrease also resulted in a \$14,834 negative variance with the General Fund's budget versus actual results as shown on page 30.

Revenues for the City's proprietary fund were \$434,274 while expenses were \$421,560. This resulted in an increase in net assets of \$12,714. Last year's result was a decrease in net assets of \$11,959.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for all activities as of September 30, 2012 amounts to \$2,339,609, compared to \$2,434,612 (net of accumulated depreciation) at September 30, 2011. 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 \$636,136. FY2012 principal payments totaled \$70,910 and all payments were made when due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continued to experience moderate growth in property tax revenue. Property taxes are the City's largest source of revenue in the general fund.

These revenues and other factors were considered in preparing the City's budget for the 2012-2013 fiscal year. The operating budget for the 2012-2013 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 reapplied for a street grant for the completion of Ball Street to the end of Ball Road which was estimated at \$125,000. Because of the need to complete the roughest part of Ball Street which was mainly used by school buses, we made the decision to pave this stretch of road at a cost of \$35,865.85 to the taxpayers along with \$1,546.90 for hot patching repairs on our existing streets. This is a yearly maintenance that we do in order to keep our streets in good condition.

We did not increase the property tax rate for 2012 since we raised it to \$.5351 per \$100 assessed value for the prior year. We amended the 2012 budget to include a \$5000 donation from the Type A Community Development Board to increase our capability to renovate the portion of Ball Street. Several line items in our general fund needed to be amended due to items such as unexpected rise in fuel costs and unexpected vehicle repair costs.

Since the City took the necessary steps to purchase the new United Systems Technology Incorporated fund account software, we have had to contract with a consultant of which had to be added into our annual budget. Overall, this new system has been a painful process in that it now requires more bookkeeping and has increased the workload in the office. Much online training was taken last year but additional training is still required at this point. But the final result of the changeover to this new accounting system will be beneficial to the city in the future as we get more familiar with the software.

Revenue from old outstanding warrants remained constant due to the close working interaction with the court clerk and the police department. This year was rough financially due to the fact that we came up short in the revenue for our court fines line item.

The Water Fund or Proprietary Fund continues to show a steady increase in revenue. Water loss issues continue to plague the city and the Public Works Department monitor daily for leaks around the city. Older water meter changeouts continue to be a part of our maintenance effort to reduce water loss and get more accurate water readings. One new fire hydrant installation was budgeted and installed this year in an area that had been missing a hydrant for years along FM2729. Our recycling effort has increased this year and continues to be a great program for our citizens.

The water and sewer rates did not increase for 2012 and several line items in our water fund needed to be amended due to items such as unexpected rise in fuel costs and unexpected vehicle repair costs.

Due to budget constraints, we had to search for another alternative to our EMS provider and in the end we selected Van Alstyne EMS because they met our budgeted amount of \$5,000 vs. the previous provider from years past who increased their contract to \$12,000.

Additional changes to city staff included the hiring of a new attorney due to the sudden death of our former attorney and the replacement of our Police Chief. Along with this, the city personnel manual was updated to reflect changes that needed to be addressed.

We also worked with TxDOT in the issue of the median areas along SH 11 (surplus ROW) and the city was finally able to get a deed of these areas at no cost to the taxpayers. The city had been upkeeping and mowing these areas for years and we felt that this surplus area should be owned by the City.

Since the Type A Community Development and Type B Economic Development Boards have been in existence for over two years, they have been able to realize sales tax revenues of approximately \$32,000 in each of the accounts. Several projects for the city have come from these funds and we will continue to plan for future projects from both boards. A summer workshop of both boards and P&Z was held to discuss upcoming projects that could benefit our city. We also were very proud to add three new businesses to our city this summer in which will increase our sales tax revenue.

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.

