

**CITY OF TOM BEAN, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2015**

City of Tom Bean, Texas
Annual Financial Report
For the Year Ended September 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report.....	1-2
 <u>Required Supplementary Information:</u>	
Management Discussion and Analysis.....	3-8
 <u>Basic Financial Statements</u>	
 <u>Government-Wide Financial Statements</u>	
Statement of Net Position.....	9
Statement of Activities.....	10
 <u>Fund Financial Statements</u>	
Balance Sheet - Governmental Fund.....	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in the Fund Balance of the Governmental Fund to the Statement of Activities.....	14
Statement of Net Position - Proprietary Fund.....	15
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	16
Statement of Cash Flows - Proprietary Fund.....	17
Notes to the Financial Statements.....	18-35
 <u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule - General Fund.....	36
Schedule of TMRS Contributions.....	37
Schedules of Changes in Net Pension Liability and Related Ratios – Last 10 years.....	38



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, 2015, 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, 2015, 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, the Schedule of TMRS Contributions, and the Schedules of Changes in Net Pension Liability and Related Ratios – Last 10 years on pages 3–8, 36-38 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.

Ja Fallett and Abbott PLLC

Tom Bean, Texas
June 13, 2016

**City of Tom Bean, Texas
Management Discussion and Analysis
For the Year Ended September 30, 2015**

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, 2015. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- Total net position of the City at the close of the fiscal year ended September 30, 2015 (FY15) is \$1,903,178. This is an increase in net position of \$17,944 from FY14's restated net position value of \$1,885,234. Unrestricted net position at the close of FY15 is \$222,170 and may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$41,501 over FY14's restated unrestricted net position value of \$180,669.
- As of the close of the current fiscal year, the City's governmental fund reported on page 13 has an ending fund balance of \$77,001 due to a current year increase of \$18,640.

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 provides 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 FY15 government-wide financial statements with a comparison to FY14:

City of Tom Bean-Statement of Net Position

	FY15	FY14
Current and other assets	\$ 358,053	\$ 360,283
Capital assets	2,042,273	2,142,190
Total assets	2,400,326	2,502,473
Deferred outflows of resources	16,679	-
Current payables and other liabilities	59,879	164,348
Long-term liabilities	452,892	452,891
Total liabilities	512,771	617,239
Deferred inflows of resources	1,056	-
Net position:		
Net investment in capital assets	1,589,381	1,610,922
Restricted for debt service and other	92,091	93,643
Unrestricted	221,706	180,669
Total net position	\$ 1,903,178	\$ 1,885,234

City of Tom Bean-Statement of Activities

	FY15	FY14
Revenues:		
Program revenues		
Water Fund charges for services	\$ 421,288	\$ 421,165
General Fund charges for services	191,839	240,509
Grants and contributions	22,750	-
General revenues	311,859	286,185
Total revenues	\$ 947,736	\$ 947,859
Expenses:		
General government, court and interest on long-term debt	\$ 259,107	\$ 298,969
Water, sewer, and sanitation	443,535	467,731
Police	220,750	214,341
Emergency medical service	6,400	7,200
Total expenses	929,792	988,241
Increase (decrease) in net position	\$ 17,944	\$ (40,382)

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The City's total net position increased to \$1,903,178 from \$1,885,234. 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 \$222,170 at September 30, 2015. Eighty four percent (84%) 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 FY15 were \$8,291 less than the previous year. Most of this decrease in revenues is represented by a decrease in building permit fees. Total expenditures decreased \$36,237 from 2014 totals. Most of the decrease in expenditures was from a decrease in general government and debt principal payments.

The General Fund (as presented in the balance sheet on page 11) reported a fund balance of \$77,001 compared to \$58,361 in FY14. This represents an increase of \$18,640. This increase also resulted in an \$17,582 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 \$422,942 while total expenses were \$443,535. This resulted in a decrease in net position of \$20,593. Last year's result was a decrease in net position of \$46,469.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for all activities as of September 30, 2015 amounts to \$2,042,273, compared to \$2,142,190 (net of accumulated depreciation) at September 30, 2014. 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 \$452,892. The total for FY2014 was \$531,268. FY2015 principal payments totaled \$78,377 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 2015-2016 fiscal year. The operating budget for the 2015-2016 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

We contracted with Grayson County Precinct 1 and completed the TDCBG this year on Ball Street. Hot patching remains as our yearly maintenance on our repaired streets at an estimated cost of \$3,000.

