

**CITY OF TOM BEAN, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2014**

**City of Tom Bean, Texas
Annual Financial Report
For the Year Ended September 30, 2014**

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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, 2014, 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, 2014, 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.

In Follett and Abbott PLLC

Tom Bean, Texas
May 18, 2015

City of Tom Bean, Texas
Management Discussion and Analysis
For the Year Ended September 30, 2014

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, 2014. 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, 2014 (FY14) by \$1,870,269. This is a decrease in net position of \$40,382 from FY13's net asset value of \$1,910,651. Unrestricted net position at the close of FY14 is \$165,704 and may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease of \$18,447 over FY13's unrestricted net position value of \$184,151.
- As of the close of the current fiscal year, the City's governmental fund reported on page 13 has an ending fund balance of \$58,361 due to a current year increase of \$15,429.

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 FY14 government-wide financial statements with a comparison to FY13:

City of Tom Bean-Statement of Net Position

	<u>FY14</u>	<u>FY13</u>
Current and other assets	\$ 345,318	\$ 339,402
Capital assets	<u>2,142,190</u>	<u>2,276,472</u>
Total assets	<u>\$ 2,487,508</u>	<u>\$ 2,615,874</u>
Current payables and other liabilities	\$ 164,348	\$ 68,390
Long-term liabilities	<u>452,891</u>	<u>636,833</u>
Total liabilities	<u>\$ 617,239</u>	<u>\$ 705,223</u>
Net position:		
Net investment in capital assets	\$ 1,610,922	\$ 1,639,639
Restricted for debt service and other	93,643	86,861
Unrestricted	<u>165,704</u>	<u>184,151</u>
Total net position	<u>\$ 1,870,269</u>	<u>\$ 1,910,651</u>

City of Tom Bean-Statement of Activities

	<u>FY14</u>	<u>FY13</u>
Revenues:		
Program revenues		
Water fund charges for services	\$ 421,165	\$ 419,219
General fund charges for services	240,509	162,761
Grants and contributions	-	-
General revenues	<u>286,185</u>	<u>273,813</u>
Total revenues	<u>\$ 947,859</u>	<u>\$ 855,793</u>
Expenses:		
General government, court and interest on long-term debt	\$ 298,969	\$ 224,557
Water, sewer, and sanitation	467,731	447,525
Police	214,341	216,354
Emergency medical service	<u>7,200</u>	<u>5,600</u>
Total expenses	<u>988,241</u>	<u>894,036</u>
Increase (decrease) in net position	<u>\$ (40,382)</u>	<u>\$ (38,243)</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The City's net position decreased to \$1,870,269 from \$1,910,651. 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 \$165,704 at September 30, 2014. 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 FY14 were \$81,526 more than the previous year. Most of this increase in revenues is represented by building permit fees. Total expenditures increased \$23,363 from 2013 totals. Most of the increase in expenditures was from an increase in general government and debt principal payments.

The General Fund (as presented in the balance sheet on page 11) reported a fund balance of \$58,361 compared to \$42,932 in FY13. This represents an increase of \$15,429. This increase also resulted in an \$11,858 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 \$421,262 while total expenses were \$467,731. This resulted in a decrease in net position of \$46,469. Last year's result was a decrease in net position of \$27,646.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for all activities as of September 30, 2014 amounts to \$2,142,190, compared to \$2,276,472 (net of accumulated depreciation) at September 30, 2013. 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 \$531,268. The total for FY2013 was \$636,833. FY2014 principal payments totaled \$105,565 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 2014-2015 fiscal year. The operating budget for the 2014-2015 fiscal year developed by City management and approved by the City's elected officials focused on using the City's available resources and maintaining close scrutiny on operating costs. Each department head continued to have the responsibility of coming up with their own budget and submitting to the Mayor in midsummer. Each area's budget was discussed, revised, and approved. Each department head is held responsible/accountable for maintaining their budget throughout the year and annual performance evaluations include how they handled their budgeted funds throughout the year.

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

THE CITY AS A WHOLE

The City was granted a street grant for the completion of Ball Street to the end of Ball Road for the total cost of \$152,500 with the city's portion being \$14,892 which was included in the budget. Work is scheduled for early summer 2015. 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 2014 for the rollover rate of \$0.623753 per \$100 assessed value for the prior year which increased our property tax base by \$19,000. In addition, we increased the garbage rate by 3.5% and increased our water/sewer rates by 5% to plan for our potential new water well funding. We updated to additional energy efficient LED lighting on the outside of the City Hall building to decrease our electrical cost.