Sherry Howard, Mayor
City of Tom Bean, Texas

BASIC FINANCIAL STATEMENTS

City of Tom Bean, Texas
Statement of Net Assets
September 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and Cash Equivalents	\$ 42,613	\$ 57,037	\$ 99,650	\$ 26,998	\$ 19,649
Property Taxes Receivable, net	16,079	-	16,079	-	-
Court Receivable, net	29,286	-	29,286	-	-
Sales Taxes Receivable, net	6,247	-	6,247	3,124	3,124
Other Receivables, net	11,100	57,473	68,573	-	-
Due from Other Governments	-	-	-	1,706	1,706
Prepaid Bond Issue Costs, net	-	8,170	8,170	-	-
Internal Balances	(22,852)	22,852	-	-	-
Restricted Assets:					
Deposits held in Trust by GTUA	-	87,036	87,036	-	-
Capital Assets not being Depreciated:					
Land	7,000	9,850	16,850	-	-
Capital Assets net of Accumulated Depreciation:					
Buildings	66,914	-	66,914	-	-
Improvements other than Buildings	9,241	-	9,241	-	-
Furniture and Fixtures	1,053	-	1,053	-	-
Machinery and Equipment	33,649	13,706	47,355	-	-
Public Infrastructure	1,008,112	1,190,084	2,198,196	-	-
Total Assets	1,208,442	1,446,208	2,654,650	31,828	24,479
LIABILITIES					
Accounts Payable and Other Current Liabilities	43,360	9,093	52,453	-	-
Interest Payable	-	5,186	5,186	-	-
Customer Deposits Payable	-	17,844	17,844	-	-
Due to Other Governments	3,412	-	3,412	-	-
Noncurrent Liabilities:					
Due within One Year	28,426	212,710	241,136	-	-
Due in More than One Year	-	395,000	395,000	-	-
Total Liabilities	75,198	639,833	715,031	-	-
NET ASSETS					
Investment in Capital Assets, net of Related Debt	1,097,543	605,930	1,703,473	-	-
Restricted for:					
Court Security and Technology	4,028	-	4,028	-	-
Deposits Held by GTUA	-	87,036	87,036	-	-
Unrestricted	31,673	113,409	145,082	31,828	24,479
Total Net Assets	\$ 1,133,244	\$ 806,375	\$ 1,939,619	\$ 31,828	\$ 24,479

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, 2012

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	
Primary Government:							
Governmental Activities:							
Police	\$ 196,556	\$ -	\$ -	\$ -	\$ (196,556)	\$ (196,556)	
General Government	103,396	9,109	-	-	(94,287)	(94,287)	
Court	103,497	153,176	-	-	49,679	49,679	
Fire Protection and Ambulance	5,000	-	-	-	(5,000)	(5,000)	
Interest on Long-Term Debt	1,699	-	-	-	(1,699)	(1,699)	
Total Governmental Activities	410,148	162,285	-	-	(247,863)	(247,863)	
Business-Type Activities							
Water, Sewer, and Sanitation Operations	421,560	433,160	-	-	-	11,600	
Total Business-Type Activities	421,560	433,160	-	-	-	11,600	
Total Primary Government	\$ 831,708	\$ 595,445	\$ -	\$ -	(247,863)	11,600	
Component Units:							
Economic Development Corporation	\$ 924	\$ -	\$ -	\$ -	-	(924)	\$ -
Community Development Corporation	8,178	-	-	-	-	-	(8,178)
Total Component Units	\$ 9,102	\$ -	\$ -	\$ -	-	(924)	(8,178)
General Revenues:							
Property Taxes				180,696	-	-	-
General Sales and Use Taxes				32,568	-	16,284	16,284
Franchise Taxes				42,956	-	-	-
Investment Earnings				187	1,114	-	-
Total General Revenues				256,407	1,114	16,284	16,284
Change in Net Assets				8,544	12,714	15,360	8,106
Net Assets - Beginning				1,124,700	793,661	16,468	16,373
Net Assets - Ending				\$ 1,133,244	\$ 806,375	\$ 31,828	\$ 24,479

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, 2012

	General Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 42,613
Receivables, Net:	
Property Taxes	16,079
Court	29,286
Sales Taxes	6,247
Franchise	11,100
Total Current Assets	<u>105,325</u>
Total Assets	<u><u>105,325</u></u>
LIABILITIES AND FUND BALANCES	
Current Liabilities:	
Accounts Payable	46,773
Due to Water Fund	22,852
Deferred Revenue	25,154
Total Current Liabilities	<u>94,779</u>
Fund Balances:	
Restricted Court Security and Technology	4,028
Assigned for Future Projects	3,271
Unassigned	3,247
Total Fund Balances	<u>10,546</u>
Total Liabilities and Fund Balances	<u><u>\$ 105,325</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, 2012