We increased the property tax rate for 2015 for the rollover rate of \$0.623753 per \$100 assessed value for the prior year which increased our property tax base by approximately \$20,000. In addition, we increased the garbage rate by 1.6% and increased our water/sewer rates by 5% to plan for our potential new water well funding. We added additional energy efficient LED lighting on the outside of the City Hall building to decrease our electrical cost.

Due to the City Council approving an Affordable Housing Initiative in 2014, we were able to see several new homes built in the city this year and anticipate more in the future.

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. We were able to install a new security camera system at City Hall funded by the Municipal Court Building Security Fund budget.

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.

The Type A Community Development Board was asked once again to join the Denison Development Alliance Education for Teachers Program and by allocating \$1,500 to this effort was able to send two Tom Bean High School teachers to the program. They will be continuing this effort in the future as well. The Type B Economic Development Board took on the project of getting the downtown clock repaired and painted. The Tom Bean Beautification Committee completed the new brick flowerbed in front of our city clock and added drift roses to enhance the beauty of our town and is continuing to fund Yard of the Month winners to encourage homeowners to keep our town beautiful.

We had the official grand opening for Dollar General in late October of 2015 with a reception in City Hall. Dignitaries from the County, relatives, store managers and citizens attended the festivities. This new addition of sales tax revenue has been a great asset to our budget.

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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Community Development Corporation
ASSETS					
Cash and Cash Equivalents	\$ 79,801	\$ 71,628	\$ 151,429	\$ 68,056	\$ 65,349
Property Taxes Receivable, net	15,608	-	15,608	-	-
Court Receivable, net	41,507	-	41,507	-	-
Sales Taxes Receivable, net	8,040	-	8,040	4,020	4,020
Other Receivables, net	13,806	41,097	54,903	-	-
Net Pension Asset	757	464	1,221	-	-
Due from Other Governments	-	-	-	-	1,733
Restricted Assets:					
Deposits Held in Trust by GTUA	-	85,345	85,345	-	-
Capital Assets not being Depreciated:					
Land	7,000	9,850	16,850	-	-
Construction in Progress	22,750	-	22,750	-	-
Capital Assets net of Acc. Depreciation:					
Buildings	49,820	-	49,820	-	-
Improvements Other Than Buildings	6,619	-	6,619	-	-
Furniture and Fixtures	375	-	375	-	-
Machinery and Equipment	40,622	8,085	48,707	-	-
Public Infrastructure	947,108	950,044	1,897,152	-	-
Total Assets	<u>1,233,813</u>	<u>1,166,513</u>	<u>2,400,326</u>	<u>72,076</u>	<u>71,102</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows - TMRS Contributions	9,196	5,650	14,846	-	-
Deferred Outflows - Unamortized Investment Losses	1,135	698	1,833	-	-
Total Deferred Outflows of Resources	<u>10,331</u>	<u>6,348</u>	<u>16,679</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts Payable	30,186	9,363	39,549	-	-
Customer Deposits Payable	-	20,330	20,330	-	-
Due to Other Governments	-	-	-	1,733	-
Noncurrent Liabilities:					
Due within One Year	15,529	68,020	83,549	-	-
Due in More than One Year	10,451	358,892	369,343	-	-
Total Liabilities	<u>56,166</u>	<u>456,605</u>	<u>512,771</u>	<u>1,733</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - Unamortized Investment Gains	654	402	1,056	-	-
Total Deferred Inflows of Resources	<u>654</u>	<u>402</u>	<u>1,056</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net Investment in Capital Assets	1,048,314	541,067	1,589,381	-	-
Restricted for:					
Court Security and Technology	6,282	-	6,282	-	-
Deposits Held in Trust by GTUA	-	85,345	85,345	-	-
Unrestricted	132,728	89,442	222,170	70,343	71,102
Total Net Position	<u>\$ 1,187,324</u>	<u>\$ 715,854</u>	<u>\$ 1,903,178</u>	<u>\$ 70,343</u>	<u>\$ 71,102</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, 2015

