

**CITY OF TOM BEAN, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2013**

**City of Tom Bean, Texas  
Annual Financial Report  
For the Year Ended September 30, 2013**

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**LaFollett and Abbott PLLC**  
Certified Public Accountants

Susan LaFollett, CPA – Partner  
Rod Abbott, CPA – Partner

### 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 the City of Tom Bean, Texas (City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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 and for the year ended September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Budgetary Comparison Schedule – General Fund, and Texas Municipal Retirement System Schedule of Funding Progress on pages 3–8, 32, and 33 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.

A handwritten signature in black ink that reads "J. J. Fallett and Albert PLLC". The signature is written in a cursive, flowing style.

Tom Bean, Texas  
August 18, 2014

**City of Tom Bean, Texas**  
**Management Discussion and Analysis**  
**For the Year Ended September 30, 2013**

Our discussion and analysis of the City of Tom Bean's (City's) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2013. 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, 2013 (FY13) by \$1,910,651. This is a decrease in net position of \$38,243 from FY12's restated net asset value of \$1,948,894. Unrestricted net position at the close of FY13 is \$184,151 and may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$29,794 over FY12's restated unrestricted net position value of \$154,357. (See Note 9 to the financial statements on page 29 for more information on the prior period adjustment.)
- As of the close of the current fiscal year, the City's governmental fund reported on page 13 has an ending fund balance of \$42,932 due to a current year increase of \$21,563.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). 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 11) 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 18) 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 Position 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 9. 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 Position 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) operating grants and contributions, 3) capital grants and contributions, and 4) 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 position and changes in them. The City's net position (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 position is 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 Position 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 11 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 Position and the Statement of Activities) and governmental funds in reconciliation schedules found on pages 12 and 14.

**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 FY13 government-wide financial statements with a comparison to FY12 balances (as restated where applicable, see note 9 on page 29):

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

	<u>FY13</u>	<u>FY12</u>
Current and other assets	\$ 339,402	\$ 302,700
Capital assets	2,276,472	2,339,609
Total assets	<u>\$ 2,615,874</u>	<u>\$ 2,642,309</u>
Current payables and other liabilities	\$ 68,390	\$ 57,279
Long-term liabilities	636,833	636,136
Total liabilities	<u>\$ 705,223</u>	<u>\$ 693,415</u>
Net position:		
Net investment in capital assets	\$ 1,639,639	\$ 1,703,473
Restricted for debt service and other	86,861	91,064
Unrestricted (as restated for FY12)	184,151	154,357
Total net position	<u>\$ 1,910,651</u>	<u>\$ 1,948,894</u>

### City of Tom Bean-Statement of Activities

	<u>FY13</u>	<u>FY12</u>
Revenues:		
Program revenues		
Water fund charges for services	\$ 419,219	\$ 433,160
General fund charges for services	162,761	149,944
Grants and contributions	-	-
General revenues	<u>273,813</u>	<u>257,521</u>
Total revenues	<u>855,793</u>	<u>840,625</u>
Expenses:		
General government, court and interest on long-term debt	\$ 224,557	185,468
Water, sewer, and sanitation	447,525	423,068
Police	216,354	196,556
Emergency medical service	<u>5,600</u>	<u>5,000</u>
Total expenses	<u>894,036</u>	<u>810,092</u>
Increase (decrease) in net position (as restated for FY12)	<u>\$ (38,243)</u>	<u>\$ 30,533</u>

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

The City's net position decreased to \$1,910,651 from \$1,948,894. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$184,151 at September 30, 2013. Eighty six percent (86%) of the City's net position is 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**

The City's General Fund revenues for FY13 were \$28,600 more than the previous year. Most of this increase in revenues is represented by slight increases in all revenue types. Total expenditures increased \$89,194 from 2012 totals. Most of the increase in expenditures was from a \$31,839 increase in capital outlays.

The governmental fund (as presented in the balance sheet on page 11) reported a fund balance of \$42,932 compared to \$21,369 in FY12. This represents an increase of \$21,563. This increase also resulted in an \$18,840 positive variance with the General Fund's budget versus actual results as shown on page 32.