Fund Balance of Governmental Funds	\$ 10,546
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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.	1,125,969
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Long term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in Governmental Funds.	(28,426)
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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.	25,155
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Net Assets of Governmental Activities	<u>\$ 1,133,244</u>
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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 Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	<u>General Fund</u>
REVENUES	
Taxes:	
Property	\$ 179,411
Franchise	42,956
General Sales and Use	32,568
Municipal Court	138,061
Other Revenue	9,109
Interest Revenue	187
Total Revenues	<u>402,292</u>
EXPENDITURES	
Current:	
Police Department	177,358
Municipal Court	103,497
General Government	59,048
Streets	13,755
Emergency Medical Service	5,000
Library	2,904
Debt Service:	
Principal	10,040
Interest	1,699
Capital Outlay:	
Infrastructure and Buildings	35,866
Total Expenditures	<u>409,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,875)</u>
Net Change in Fund Balance	(6,875)
Fund Balance - Beginning	17,421
Fund Balance - Ending	<u>\$ 10,546</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, 2012

Net Change in Fund Balance - Total Governmental Funds \$ (6,875)

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.

(11,021)

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

10,040

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

16,400

Change in Net Assets of Governmental Activities

\$ 8,544

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, 2012

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 57,037
Accounts Receivables, Net	57,473
Due from General Fund	22,852
Prepaid Bond Issue Costs	8,170
Total Current Assets	<u>145,532</u>
Restricted Assets:	
Restricted Deposits Held by GTUA	<u>87,036</u>
Total Restricted Assets	<u>87,036</u>
Capital Assets:	
Land	9,850
Machinery, Furniture, and Equipment	89,038
Water and Sewer System	2,642,746
Less Accumulated Depreciation	(1,527,994)
Total Capital Assets, Net	<u>1,213,640</u>
Total Assets	<u>1,446,208</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	9,093
Interest Payable	5,186
Customer Deposits Payable	17,844
Notes payable ORCA Match - Current Portion	167,710
Contractual Obligation - Current Portion	45,000
Total Current Liabilities	<u>244,833</u>
Noncurrent Liabilities:	
Contractual Obligation - Long Term Portion	<u>395,000</u>
Total Noncurrent Liabilities	<u>395,000</u>
Total Liabilities	<u>639,833</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	605,930
Restricted Deposits with GTUA	87,036
Unrestricted	113,409
Total Net Assets	<u><u>\$ 806,375</u></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, 2012

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Water	\$ 241,208
Sewer	123,799
Sanitation	42,272
Late Charges, Connect Fees, and Other	25,881
Total Operating Revenues	<u>433,160</u>
Operating Expenses:	
Salaries and Benefits	129,208
Supplies, Maintenance & Repairs	58,900
Depreciation	83,982
Utilities	56,436
Sanitation Contract	33,949
Other Operating Expenses	26,197
Total Operating Expenses	<u>388,672</u>
Operating Income (Loss)	<u>44,488</u>
Nonoperating Sources (Uses)	
Bond Issuance Costs	(1,428)
Interest income	1,114
Interest Expense	(31,460)
Total Nonoperating Revenue (Expenses)	<u>(31,774)</u>
Change in Net Assets	12,714
Total Net Assets - Beginning	793,661
Total Net Assets - Ending	<u><u>\$ 806,375</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, 2012

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 403,623
Cash Paid to Employees	(129,208)
Cash Paid to Suppliers for Goods and Services	(176,701)
Net Cash Provided by Operating Activities	<u>97,714</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net Cash Provided by Noncapital Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Paid on Capital Debt	(32,406)
Principal Paid on Capital Debt	(60,870)
Net Cash Provided (Used) by Capital and related Financing Activities	<u>(93,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>169</u>
Net Cash Provided by Investing Activities	<u>169</u>
Net Increase (decrease) in Cash and Cash Equivalents	4,607
Cash and Cash Equivalents, October 1, 2011	<u>52,430</u>
Cash and Cash Equivalents, September 30, 2012	<u><u>\$ 57,037</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 44,488
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation Expense	83,982
(Increase) Decrease in Accounts Receivable	(29,537)
Increase (Decrease) in Accounts Payable	(1,219)
Net Cash Provided by Operating Activities	<u><u>\$ 97,714</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, 2012

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, 2012

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, 2012

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, 2012 for various operating expenses paid in previous years.