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	\$ 220,750	\$ -	\$ -	\$ -	\$ (220,750)		\$ (220,750)	
General Government	135,934	6,663	-	22,750	(106,521)		(106,521)	
Court	121,453	185,176	-	-	63,723		63,723	
Fire Protection and Ambulance	6,400	-	-	-	(6,400)		(6,400)	
Interest on Long-Term Debt	1,720	-	-	-	(1,720)		(1,720)	
Total Governmental Activities	486,257	191,839	-	22,750	(271,668)		(271,668)	
Business-Type Activities								
Water, Sewer, and Sanitation Operations	443,535	421,288	-	-	-	\$ (22,247)	(22,247)	
Total Business-Type Activities	443,535	421,288	-	-	-	(22,247)	(22,247)	
Total Primary Government	\$ 929,792	\$ 613,127	\$ -	\$ 22,750	(271,668)	(22,247)	(293,915)	
Component Units:								
Economic Development Corporation	\$ 6,036	\$ -	\$ -	\$ -				\$ (6,036)
Community Development Corporation	2,785	-	-	-				-
Total Component Units	\$ 8,821	\$ -	\$ -	\$ -				(6,036)
								\$ (6,036)
								\$ -
								(2,785)
								(2,785)
General Revenues:								
Property Taxes					216,891	-	216,891	
General Sales and Use Taxes					45,326	-	45,326	
Franchise Taxes					47,803	-	47,803	
Investment Earnings					185	1,654	1,839	
Total General Revenues					310,205	1,654	311,859	
Change in Net Position					38,537	(20,593)	17,944	
Net Position - Beginning					1,139,517	730,752	1,870,269	
Prior Period Adjustment					9,270	5,695	14,965	
Net Position - Ending					\$ 1,187,324	\$ 715,854	\$ 1,903,178	
								\$ 70,343
								\$ 71,102

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, 2015

	General Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 79,801
Receivables, Net:	
Property Taxes	15,608
Court	41,507
Sales Taxes	8,040
Franchise	13,806
Total Assets	\$ 158,762
LIABILITIES	
Accounts Payable	\$ 30,186
Total Liabilities	30,186
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenues - Property Taxes	14,640
Unavailable Revenues - Court Fines	36,935
Total Deferred Inflows of Resources	51,575
FUND BALANCES	
Restricted for Court Security and Technology	6,282
Assigned for Future Projects	6,271
Unassigned	64,448
Total Fund Balances	77,001
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 158,762

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, 2015

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

Fund Balance of Governmental Fund (Page 11)	\$ 77,001
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the Governmental Fund.	1,074,294
Delinquent property taxes and court revenue are not current financial resources; therefore, they are deferred in the Governmental Fund.	51,575
Long term liabilities, including notes payable, are not due and payable in the current period and therefore not recorded in the Governmental Fund.	(25,980)
Net pension asset is not a financial resource; therefore, it is not reported in the Governmental Funds.	757
TMRS contributions are not current financial resources/burden; therefore they are not reported in the Governmental Funds. The net of these amounts is:	9,196
Unamortized pension investment gains/losses are not current financial resources/burden; therefore they are not reported in the Governmental Funds. The net of these amounts is:	481
Net Position of Governmental Activities (Page 9)	<u>\$ 1,187,324</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, 2015

	<u>General Fund</u>
REVENUES	
Taxes:	
Property	\$ 214,531
Franchise	47,803
General Sales and Use	45,326
Municipal Court	166,869
Grants	24,291
Building Permits	4,295
Other Revenue	827
Interest Revenue	185
Total Revenues	<u>504,127</u>
EXPENDITURES	
Current:	
Police Department	209,623
Municipal Court	121,743
General Government	97,865
Streets	9,316
Emergency Medical Service	6,400
Library	157
Capital Outlays	22,750
Debt Service:	
Principal	15,913
Interest	1,720
Total Expenditures	<u>485,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,640</u>
OTHER FINANCING SOURCES (USES)	
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	18,640
Fund Balance - Beginning	<u>58,361</u>
Fund Balance - Ending	<u><u>\$ 77,001</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, 2015