Total revenues for the City's proprietary fund were \$419,879 while total expenses were \$447,525. This resulted in a decrease in net position of \$27,646. Last year's result was an increase in net position of \$21,563.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for all activities as of September 30, 2013 amounts to \$2,276,472, compared to \$2,339,609 (net of accumulated depreciation) at September 30, 2012. 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 \$636,833. FY2013 principal payments totaled \$84,866 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 2013-2014 fiscal year. The operating budget for the 2013-2014 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 once again applied for a street grant for the completion of Ball Street to the end of Ball Road which was estimated at \$152,500 plus engineering costs. The City's portion would be approximately \$15,000. Hot patching remains as our yearly maintenance on our repaired streets at an estimated cost of \$3,000.

We did increase the property tax rate for 2013 for the rollover rate of 0.57444 per \$100 assessed value for the prior year which increased our property tax base by \$13,000. The City annexed property located at Hwy 11 and Franklin, with which we were able to increase our property tax revenue. We updated to energy efficient lighting on the outside of the City Hall building to decrease our electrical cost along with working with AmeriPower to convert several of our electrical vendors over to AmeriPower to decrease the overall electrical costs for the City. Several line items in our General Fund needed to be amended due to items such as an unexpected rise in fuel costs. The City Hall parking lot was resealed and restriped to keep the lot in a good state of repair at a cost of \$3,610.

The City accepted an anonymous donation of a Ford F-150 pickup to be used for the Police Chief vehicle. At this time the City also sold our two older Tahoe's and replaced them with new Tahoe's.

Since converting over to the United Systems Technology Incorporated fund account software, we continue to have to contract with a consultant, which had to be added into our annual budget. We did exceed our budget allowance for our consultant and had to move money from one line item to cover the increased costs. Our budget for the consultant should be less next year as the city secretary has gotten a better grasp on the overall system.

Revenue from old outstanding warrants remained constant due to the close interaction between the court clerk and the police department. This year we were able to meet our budget goals. Due to security issues, a new security system was purchased and installed this year at a cost of \$9,853. Cameras were reinstalled and all doors have sensors installed on them.

In order to create community pride and spirit, we worked with TxDOT and were able to dedicate a portion of Hwy 11 (from city limit to city limit) in honor of Ms. Lucy Williams, an icon of our city. The funds for the signs were provided through private donations from our citizens at a cost of \$2,700.

The Water Fund or Proprietary Fund continued to show consistent revenue. Water loss issues continue to plague the City and the Public Works Department monitors daily for leaks around the City. Older water meter replacements have increased and continue to be a part of our maintenance effort to reduce water loss and get more accurate water readings. We increased our Public Works ordinance to increase our water/sewer deposit from \$150 to \$200 and increased our connection fee from \$20 to \$35. This will help us in recouping losses when people leave without paying their final bill. E-Bill and E-Pay features were added to our City website to help our citizens who do online billing payments. Our recycling effort continued to increase this year and continues to be a great program for our citizens. The water and sewer rates did not increase for 2013 but we did approve a 2.9% increase in our trash rate.

Additional changes to City staff included the replacement of our Police Chief. Along with this, the City personnel manual was revised to reflect changes that needed to be addressed.

Since the Type A Community Development and Type B Economic Development Boards have been in existence for over three years, they have been able to realize sales tax revenues of approximately \$46,000 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.