City of Tom Bean, Texas
Notes to the Financial Statements
September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Property Taxes

Ad valorem taxes are levied on October 1st and are due and payable at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year. Property taxes attach as an enforceable lien on property as of January 1st. 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, 2012

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, 2012, the Water Fund had restricted net assets in the amount of \$87,036. 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 City has adopted the Governmental Accounting Standards Board's (GASB) *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, 2012

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 expenditures to be made from the most restrictive first when more than one classification is available.

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, 2012, 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, 2012, the City's deposits in its depository bank totaled \$99,450 with the full balance insured by the FDIC.

Reconciliation of Balance Sheet Cash:

Primary Government Cash on Balance Sheet	\$ 99,650
(Less) Petty Cash on Balance Sheet	(200)
Deposits with Financial Institutions:	<u>\$ 99,450</u>

City of Tom Bean, Texas
Notes to the Financial Statements
September 30, 2012

NOTE C – RECEIVABLES

Government-wide receivables as of September 30, 2012, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund	Totals
Receivables:			
Ad valorem taxes	\$ 16,079	\$ -	\$ 16,079
Sales taxes	6,247	-	6,247
Court	118,140	-	118,140
Franchise	11,100	-	11,100
Accounts	-	65,841	65,841
Gross receivables	151,566	65,841	217,407
Less: Uncollectible allowance	(88,854)	(8,368)	(97,222)
Net total receivables	<u>\$ 62,712</u>	<u>\$ 57,473</u>	<u>\$ 120,185</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, 2012:

	October 1, 2011	Additions	Deletions	September 30, 2012
Capital assets, non-depreciable				
Land	\$ 9,850	\$ -	\$ -	\$ 9,850
Capital assets, being depreciated				
Machinery & equipment	87,538	-	-	87,538
Furniture & fixtures	1,500	-	-	1,500
Water & sewer system	2,642,746	-	-	2,642,746
Total business-type capital assets	2,741,634	-	-	2,741,634
Less: accumulated depreciation	(1,444,012)	(83,982)	-	(1,527,994)
Business-type capital assets, net	<u>\$ 1,297,622</u>	<u>\$ (83,982)</u>	<u>\$ -</u>	<u>\$ 1,213,640</u>

City of Tom Bean, Texas
Notes to the Financial Statements
September 30, 2012

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, 2012:

	October 1, 2011	Additions	Deletions	September 30, 2012
Capital assets, not being depreciated				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital assets, being depreciated				
Parks	46,223	-	-	46,223
Buildings	113,959	-	-	113,959
Other improvements	87,482	-	-	87,482
Vehicles and equipment	194,376	-	-	194,376
Streets and other infrastructure	1,390,611	35,866	-	1,426,477
Furniture and fixtures	28,317	-	-	28,317
Total capital assets	1,867,968	35,866	-	1,903,834
Less: accumulated depreciation	(730,979)	(46,887)	-	(777,866)
Governmental capital assets, net	<u><u>\$ 1,136,989</u></u>	<u><u>\$ (11,021)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,125,969</u></u>

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
Streets	18,990
General Government	8,699
Total	<u><u>\$ 46,887</u></u>

NOTE E – PROPERTY TAX REVENUE

Property and personal taxes are billed and collected by the Grayson County Tax Assessor/Collector. For the year ended September 30, 2012, the tax rate was \$.535100 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, 2012

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.

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, 2012

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).

Both the City and the covered employees made the required TMRS contributions for fiscal year 2012.