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)	\$ 18,640
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.	(17,847)
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	15,913
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.	20,667
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred inflows of resources and various other items. The net effect of these reclassifications is to increase net position:	1,164
Change in Net Position of Governmental Activities (Page 10)	<u>\$ 38,537</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, 2015

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 71,628
Accounts Receivables, Net	41,097
Total Current Assets	<u>112,725</u>
Restricted and Other Assets:	
Net Pension Asset	464
Restricted Deposits Held by GTUA	85,345
Total Restricted and Other Assets	<u>85,809</u>
Capital Assets:	
Land	9,850
Machinery, Furniture, and Equipment	95,338
Water and Sewer System	2,657,587
Less Accumulated Depreciation	(1,794,796)
Total Capital Assets, Net	<u>967,979</u>
Total Assets	<u>1,166,513</u>
Deferred Outflows of Resources:	
TMRS Contributions	5,650
Unamortized investment losses	698
Total Deferred Outflows of Resources	<u>6,348</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	9,363
Customer Deposits Payable	20,330
Notes Payable - Current Portion	13,020
Contractual Obligation - Current Portion	55,000
Total Current Liabilities	<u>97,713</u>
Noncurrent Liabilities:	
Notes payable - Long Term Portion	118,892
Contractual Obligation - Long Term Portion	240,000
Total Noncurrent Liabilities	<u>358,892</u>
Total Liabilities	<u>456,605</u>
Deferred Inflows of Resources:	
Unamortized Investment Gains	402
Total Deferred Inflows of Resources	<u>402</u>
NET POSITION	
Net Investment in Capital Assets	541,067
Restricted Deposits with GTUA	85,809
Unrestricted	88,978
Total Net Position	<u><u>\$ 715,854</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, 2015

	Water and Sewer Fund
Operating Revenues:	
Water	\$ 229,025
Sewer	117,471
Sanitation	48,766
Late Charges, Connect Fees, and Other	26,026
Total Operating Revenues	<u>421,288</u>
Operating Expenses:	
Salaries and Benefits	159,085
Supplies, Maintenance and Repairs	39,762
Depreciation	88,216
Utilities	69,982
Sanitation Contract	40,485
Other Operating Expenses	23,780
Total Operating Expenses	<u>421,310</u>
Operating Income (Loss)	<u>(22)</u>
Nonoperating Sources (Uses)	
Interest Income	1,654
Interest Expense	(22,225)
Total Nonoperating Revenue (Expenses)	<u>(20,571)</u>
Income Before Transfers	(20,593)
Transfers In (Out)	<u>-</u>
Change in Net Position	(20,593)
Total Net Position - Beginning (as restated)	736,447
Total Net Position - Ending	<u><u>\$ 715,854</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, 2015

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 442,371
Cash Paid to Employees	(159,085)
Cash Paid to Suppliers for Goods and Services	(192,820)
Net Cash Provided by Operating Activities	<u>90,466</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net Cash (used for) Noncapital Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Paid on Capital Debt	(26,946)
Principal Paid on Capital Debt	(62,463)
Purchases of Fixed Assets	(6,146)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(95,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	<u>1,654</u>
Net Cash Provided by Investing Activities	<u>1,654</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,435)
Cash and Cash Equivalents, October 1, 2014	<u>75,063</u>
Cash and Cash Equivalents, September 30, 2015	<u>\$ 71,628</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (22)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	88,216
(Increase) Decrease for Restricted Cash Account held by GTUA	(686)
(Increase) Decrease in Accounts Receivable	(2,259)
(Increase) Decrease in Due From Other Funds	22,852
Increase (Decrease) in Deposits Payable	490
Increase (Decrease) in Accounts Payable	(18,125)
Net Cash Provided by Operating Activities	<u>\$ 90,466</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, 2015

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, 2015

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.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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.

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, Deferred Inflows/Outflows, 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.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

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

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.