## **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 Position  
September 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 67,300	\$ 65,650	\$ 132,950	\$ 42,768	\$ 35,348
Property Taxes Receivable, net	10,507	-	10,507	-	-
Court Receivable, net	26,750	-	26,750	-	-
Sales Taxes Receivable, net	6,337	-	6,337	3,168	3,168
Other Receivables, net	11,100	59,236	70,336	-	-
Prepaid Bond Issue Costs, net	-	7,117	7,117	-	-
Internal Balances	(22,852)	22,852	-	-	-
Restricted Assets:					
Deposits Held in Trust by GTUA	-	85,405	85,405	-	-
Capital Assets not being Depreciated:					
Land	7,000	9,850	16,850	-	-
Capital Assets net of Accumulated Depreciation:					
Buildings	61,216	-	61,216	-	-
Improvements Other Than Buildings	8,367	-	8,367	-	-
Furniture and Fixtures	789	-	789	-	-
Machinery and Equipment	81,668	9,518	91,186	-	-
Public Infrastructure	987,776	1,110,288	2,098,064	-	-
<b>Total Assets</b>	<u>1,245,958</u>	<u>1,369,916</u>	<u>2,615,874</u>	<u>45,936</u>	<u>38,516</u>
<b>LIABILITIES</b>					
Accounts Payable and Other Current Liabilities	26,965	17,719	44,684	-	-
Interest Payable	-	4,721	4,721	-	-
Customer Deposits Payable	-	18,985	18,985	-	-
Noncurrent Liabilities:					
Due within One Year	21,759	61,916	83,675	-	-
Due in More than One Year	63,804	489,354	553,158	-	-
<b>Total Liabilities</b>	<u>112,528</u>	<u>592,695</u>	<u>705,223</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,061,253	578,386	1,639,639	-	-
Restricted for:					
Court Security and Technology	1,456	-	1,456	-	-
Deposits Held in Trust by GTUA	-	85,405	85,405	-	-
Unrestricted	70,721	113,430	184,151	45,936	38,516
<b>Total Net Position</b>	<u>\$ 1,133,430</u>	<u>\$ 777,221</u>	<u>\$ 1,910,651</u>	<u>\$ 45,936</u>	<u>\$ 38,516</u>

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, 2013

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
<b>Primary Government:</b>									
Governmental Activities:									
Police	\$ 216,354	\$ -	\$ -	\$ -	\$ (216,354)		\$ (216,354)		
General Government	98,839	4,444	-	-	(94,395)		(94,395)		
Court	123,559	158,317	-	-	34,758		34,758		
Fire Protection and Ambulance	5,600	-	-	-	(5,600)		(5,600)		
Interest on Long-Term Debt	2,159	-	-	-	(2,159)		(2,159)		
<b>Total Governmental Activities</b>	<b>446,511</b>	<b>162,761</b>	<b>-</b>	<b>-</b>	<b>(283,750)</b>		<b>(283,750)</b>		
<b>Business-Type Activities</b>									
Water, Sewer, and Sanitation Operations	447,525	419,219	-	-	-	\$ (28,306)	(28,306)		
<b>Total Business-Type Activities</b>	<b>447,525</b>	<b>419,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,306)</b>	<b>(28,306)</b>		
<b>Total Primary Government</b>	<b>\$ 894,036</b>	<b>\$ 581,980</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(283,750)</b>	<b>(28,306)</b>	<b>(312,056)</b>		
<b>Component Units:</b>									
Economic Development Corporation	2,506	-	-	-				\$ (2,506)	\$ -
Community Development Corporation	2,577	-	-	-				-	(2,577)
<b>Total Component Units</b>	<b>\$ 5,083</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				<b>(2,506)</b>	<b>(2,577)</b>
<b>General Revenues:</b>									
Property Taxes					189,616	-	189,616	-	-
General Sales and Use Taxes					33,229	-	33,229	16,614	16,614
Franchise Taxes					49,221	-	49,221	-	-
Investment Earnings					156	660	816	-	-
Gain on Sale of Assets					931	-	931	-	-
Total General Revenues					273,153	660	273,813	16,614	16,614
Change in Net Position					(10,597)	(27,646)	(38,243)	14,108	14,037
Net Position - Beginning (as restated)					1,144,027	804,867	1,948,894	31,828	24,479
Net Position - Ending					\$ 1,133,430	\$ 777,221	\$ 1,910,651	\$ 45,936	\$ 38,516

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

City of Tom Bean, Texas  
Balance Sheet  
Governmental Fund  
September 30, 2013

	General Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 67,300
Receivables, Net:	
Property Taxes	10,507
Court	26,750
Sales Taxes	6,337
Franchise	11,100
	<hr/>
<b>Total Assets</b>	<b>\$ 121,994</b>
	<hr/>
<b>LIABILITIES</b>	
Accounts Payable	\$ 26,965
Due to Water Fund	22,852
Deferred Revenue	29,245
<b>Total Liabilities</b>	<b>79,062</b>
	<hr/>
<b>FUND BALANCES</b>	
Restricted for Court Security and Technology	1,456
Assigned for Future Projects	6,273
Unassigned	35,203
<b>Total Fund Balances</b>	<b>42,932</b>
	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 121,994</b>
	<hr/>