The City was able to upgrade and replace the 10-year old phone system. The old phone system was sold at auction and the new system was paid off in June 2014.

The City Council approved a plat on the area of our \$10M bond funded elementary school. Zoning changes were approved by the council on some newly acquired acreage which is designed for possible manufacturing expansion for our city as well. The City annexed 2.43 acres located along Hwy 11 after working with the county to take possession of this piece of property. This area was to be designated as our new city park but the Type B Economic Development Board paid \$2,500 for a feasibility study and it was determined that cost would be too great for the conversion of this heavily wooded/steep terrained area. The City Council also approved an Affordable Housing Initiative in 2014 in order to hopefully stimulate new housing development in our city. We were able to update our Personnel Manual to include the addition of weapons on or in city property.

Personnel changes included replacements for our new Public Works Operator, new Police Chief and new Police Officer and a much needed part-time Utility Clerk. The Utility clerk job will enable us to hopefully work on lessening our delinquent water debt fund.

Revenue from old outstanding warrants remained constant due to the close interaction between the court clerk and the police department. This year we were once again able to meet our budget goals. The Police Department have joined the Texas 1033 military surplus property program in which the 1033 Program authorizes the Secretary of Defense to transfer excess Department of Defense (DoD) personal property to Federal, state and local Law Enforcement Agencies (LEA) with special emphasis given to counter drug and counter terrorism. We have been able to acquire a diesel generator, 27 cots, 8x8 steel storage unit and a M14 308 rifle.

The Water Fund or Proprietary Fund was down somewhat this year due in part to Landings Apartment complex was sold and the new owner closed the 16 units for updates/remodeling efforts for about four months. Water loss issues continue to plague the City and the Public Works Department continues to monitor daily for leaks around the City. Older water meter replacements are being worked as time permits and continue to be a part of our maintenance effort to reduce water loss and get more accurate water readings. Our recycling effort continued to increase this year and continues to be a great program for our citizens. Public Works building was upgraded this year with new paint and siding to help maintain the building for the future. A replacement was made for our aging 2003 Crown Vic car with a 2008 small Ford Ranger pickup of which was more gas efficient and designed for Public Works Department duties. The old car was sold at auction and the loan for the newer pickup was paid off in 1 month.

The Type A Community Development Board was asked to join the Denison Development Alliance Education for Teachers Program and by allocating \$1,500 to this effort was able to send one Tom Bean High School teacher to the program. They will be continuing this effort in the future as well. The Type B Economic Development Board added 16 new trees along with the new lighting that was installed prior to our median area along Highway 11. It adds to the beauty of our town and we hope that this will market our town for future growth. The Tom Bean Beautification Committee allocated funds to add a new brick flowerbed in front of our city clock to enhance the beauty of our town and is funding Yard of the Month winners to encourage homeowners to keep our town beautiful.

Last, but not least, we were finally successful in getting Dollar General into our city! We “turned the dirt” back in June of 2014 and had the grand opening a short time later. This new addition of sales tax revenue is what was needed to give our city a shot in the arm toward the growth that we are anticipating next year.

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.

City of Tom Bean, Texas
Statement of Net Position
September 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and Cash Equivalents	\$ 85,764	\$ 75,063	\$ 160,827	\$ 48,230	\$ 49,326
Property Taxes Receivable, net	14,372	-	14,372	-	-
Court Receivable, net	27,228	-	27,228	-	-
Sales Taxes Receivable, net	7,263	-	7,263	3,632	3,632
Other Receivables, net	12,131	38,838	50,969	1,734	-
Internal Balances	(22,852)	22,852	-	-	-
Restricted Assets:					
Deposits Held in Trust by GTUA	-	84,659	84,659	-	-
Capital Assets not being Depreciated:					
Land	7,000	9,850	16,850	-	-
Capital Assets net of Acc. Depreciation:					
Buildings	55,518	-	55,518	-	-
Improvements Other Than Buildings	7,493	-	7,493	-	-
Furniture and Fixtures	525	-	525	-	-
Machinery and Equipment	54,163	12,176	66,339	-	-
Public Infrastructure	967,442	1,028,023	1,995,465	-	-
Total Assets	<u>1,216,047</u>	<u>1,271,461</u>	<u>2,487,508</u>	<u>53,596</u>	<u>52,958</u>
LIABILITIES					
Accounts Payable	34,637	26,773	61,410	(120)	1,734
Interest Payable	-	4,721	4,721	-	-
Customer Deposits Payable	-	19,840	19,840	-	-
Noncurrent Liabilities:					
Due within One Year	15,913	62,464	78,377	-	-
Due in More than One Year	25,980	426,911	452,891	-	-
Total Liabilities	<u>76,530</u>	<u>540,709</u>	<u>617,239</u>	<u>(120)</u>	<u>1,734</u>
NET POSITION					
Net Investment in Capital Assets	1,050,248	560,674	1,610,922	-	-
Restricted for:					
Court Security and Technology	8,984	-	8,984	-	-
Deposits Held in Trust by GTUA	-	84,659	84,659	-	-
Unrestricted	80,285	85,419	165,704	53,716	51,224
Total Net Position	<u>\$ 1,139,517</u>	<u>\$ 730,752</u>	<u>\$ 1,870,269</u>	<u>\$ 53,716</u>	<u>\$ 51,224</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, 2014