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

Schedule of Actuarial Liabilities and Funding Progress

<u>Actuarial Valuation Date</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2009</u>
Value of Assets	\$ 154,888	\$ 139,499	\$ 111,165
Accrued Liability	158,191	150,836	134,724
(Unfunded) Accrued Liability	\$ (3,303)	\$ (11,337)	\$ (23,559)
Percentage Funded	97.9%	92.5%	82.5%
Annual Covered Payroll	\$ 197,831	\$ 210,336	\$ 217,224
Ratio of Unfunded to Annual Covered Payroll	1.7%	5.5%	10.8%
<u>Financial Year Ended September 30,</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contributions Made	\$ 3,246	\$ 2,665	\$ 6,265

NOTE G – LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2012:

Governmental Activities

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
Demand Note Payable - Trucks	5.0%	38,466	-	(10,040)	28,426	10,568
		\$ 38,466	\$ -	\$ (10,040)	\$ 28,426	\$ 10,568

City of Tom Bean, Texas
Notes to the Financial Statements
September 30, 2012

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 the note will mature on April 22, 2015. Collateral for this note is 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>
2013	\$ 10,568	\$ 1,180	\$ 11,748
2014	11,109	639	11,748
2015	6,749	104	6,853
Totals	<u>\$ 28,426</u>	<u>\$ 1,923</u>	<u>\$ 30,349</u>

Due to the demand provisions of this note, the entire \$28,426 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, 2011</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2012</u>	<u>Due Within One Year</u>
GTUA Contractual Obligations:						
Series 1988 Obligation	7.44%	\$ 45,000	\$ -	\$ (45,000)	\$ -	\$ -
Series 2000 Obligation	4.74%	445,000	-	(5,000)	440,000	45,000
Total Contractual Obligations:		490,000	-	(50,000)	440,000	45,000
Notes Payable:						
Refinance ORCA Loan	4.50%	178,534	-	(10,870)	167,664	11,393
Total Notes Payable:		178,534	-	(10,870)	167,664	11,393
Total Long-Term Debt:		<u>\$ 668,534</u>	<u>\$ -</u>	<u>\$ (60,870)</u>	<u>\$ 607,664</u>	<u>\$ 56,393</u>

City of Tom Bean, Texas
Notes to the Financial Statements
September 30, 2012

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:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	55,000	11,645	66,645
2018-2020	185,000	18,285	203,285
Totals	<u>\$ 440,000</u>	<u>\$ 100,582</u>	<u>\$ 540,582</u>

On March 14, 2011, the City of Tom Bean paid off an ORCA note payable 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.

City of Tom Bean, Texas
Notes to the Financial Statements
September 30, 2012

NOTE G – LONG-TERM LIABILITIES (continued)

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
2013	\$ 11,393	\$ 7,311	\$ 18,704
2014	11,916	6,787	18,703
2015	12,464	6,240	18,704
2016	13,021	5,683	18,704
2017	13,634	5,069	18,703
2018-2022	78,154	15,364	93,518
2023-2024	27,082	974	28,056
Totals	<u>\$ 167,664</u>	<u>\$ 47,428</u>	<u>\$ 215,092</u>

Due to the demand provisions of the ORCA note, the entire \$167,664 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, 2011 to September 30, 2012 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, 2012 up through the date of the auditor's report date on page 3. This is the date the financial statements were available for issuance. There are no subsequent events requiring disclosure.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Property Taxes	\$ 174,814	\$ 175,063	\$ 179,411	\$ 4,348
Police Department and Court	136,050	136,050	138,061	2,011
Franchise Taxes	43,000	43,000	42,956	(44)
General Sales and Use Taxes	36,000	36,000	32,568	(3,432)
Grants, Permits and Other	3,300	8,300	9,296	996
Total Revenues	393,164	398,413	402,292	3,879
EXPENDITURES				
Police Department	188,346	179,109	177,358	1,751
Court	91,036	90,999	103,497	(12,498)
General Government	48,297	50,980	59,048	(8,068)
Streets	9,900	9,950	13,755	(3,805)
Emergency & Medical Service	9,000	5,000	5,000	-
Library	3,666	3,666	2,904	762
Capital Outlay				
Infrastructure and Buildings	37,000	39,000	35,866	3,134
Debt Service:				
Principal Expense	-	10,050	10,040	10
Interest Expense	-	1,700	1,699	1
Total Expenditures	387,245	390,454	409,167	(18,713)
Excess (Deficiency) of Revenues over Expenditures	5,919	7,959	(6,875)	(14,834)
Net Change in Fund Balances	\$ 5,919	\$ 7,959	\$ (6,875)	\$ (14,834)

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