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

**City of Tom Bean, Texas**  
**Reconciliation of the Governmental Fund Balance Sheet**  
**to the Statement of Net Position**  
**For the Year Ended September 30, 2013**

Amounts reported for Governmental Activities in the Statement of Net Position (Page 9) are different because:

<b>Fund Balance of Governmental Fund (Page 11)</b>	\$ 42,932
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the Governmental Fund.	1,146,816
Delinquent property taxes and court revenue are not current financial resources; therefore, they are deferred in the Governmental Fund.	29,245
Long term liabilities, including notes payable, are not due and payable in the current period and therefore deferred in the Governmental Fund.	(85,563)
<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,133,430</u></u>

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 Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	General Fund
<b>REVENUES</b>	
Taxes:	
Property	\$ 189,616
Franchise	49,221
General Sales and Use	33,229
Municipal Court	154,226
Other Revenue	4,444
Interest Revenue	156
Total Revenues	<u>430,892</u>
<b>EXPENDITURES</b>	
Current:	
Police Department	203,285
Municipal Court	123,559
General Government	54,698
Streets	9,805
Emergency Medical Service	5,600
Library	3,124
Capital Outlay:	
Vehicles and Equipment	67,705
Debt Service:	
Principal	28,426
Interest	2,159
Total Expenditures	<u>498,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(67,469)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Loan Proceeds	85,563
Proceeds from Sale of Capital Assets	3,469
Total Other Financing Sources (Uses)	<u>89,032</u>
Net Change in Fund Balance	21,563
Fund Balance - Beginning (as restated)	<u>21,369</u>
Fund Balance - Ending	<u>\$ 42,932</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 Balance of the Governmental Fund**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2013**

Amounts reported for Governmental Activities in the Statement of Activities (Page 10) are different because:

<b>Net Change in Fund Balance - Total Governmental Fund (Page 13)</b>	<b>\$ 21,563</b>
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.	23,386
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.	(2,538)
Issuance of Long Term Debt	
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	(85,563)
Long-Term Debt Repaid in Current Year	28,426
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.	4,129
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (10,597)</u></u></b>

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

**City of Tom Bean, Texas**  
**Statement of Net Position**  
**Proprietary Fund**  
**September 30, 2013**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 65,650
Accounts Receivables, Net	59,236
Due from General Fund	22,852
Prepaid Bond Issue Costs	7,117
Total Current Assets	<u>154,855</u>
Restricted Assets:	
Restricted Deposits Held by GTUA	<u>85,405</u>
Total Restricted Assets	<u>85,405</u>
Capital Assets:	
Land	9,850
Machinery, Furniture, and Equipment	89,038
Water and Sewer System	2,642,746
Less Accumulated Depreciation	<u>(1,611,978)</u>
Total Capital Assets, Net	<u>1,129,656</u>
<b>Total Assets</b>	<u><u>1,369,916</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	17,719
Interest Payable	4,721
Customer Deposits Payable	18,985
Notes Payable - Current Portion	11,916
Contractual Obligation - Current Portion	<u>50,000</u>
Total Current Liabilities	<u>103,341</u>
Noncurrent Liabilities:	
Notes payable - Long Term Portion	144,354
Contractual Obligation - Long Term Portion	<u>345,000</u>
Total Noncurrent Liabilities	<u>489,354</u>
<b>Total Liabilities</b>	<u>592,695</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	578,386
Restricted Deposits with GTUA	85,405
Unrestricted	<u>113,430</u>
<b>Total Net Position</b>	<u><u>\$ 777,221</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 Net Position**  
**Proprietary Fund**  
**For the Year Ended September 30, 2013**