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	
Primary Government:								
Governmental Activities:								
Police	\$ 214,341	\$ -	\$ -	\$ -	\$ (214,341)		\$ (214,341)	
General Government	180,268	78,026	-	-	(102,242)		(102,242)	
Court	116,412	162,483	-	-	46,071		46,071	
Fire Protection and Ambulance	7,200	-	-	-	(7,200)		(7,200)	
Interest on Long-Term Debt	2,289	-	-	-	(2,289)		(2,289)	
Total Governmental Activities	<u>520,510</u>	<u>240,509</u>	<u>-</u>	<u>-</u>	<u>(280,001)</u>		<u>(280,001)</u>	
Business-Type Activities								
Water, Sewer, and Sanitation Operations	467,731	421,165	-	-	-	\$ (46,566)	(46,566)	
Total Business-Type Activities	<u>467,731</u>	<u>421,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,566)</u>	<u>(46,566)</u>	
Total Primary Government	<u>\$ 988,241</u>	<u>\$ 661,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(280,001)</u>	<u>(46,566)</u>	<u>(326,567)</u>	
Component Units:								
Economic Development Corporation	\$ 10,347	\$ -	\$ -	\$ -			\$ (10,347)	\$ -
Community Development Corporation	5,419	-	-	-			-	(5,419)
Total Component Units	<u>\$ 15,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>(10,347)</u>	<u>(5,419)</u>
General Revenues:								
Property Taxes				194,614			194,614	
General Sales and Use Taxes				33,322			33,322	
Franchise Taxes				45,439			45,439	
Investment Earnings				197		97	294	
Gain on Sale of Assets				12,516		-	12,516	
Total General Revenues				286,088		97	286,185	
Change in Net Position				6,087		(46,469)	(40,382)	
Net Position - Beginning				1,133,430		777,221	1,910,651	
Net Position - Ending				<u>\$ 1,139,517</u>	<u>\$ 730,752</u>		<u>\$ 1,870,269</u>	<u>\$ 51,224</u>

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, 2014

	General Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 85,764
Receivables, Net:	
Property Taxes	14,372
Court	27,228
Sales Taxes	7,263
Franchise	12,131
	<u>146,758</u>
Total Assets	\$ 146,758
LIABILITIES	
Accounts Payable	\$ 34,637
Due to Water Fund	22,852
Total Liabilities	57,489
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenues - Property Taxes	12,280
Unavailable Revenues - Court Fines	18,628
Total Deferred Inflows of Resources	30,908
FUND BALANCES	
Restricted for Court Security and Technology	8,984
Assigned for Future Projects	6,271
Unassigned	43,106
Total Fund Balances	58,361
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 146,758

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, 2014

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

Fund Balance of Governmental Fund (Page 11)	\$ 58,361
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the Governmental Fund.	1,092,141
Delinquent property taxes and court revenue are not current financial resources; therefore, they are deferred in the Governmental Fund.	30,908
Long term liabilities, including notes payable, are not due and payable in the current period and therefore not recorded in the Governmental Fund.	(41,893)
Net Position of Governmental Activities (Page 9)	<u>\$ 1,139,517</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, 2014