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

Deferred Inflows and Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate financial statement element, *deferred outflows of resources* that represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualifies in this category. First, is the City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year end. Second, is the difference between projected and actual investment earnings that are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

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

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, *deferred inflows of resources* that represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources described as *unavailable revenues* only arise under a modified accrual basis of accounting. Accordingly, the items labeled *unavailable revenues* are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. As a component of implementing GASB Statement No. 68, a deferred inflow is recorded in the government-wide Statement of Net Position and fund level financials for the proprietary Statements of Net Position for the difference in projected and actual experience in the actuarial measurement of the total pension asset/liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Net Position and Fund Balances

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, 2015, the Water Fund had restricted net position in the amount of \$85,345. This amount includes funds held at Greater Texoma Utility Authority (GTUA) to be used exclusively for water and sewer system capital projects and repayment of contractual obligations.

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

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

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

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

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

For the classification of Governmental Fund balances, the City considers expenditures to be made from the most restrictive first when more than one classification is available.

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.

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.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 1: Summary of Significant Accounting Policies (continued)

E. Revenues and Expenditures/Expenses (continued)

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, 2015, 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, 2015, the City's deposits in its depository bank totaled \$151,429 with the full balance insured by the FDIC.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 3: Receivables

Government-wide receivables as of September 30, 2015, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund	Totals
Receivables:			
Ad valorem taxes	\$ 15,608	\$ -	\$ 15,608
Sales taxes	8,040	-	8,040
Court	104,714	-	104,714
Franchise	10,643	-	10,643
Accounts	3,163	62,170	65,333
Gross receivables	142,168	62,170	204,338
Less: Uncollectible allowance	(63,207)	(21,073)	(84,280)
Net total receivables	<u>\$ 78,961</u>	<u>\$ 41,097</u>	<u>\$ 120,058</u>

Note 4: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2015, follows:

	Balance September 30, 2014	Additions and Reclasses	Retirements	Balance September 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Construction in progress	-	22,750	-	22,750
Total capital assets, not being depreciated	<u>7,000</u>	<u>22,750</u>	<u>-</u>	<u>29,750</u>
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	182,607	-	-	182,607
Total capital assets, being depreciated	<u>1,856,748</u>	<u>-</u>	<u>-</u>	<u>1,856,748</u>
Less accumulated depreciation for:				
Buildings, parks, and improvements	(184,653)	(6,572)	-	(191,225)
Streets and other infrastructure	(459,035)	(20,335)	-	(479,370)
Furniture, equipment and vehicles	(127,919)	(13,690)	-	(141,609)
Total accumulated depreciation	<u>(771,607)</u>	<u>(40,597)</u>	<u>-</u>	<u>(812,204)</u>
Capital assets, being depreciated, net	<u>1,085,141</u>	<u>(40,597)</u>	<u>-</u>	<u>1,044,544</u>
Governmental activities capital assets, net	<u>\$ 1,092,141</u>	<u>\$ (17,847)</u>	<u>\$ -</u>	<u>\$ 1,074,294</u>

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 4: Capital Assets (continued)

	Balance September 30, 2014	Additions and Reclasses	Retirements	Balance September 30, 2015
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,850	\$ -	\$ -	\$ 9,850
Capital assets, being depreciated:				
Furniture, equipment, and vehicles	95,338	-	-	95,338
Utility plant in service	2,651,441	6,146	-	2,657,587
Total capital assets, being depreciated	2,746,779	6,146	-	2,752,925
Less accumulated depreciation for:				
Furniture, equipment, and vehicles	(83,162)	(4,091)	-	(87,253)
Utility plant in service	(1,623,418)	(84,125)	-	(1,707,543)
Total accumulated depreciation	(1,706,580)	(88,216)	-	(1,794,796)
Capital assets, being depreciated, net	1,040,199	(82,070)	-	958,129
Business-type activities capital assets, net	\$ 1,050,049	\$ (82,070)	\$ -	\$ 967,979

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	12,001
General government	8,261
Total	\$ 40,597

Business-type activities:

Water and sewer	\$ 88,216
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City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 5: Retirement Plan

A. Plan Description

The City of Tom Bean participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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
Service retirement eligibility	60/5, 0/20
Updated service credits	0%
Annuity increase (to retirees)	0% of CPI

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	10
Active employees	8
Total:	19

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 5: Retirement Plan (continued)

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 2.34% and 2.21% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$6,045, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0%
Salary Increases	3.0%
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 98%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 5: Retirement Plan (continued)