	<b>Water and Sewer Fund</b>
<b>Operating Revenues:</b>	
Water	\$ 227,541
Sewer	114,193
Sanitation	43,990
Late Charges, Connect Fees, and Other	33,495
	<hr/>
Total Operating Revenues	419,219
	<hr/>
<b>Operating Expenses:</b>	
Salaries and Benefits	134,373
Supplies, Maintenance and Repairs	55,216
Depreciation	83,982
Utilities	71,006
Sanitation Contract	42,849
Other Operating Expenses	30,066
	<hr/>
Total Operating Expenses	417,492
	<hr/>
Operating Income (Loss)	1,727
	<hr/>
<b>Nonoperating Sources (Uses)</b>	
Bond Issuance Costs	(1,054)
Interest Income	660
Interest Expense	(28,979)
	<hr/>
Total Nonoperating Revenue (Expenses)	(29,373)
	<hr/>
<b>Change in Net Position</b>	(27,646)
	<hr/>
Total Net Position - Beginning (as Restated)	804,867
	<hr/>
Total Net Position - Ending	\$ 777,221
	<hr/>

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, 2013**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 417,456
Cash Paid to Employees	(134,373)
Cash Paid to Suppliers for Goods and Services	(189,246)
Net Cash Provided by Operating Activities	<u>93,837</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Net Cash (used for) Noncapital Financing Activities	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest Paid on Capital Debt	(29,444)
Principal Paid on Capital Debt	(56,440)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(85,884)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	660
Net Cash Provided by Investing Activities	<u>660</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,613
Cash and Cash Equivalents, October 1, 2012	<u>57,037</u>
Cash and Cash Equivalents, September 30, 2013	<u><u>\$ 65,650</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 1,727
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation Expense	83,984
Decrease for Restricted Cash Account held by GTUA	1,631
(Increase) Decrease in Accounts Receivable	(1,763)
Increase (Decrease) in Deposits Payable	1,141
Increase (Decrease) in Accounts Payable	7,117
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 93,837</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, 2013**

**Note 1: Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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:

The accompanying financial statements present the primary government, the City, and its component units, entities that are legally separate but are included in the financial statements because the primary government is considered to be financially accountable. The component units presented are those separately administered organizations that are controlled by or dependent on the City. Control or dependency of the component unit to the City is determined on the basis of the appointment of the respective governing board, ability to influence projects, whether a financial benefit/burden relationship exists, and other factors. Further, the presentation in the financial statements is determined by whether the component unit's governing body is substantially the same as the City, who is the primary beneficiary of the services provided, and the expectation of what resources will be used to pay debts.

The Tom Bean Type A Economic Development Corporation (Type A) and the Tom Bean Type B Economic Development Corporation (Type B) are discretely presented component units of the City. The discrete presentation is required because governing boards are essentially the same as the City and a financial benefit or burden relationship exists between the Type A, Type B and the City. The Type A and Type B are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the Type A and Type B are maintained in separate funds and are discretely presented in separate columns in the financial statements. The discretely presented methodology was selected after evaluation of the circumstances and standards, as noted above. The Type A and Type B do not issue separate financial statements.

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 (continued)**  
**September 30, 2013**

**Note 1: Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation - Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the 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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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.

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

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 1: Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

The City reports the following major governmental funds:

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.

The City reports the following major enterprise funds:

Water and Sewer Fund – This fund is 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 Position.

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.

**D. Assets, Liabilities, and Net Position/ Fund Balance**

*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.

*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, 2013 for various operating expenses paid in previous years.

*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.

City of Tom Bean, Texas  
Notes to the Financial Statements (continued)  
September 30, 2013

**Note 1: Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Position/ Fund Balance (continued)**

*Prepaid Items*

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

*Property, Plant and Equipment*

Property, plant and equipment with a cost greater than \$5,000 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 Position, 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

*Net Position and Fund Balances*

Net position represents the difference between assets and liabilities. Net position invested in net capital assets, 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 position is 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, 2013, the Water Fund had restricted net position in the amount of \$85,405. 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.



**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 1: Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities, and Net Position/ Fund Balance (continued)**

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,

*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.

**E. Revenues and Expenditures/Expenses**

*Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions. All taxes, including those dedicated for a specific purpose, are reported as general revenues.