	General Fund
REVENUES	
Taxes:	
Property	\$ 194,614
Franchise	45,439
General Sales and Use	33,322
Municipal Court	160,820
Building Permits	66,300
Other Revenue	11,726
Interest Revenue	197
Total Revenues	<u>512,418</u>
EXPENDITURES	
Current:	
Police Department	200,596
General Government	132,866
Municipal Court	116,412
Streets	16,181
Emergency Medical Service	7,200
Library	2,510
Capital Outlays	-
Debt Service:	
Principal	43,670
Interest	2,289
Total Expenditures	<u>521,724</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,306)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from Sale of Capital Assets	<u>24,735</u>
Total Other Financing Sources (Uses)	<u>24,735</u>
Net Change in Fund Balance	15,429
Fund Balance - Beginning	<u>42,932</u>
Fund Balance - Ending	<u><u>\$ 58,361</u></u>

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

City of Tom Bean, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of the Governmental Fund
To the Statement of Activities
For the Year Ended September 30, 2014

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

Net Change in Fund Balance - Total Governmental Fund (Page 13)	\$ 15,429
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.	(42,456)
The net effect of transactions involving the sale of capital assets:	
Removing of cash sale proceeds income for modified-accrual basis funds	(24,735)
Recording of sale proceeds in excess in assets' net book values (gain on assets sold)	12,516
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	-
Long-Term Debt Repaid in Current Year	43,670
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.	1,663
Change in Net Position of Governmental Activities (Page 10)	<u>\$ 6,087</u>

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, 2014

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 75,063
Accounts Receivables, Net	38,838
Due from General Fund	<u>22,852</u>
Total Current Assets	<u>136,753</u>
Restricted Assets:	
Restricted Deposits Held by GTUA	<u>84,659</u>
Total Restricted Assets	<u>84,659</u>
Capital Assets:	
Land	9,850
Machinery, Furniture, and Equipment	95,338
Water and Sewer System	2,651,441
Less Accumulated Depreciation	<u>(1,706,580)</u>
Total Capital Assets, Net	<u>1,050,049</u>
Total Assets	<u>1,271,461</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	26,773
Interest Payable	4,721
Customer Deposits Payable	19,840
Notes Payable - Current Portion	12,464
Contractual Obligation - Current Portion	<u>50,000</u>
Total Current Liabilities	<u>113,798</u>
Noncurrent Liabilities:	
Notes payable - Long Term Portion	131,911
Contractual Obligation - Long Term Portion	<u>295,000</u>
Total Noncurrent Liabilities	<u>426,911</u>
Total Liabilities	<u>540,709</u>
NET POSITION	
Net Investment in Capital Assets	560,674
Restricted Deposits with GTUA	84,659
Unrestricted	<u>85,419</u>
Total Net Position	<u><u>\$ 730,752</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, 2014

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Water	\$ 223,017
Sewer	117,026
Sanitation	46,658
Late Charges, Connect Fees, and Other	34,464
Total Operating Revenues	<u>421,165</u>
Operating Expenses:	
Salaries and Benefits	142,016
Supplies, Maintenance and Repairs	42,519
Depreciation	94,603
Utilities	80,642
Sanitation Contract	40,784
Other Operating Expenses	34,905
Total Operating Expenses	<u>435,469</u>
 Operating Income (Loss)	 <u>(14,304)</u>
Nonoperating Sources (Uses)	
Bond Issuance Costs	(7,117)
Interest Income	97
Interest Expense	(25,145)
Total Nonoperating Revenue (Expenses)	<u>(32,165)</u>
 Change in Net Position	 <u>(46,469)</u>
 Total Net Position - Beginning	 777,221
 Total Net Position - Ending	 <u><u>\$ 730,752</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, 2014

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 441,563
Cash Paid to Employees	(142,016)
Cash Paid to Suppliers for Goods and Services	(188,196)
Net Cash Provided by Operating Activities	<u>111,351</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net Cash (used for) Noncapital Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from New Debt	6,300
Interest Paid on Capital Debt	(25,145)
Principal Paid on Capital Debt	(68,195)
Purchases of Fixed Assets	(14,995)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(102,035)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>97</u>
Net Cash Provided by Investing Activities	<u>97</u>
Net Increase (Decrease) in Cash and Cash Equivalents	9,413
Cash and Cash Equivalents, October 1, 2013	<u>65,650</u>
Cash and Cash Equivalents, September 30, 2014	<u><u>\$ 75,063</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (14,304)
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation Expense	94,602
Decrease for Restricted Cash Account held by GTUA	746
(Increase) Decrease in Accounts Receivable	20,398
Increase (Decrease) in Deposits Payable	855
Increase (Decrease) in Accounts Payable	9,054
Net Cash Provided by Operating Activities	<u><u>\$ 111,351</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, 2014

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 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, 2014

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, 2014

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, 2014 for various operating expenses paid in previous years.