*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.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 1: Summary of Significant Accounting Policies (continued)**

**E. Revenues and Expenditures/Expenses (continued)**

*Compensated Absences*

It is the City's policy to not carryover any unused employee vacation time as of each fiscal year-end unless granted by the mayor for special situations.

*Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and products in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**F. 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.

**G. 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 General Fund, the Water and Sewer Fund, and the discretely presented component units during the month of September.

**Note 2: Cash and Investments**

As of September 30, 2013, 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, 2013, the City's deposits in its depository bank totaled \$148,841 with the full balance insured by the FDIC.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 3: Receivables**

Government-wide receivables as of September 30, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund	Totals
Receivables:			
Ad valorem taxes	\$ 11,060	\$ -	\$ 11,060
Sales taxes	6,337	-	6,337
Court	111,895	-	111,895
Franchise	11,100	-	11,100
Accounts	-	67,604	67,604
Gross receivables	140,392	67,604	207,996
Less: Uncollectible allowance	(85,698)	(8,368)	(94,066)
Net total receivables	<u>\$ 54,694</u>	<u>\$ 59,236</u>	<u>\$ 113,930</u>

**Note 4: Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2013, follows:

	Balance September 30, 2012	Additions and Reclasses	Retirements	Balance September 30, 2013
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital assets, being depreciated:				
Buildings, parks, and improvements	247,664	-	-	247,664
Streets and other infrastructure	1,426,477	-	-	1,426,477
Furniture, equipment and vehicles	222,693	67,705	(30,456)	259,942
Total capital assets, being depreciated	1,896,834	67,705	(30,456)	1,934,083
Less accumulated depreciation for:				
Buildings, parks, and improvements	(171,509)	(6,572)	-	(178,081)
Streets and other infrastructure	(418,365)	(20,335)	-	(438,700)
Furniture, equipment and vehicles	(187,992)	(17,412)	27,918	(177,486)
Total accumulated depreciation	(777,866)	(44,319)	27,918	(794,267)
Capital assets, being depreciated, net	1,118,968	23,386	(2,538)	1,139,816
Governmental activities capital assets, net	<u>\$ 1,125,968</u>	<u>\$ 23,386</u>	<u>\$ (2,538)</u>	<u>\$ 1,146,816</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 4: Capital Assets (continued)**

	Balance September 30, 2012	Additions and Reclasses	Retirements	Balance September 30, 2013
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,850	\$ -	\$ -	\$ 9,850
Capital assets, being depreciated:				
Furniture, equipment, and vehicles	89,038	-	-	89,038
Utility plant in service	2,642,746	-	-	2,642,746
Total capital assets, being depreciated	2,731,784	-	-	2,731,784
Less accumulated depreciation for:				
Furniture, equipment, and vehicles	(75,332)	(4,188)	-	(79,520)
Utility plant in service	(1,452,662)	(79,796)	-	(1,532,458)
Total accumulated depreciation	(1,527,994)	(83,984)	-	(1,611,978)
Capital assets, being depreciated, net	1,203,790	(83,984)	-	1,119,806
Business-type activities capital assets, net	\$ 1,213,640	\$ (83,984)	\$ -	\$ 1,129,656

Depreciation for fixed assets is included as an expense for activities on the statement of activities. Depreciation is allocated to each function of the government as follows:

<b>Governmental Activities:</b>	
Streets	\$ 20,335
Public safety	16,153
General government	7,831
Total	<u>\$ 44,319</u>
<b>Business-type activities:</b>	
Water and sewer	<u>\$ 83,982</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 5: Retirement Plan**

*Plan Description*

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide, Texas Municipal Retirement System (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.

TMRS issues a publically available comprehensive annual financial report that includes the 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 from the TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

Employee deposit rate	5%
Matching ratio (City to employee)	1 to 1
Years required for vesting	5 years of service
Service retirement eligibility	Minimum age 60 with 5 years of service Any age with 20 years of service
Updated service credits	0%
Annuity increase (to retirees)	0% of CPI

*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 cost 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 contributions rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both 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, 2011 valuation is effective for rates beginning January 1, 2013).

**Annual Pension Cost and Net Pension Assets:**

The City contributes to the Plan at the level of the Annual Required Contributions (ARC), which is the full retirement rate. As a result, the Annual Pension Cost (APC) equals the annual contribution amount each year and the net pension obligation is zero.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 5: Retirement Plan (continued)**

Contributions (continued)

<i>Three-Year Trend Information</i>			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset
2011	\$ 5,476	100%	\$ -
2012	\$ 3,246	100%	\$ -
2013	\$ 3,163	100%	\$ -

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Actuarial Valuation Date	December 31, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.5 years – Closed Period
Amortization Period for New Gains/Losses	25 years
Asset Valuation Method	10-year Smoothed Market
Investment Rate of Return	7.0%
Projected Salary Increase	Varies by Age and Service
Inflation Rate	3.00%
Cost-of-Living-Adjustments	0%

**Funding Status and Funding Progress:**

The following status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ 172,190	\$ 165,219	(6,971)	104.2%	\$ 200,598	-3.50%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, present multi-year

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 5: Retirement Plan (continued)**

*Contributions (continued)*

trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

*Supplemental Death Benefits Fund*

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB.

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

For the year ended September 30, 2013, the City's annual required contribution rate and the actual contribution made is 0.01% to the TMRS SDBF. For the years ended September 30, 2012 and 2011, the City's annual required contribution rate and the actual contribution made is 0.01% to the TMRS SDBF.

**Note 6: Long-term Liabilities**

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2013:

**A. Governmental Activities**

Description	Interest Rate	Balance October 1, 2012	Additions	Retirements	Balance September 30, 2013	Due Within One Year
Note Payable - Trucks	5.0%	\$ 28,426	\$ -	\$ (28,426)	\$ -	\$ -
Note Payable - Phones	5.0%	-	7,699	-	7,699	7,699
Note Payable - SUVs	5.0%	-	77,864	-	77,864	14,060
		<u>\$ 28,426</u>	<u>\$ 85,563</u>	<u>\$ (28,426)</u>	<u>\$ 85,563</u>	<u>\$ 21,759</u>

On September 24, 2013, the City entered into a \$7,699 loan agreement to purchase a new phone system. The note to a bank is payable in one annual payment of \$7,699 and will mature on September 24, 2014. Collateral for this note is the related telephone system.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 6: Long-term Liabilities (continued)**

**A. Governmental Activities (continued)**

On September 27, 2013, the City entered into a \$77,864 loan agreement to purchase two police SUVs. The note is payable to a bank in 60 monthly installments of \$979 and will mature on September 27, 2018. Collateral for this note is the related financed vehicles. In the event the City defaults on the note in any way, the demand clause of the note would require the note to be paid in full.

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

Year Ending September 30	Principal	Interest	Total
2014	\$ 21,759	\$ 3,958	\$ 25,717
2015	14,779	2,853	17,632
2016	15,529	2,103	17,632
2017	16,330	1,302	17,632
2018	17,166	466	17,632
Totals	<u>\$ 85,563</u>	<u>\$ 10,682</u>	<u>\$ 96,245</u>

**B. Business-Type Activities – Proprietary Fund**

Description	Interest Rate Payable	Balance October 1, 2012	Additions	Retirements	Balance September 30, 2013	Due Within One Year
GTUA Certification of Obligation:						
Obligation	4.74%	\$440,000	\$ -	\$ (45,000)	\$ 395,000	\$ 50,000
Note Payable	4.50%	167,710	-	(11,440)	156,270	11,916
Total Long-Term Debt:		<u>\$607,710</u>	<u>\$ -</u>	<u>\$ (56,440)</u>	<u>\$ 551,270</u>	<u>\$ 61,916</u>

*GTUA Certification of Obligation*

The City entered into a long-term water supply and sewer service contract with Greater Texoma Utility Authority (GTUA) on October 3, 2000. 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 contract, 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.