Bad Debts

The City uses the allowance method of valuing water, taxes, and court fines receivables. The City has established an allowance for doubtful accounts for delinquent receivables to the extent that their collection is doubtful.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 1: Summary of Significant Accounting Policies (continued)

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

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, 2014, the Water Fund had restricted net position in the amount of \$84,659. 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, 2014

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, 2014

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, 2014, 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, 2014, the City's deposits in its depository bank totaled \$159,400 with the full balance insured by the FDIC.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 3: Receivables

Government-wide receivables as of September 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund	Totals
Receivables:			
Ad valorem taxes	\$ 14,925	\$ -	\$ 14,925
Sales taxes	7,263	-	7,263
Court	101,126	-	101,126
Franchise	9,483	-	9,483
Accounts	2,648	49,107	51,755
Gross receivables	135,445	49,107	184,552
Less: Uncollectible allowance	(74,451)	(10,269)	(84,720)
Net total receivables	<u>\$ 60,994</u>	<u>\$ 38,838</u>	<u>\$ 99,832</u>

Note 4: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2014, follows:

	Balance September 30, 2013	Additions and Reclasses	Retirements	Balance September 30, 2014
Governmental Activities:				
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	259,942	-	(77,335)	182,607
Total capital assets, being depreciated	1,934,083	-	(77,335)	1,856,748
Less accumulated depreciation for:				
Buildings, parks, and improvements	(178,081)	(6,572)	-	(184,653)
Streets and other infrastructure	(438,700)	(20,335)	-	(459,035)
Furniture, equipment and vehicles	(177,486)	(15,549)	65,116	(127,919)
Total accumulated depreciation	(794,267)	(42,456)	65,116	(771,607)
Capital assets, being depreciated, net	1,139,816	(42,456)	(12,219)	1,085,141
Governmental activities capital assets, net	<u>\$ 1,146,816</u>	<u>\$ (42,456)</u>	<u>\$ (12,219)</u>	<u>\$ 1,092,141</u>

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 4: Capital Assets (continued)

	Balance September 30, 2013	Additions and Reclasses	Retirements	Balance September 30, 2014
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,850	\$ -	\$ -	\$ 9,850
Capital assets, being depreciated:				
Furniture, equipment, and vehicles	89,038	6,300	-	95,338
Utility plant in service	2,642,746	8,695	-	2,651,441
Total capital assets, being depreciated	2,731,784	14,995	-	2,746,779
Less accumulated depreciation for:				
Furniture, equipment, and vehicles	(79,520)	(3,642)	-	(83,162)
Utility plant in service	(1,532,458)	(90,960)	-	(1,623,418)
Total accumulated depreciation	(1,611,978)	(94,602)	-	(1,706,580)
Capital assets, being depreciated, net	1,119,806	(79,607)	-	1,040,199
Business-type activities capital assets, net	\$ 1,129,656	\$ (79,607)	\$ -	\$ 1,050,049

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:

Governmental Activities:

Streets	\$ 20,335
Public safety	13,745
General government	8,376
Total	<u>\$ 42,456</u>

Business-type activities:

Water and sewer	<u>\$ 94,603</u>
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City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

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.

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 Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation, previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution 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 project impact of annually repeating benefits, such as Undated Service Credits and Annuity Increase.

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, 2013 valuation is effective for rates beginning January 1, 2015).

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 5: Retirement Plan (continued)

Contributions (continued)

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.

<i>Three-Year Trend Information</i>			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation) Asset
2012	\$ 3,246	100%	\$ -
2013	\$ 3,163	100%	\$ -
2014	\$ 4,967	100%	\$ -

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	December 31, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25 years – Closed Period
Amortization Period for New Gains/Losses	11 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 – In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculated liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 *TMRS Comprehensive Annual Financial Report (CAFR)*.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 5: Retirement Plan (continued)

Contributions (continued)

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 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, 2014, the City's annual required contribution rate and the actual contribution made is 0.3% to the TMRS SDBF. For the years ended September 30, 2013 and 2012, the City's annual required contribution rate and the actual contribution made is 0.01% to the TMRS SDBF.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 6: Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2014:

A. Governmental Activities

Description	Interest Rate Payable	Balance October 1, 2013	Additions	Retirements	Balance September 30, 2014	Due Within One Year
Note Payable - Phones	5.0%	\$ 7,699	\$ -	\$ (7,699)	\$ -	\$ -
Note Payable - SUVs	5.0%	77,864	-	(35,971)	41,893	15,913
		<u>\$ 85,563</u>	<u>\$ -</u>	<u>\$ (43,670)</u>	<u>\$ 41,893</u>	<u>\$ 15,913</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 was payable in one annual payment of \$7,699 and was paid during 2014. Collateral for this note was the related telephone system.