**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 6: Long-term Liabilities (continued)**

**B. Business-Type Activities – Proprietary Fund (continued)**

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

Year Ending September 30	Principal	Interest	Total
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	60,000	9,005	69,005
2019 - 2020	125,000	9,280	134,280
Totals	<u>\$ 395,000</u>	<u>\$ 79,652</u>	<u>\$ 474,652</u>

*Note Payable*

Installment note payable with a bank dated March 14, 2011 in the amount of \$183,766. The note has a fixed 4.5% interest rate and is secured by accounts receivable for the proprietary fund. The note is a 13 year note with monthly payments of \$1,559 and will mature on March 14, 2024. In the event the City defaults on the note in any way, the demand clause of the note would require the note to be paid in full. The following is a schedule of future note payable payments, if paid according to the terms:

Year Ending September 30	Principal	Interest	Total
2014	11,916	6,787	18,703
2015	12,464	6,239	18,703
2016	13,020	5,683	18,703
2017	13,634	5,069	18,703
2018	14,261	4,442	18,703
2019 - 2023	81,744	11,774	93,518
2024 - 2028	9,231	122	9,353
Totals	<u>\$ 156,270</u>	<u>\$ 40,115</u>	<u>\$ 196,385</u>

**Note 7: Insurance Coverage**

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2012 to September 30, 2013 the City maintained insurance coverage as follows:

*Types of Coverage*

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

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2013**

**Note 8: Subsequent Events**

The City has evaluated all events or transactions that occurred after September 30, 2013 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.

**Note 9: Prior Period Adjustment**

The following outlines the prior period restatements made to net position for the year ended September 30, 2012:

	Governmental Fund	Proprietary Fund
Ending fund balance/net position as previously reported, September 30, 2012	\$ 10,586	\$ 806,375
Adjustment for court accounts receivable uncollectible allowance	(12,341)	-
Adjustment for accounts payable restatement	23,124	(1,508)
Ending fund balance/net position as restated, September 30, 2012	<u>\$ 21,369</u>	<u>\$ 804,867</u>

	Governmental Activities	Business- Type Activities	Total
Net position as previously reported, September 30, 2012	\$ 1,133,244	\$ 806,375	\$ 1,939,619
Adjustment for court accounts receivable uncollectible allowance	(12,341)	-	(12,341)
Adjustment for accounts payable restatement	23,124	(1,508)	21,616
Net position as restated, September 30, 2012	<u>\$ 1,144,027</u>	<u>\$ 804,867</u>	<u>\$ 1,948,894</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Property Taxes	\$ 179,248	\$ 179,248	\$ 189,616	\$ 10,368
Police Department and Court	132,863	132,863	154,226	21,363
Franchise Taxes	43,000	43,000	49,221	6,221
General Sales and Use Taxes	35,000	35,000	33,229	(1,771)
Grants, Permits and Other	2,155	2,155	4,600	2,445
Total Revenues	<u>392,266</u>	<u>392,266</u>	<u>430,892</u>	<u>38,626</u>
<b>EXPENDITURES</b>				
Police Department	194,176	196,676	203,285	(6,609)
Court	105,656	105,656	123,559	(17,903)
General Government	41,895	42,660	54,698	(12,038)
Streets	19,800	16,535	9,805	6,730
Emergency & Medical Service	12,600	12,600	5,600	7,000
Library	3,666	3,666	3,124	542
Capital Outlay				
Vehicles and Equipment	-	-	67,705	(67,705)
Debt Service:				
Principal Expense	10,050	10,050	28,426	(18,376)
Interest Expense	1,700	1,700	2,159	(459)
Total Expenditures	<u>389,543</u>	<u>389,543</u>	<u>498,361</u>	<u>(108,818)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,723</u>	<u>2,723</u>	<u>(67,469)</u>	<u>(70,192)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	-	85,563	85,563
Sale of Capital Assets	-	-	3,469	3,469
Total Other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>89,032</u>	<u>89,032</u>
Net Change in Fund Balances	<u>\$ 2,723</u>	<u>\$ 2,723</u>	<u>\$ 21,563</u>	<u>\$ 18,840</u>

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

**City of Tom Bean, Texas**  
**Required Supplementary Information**  
**Texas Municipal Retirement System**  
**September 30, 2013**

Schedule of Funding Progress for TMRS (unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	172,190	165,219	6,971	104.2%	206,388	(3.4%)
12/31/2011	154,888	158,191	(3,303)	97.9%	197,831	1.7%
12/31/2010	139,499	150,836	(11,337)	92.5%	210,336	5.5%