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 monthly installments of \$1,469 and will mature on April 27, 2017. 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
2015	\$ 15,913	\$ 2,853	\$ 18,766
2016	15,529	2,103	17,632
2017	10,451	1,302	11,753
Totals	<u>\$ 41,893</u>	<u>\$ 6,258</u>	<u>\$ 48,151</u>

B. Business-Type Activities – Proprietary Fund

Description	Interest Rate Payable	Balance October 1, 2013	Additions	Retirements	Balance September 30, 2014	Due Within One Year
GTUA Certificate of Obligation	4.74%	\$395,000	\$ -	\$ (50,000)	\$ 345,000	\$ 50,000
Bank Note Payable - 1	4.50%	156,270	-	(11,895)	144,375	12,464
Bank Note Payable - 2	5.00%	-	6,300	(6,300)	-	-
Total Long-Term Debt:		<u>\$551,270</u>	<u>\$ 6,300</u>	<u>\$ (68,195)</u>	<u>\$ 489,375</u>	<u>\$ 62,464</u>

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 6: Long-term Liabilities (continued)

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

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.

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>
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	60,000	6,095	66,095
2020	65,000	3,185	68,185
<u>Totals</u>	<u>\$ 345,000</u>	<u>\$ 60,770</u>	<u>\$ 405,770</u>

Notes Payable

Installment note payable number one with First National Bank of Tom Bean 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.

Installment note payable number two with First National Bank of Tom Bean dated October 2, 2013 in the amount of \$6,300. The note has a fixed 5% interest rate and is secured by the vehicle purchased with the debt proceeds. The note is a 1 year note with all principal and interest due in fiscal year 2015. The note was paid in full during fiscal year 2014.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2014

Note 6: Long-term Liabilities (continued)

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

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

Year Ending September 30	Principal	Interest	Total
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	14,916	3,788	18,704
2020-2024	76,080	8,108	84,188
Totals	<u>\$ 144,375</u>	<u>\$ 33,329</u>	<u>\$ 177,704</u>

Note 7: Insurance Coverage

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2013 to September 30, 2014 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	

Note 8: Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 up through the date of the auditor's report date on page 2. 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, 2014

	<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>
REVENUES				
Property Taxes	\$ 193,000	\$ 193,000	\$ 194,614	\$ 1,614
Police Department and Court	138,040	138,040	160,820	22,780
Franchise Taxes	41,000	41,000	45,439	4,439
General Sales and Use Taxes	33,000	33,000	33,322	322
Grants, Permits and Other	54,835	54,835	78,223	23,388
Total Revenues	<u>459,875</u>	<u>459,875</u>	<u>512,418</u>	<u>52,543</u>
EXPENDITURES				
Police Department	211,520	207,409	200,596	6,813
Court	104,881	104,881	116,412	(11,531)
General Government	93,370	103,370	132,866	(29,496)
Streets	26,650	16,650	16,181	469
Emergency & Medical Service	7,200	7,200	7,200	-
Library	935	935	2,510	(1,575)
Capital Outlays	-	-	-	-
Debt Service:				
Principal Expense	11,109	15,220	43,670	(28,450)
Interest Expense	639	639	2,289	(1,650)
Total Expenditures	<u>456,304</u>	<u>456,304</u>	<u>521,724</u>	<u>(65,420)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,571</u>	<u>3,571</u>	<u>(9,306)</u>	<u>(12,877)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	24,735	24,735
Total Other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>24,735</u>	<u>24,735</u>
Net Change in Fund Balances	<u>\$ 3,571</u>	<u>\$ 3,571</u>	<u>\$ 15,429</u>	<u>\$ 11,858</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, 2014

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
12/31/2013	167,425	177,376	(9,951)	94.4%	228,742	4.4%
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%