D. Net Pension Liability (continued)

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total:	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 5: Retirement Plan (continued)

D. Net Pension Liability (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2013	\$ 177,376	\$ 178,601	\$ (1,225)
Changes for the year:			
Service Cost	16,808	-	16,808
Interest	12,627	-	12,627
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,365)	-	(1,365)
Changes of assumptions	-	-	-
Contributions - employer	-	3,892	(3,892)
Contributions - employee	-	14,079	(14,079)
Net investment income	-	10,211	(10,211)
Benefit payments, including refunds of employee contributions	(10,783)	(10,783)	-
Administrative expense	-	(107)	107
Other Changes	-	(9)	9
Net Changes	17,287	17,283	4
Balance at 12/31/2014	\$ 194,663	\$ 195,884	\$ (1,221)

The following presents the net pension liability of the City, calculated using the discount rate of 7.0% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate		
1% Decrease 6.00%	Current Single Rate assumption 7.00%	1% Increase 8.00%
\$27,823	(\$1,221)	(\$24,803)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$3,119.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 5: Retirement Plan (continued)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred (Inflows) / Outflows in Future Expense
Differences between expected and actual economic experience	\$ (1,056)
Changes in actuarial assumptions	\$ -
Difference between projected and actual investment earnings	\$ 1,833
Contributions subsequent to the measurement date	\$ 14,846
Total	\$ 15,623

\$14,846 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Net deferred outflows (inflows) of resources
2015	\$ 149
2016	149
2017	149
2018	330
2019	-
Thereafter	-
Total	\$ 777

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 6: Long-term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2015:

A. Governmental Activities

Description	Interest Rate Payable	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
Note Payable - SUVs	5.0%	41,893	-	(15,913)	25,980	15,529
		<u>\$ 41,893</u>	<u>\$ -</u>	<u>\$ (15,913)</u>	<u>\$ 25,980</u>	<u>\$ 15,529</u>

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
2016	\$ 15,529	\$ 2,103	\$ 17,632
2017	10,451	1,302	11,753
Totals	<u>\$ 25,980</u>	<u>\$ 3,405</u>	<u>\$ 29,385</u>

B. Business-Type Activities – Proprietary Fund

Description	Interest Rate Payable	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
GTUA Certificate of Obligation	4.74%	\$345,000	\$ -	\$ (50,000)	\$ 295,000	\$ 55,000
Bank Note Payable - 1	4.50%	144,375	-	(12,464)	131,911	13,020
Total Long-Term Debt:		<u>\$489,375</u>	<u>\$ -</u>	<u>\$ (62,464)</u>	<u>\$ 426,911</u>	<u>\$ 68,020</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, maintains a Reserve Fund for the security and payment of bonds similarly secured, and pays the administrative and overhead expenses by GTUA in connection with the bonds.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 6: Long-term Liabilities (continued)

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

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:

Year Ending September 30	Principal	Interest	Total
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
Totals	<u>\$ 295,000</u>	<u>\$ 44,188</u>	<u>\$ 339,188</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.

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

Year Ending September 30	Principal	Interest	Total
2016	\$ 13,020	\$ 5,683	\$ 18,703
2017	13,634	5,069	18,703
2018	14,261	4,442	18,703
2019	14,915	3,788	18,703
2020	15,592	3,111	18,703
2021-2024	60,489	8,108	68,597
Totals	<u>\$ 131,911</u>	<u>\$ 30,201</u>	<u>\$ 162,112</u>

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 7: Insurance Coverage

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2014 to September 30, 2015 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: Prior Period Adjustments

Due to the implementation of new accounting standards issued by the Governmental Accounting Standards Board (GASB), the following adjustments were made to the prior period:

	Business-type
<i><u>Wastewater Fund</u></i>	<u>Activities</u>
Net Position - beginning	\$ 730,752
Prior period adjustment - deferred outflows for TMRS contributions	5,229
Prior period adjustment - net pension asset per GASB 68	466
Unrestricted Net Position - beginning as adjusted	<u>\$ 736,447</u>
	Governmental
<i><u>Government-wide effects</u></i>	<u>Activities</u>
Net Position - beginning	\$ 1,139,517
Prior period adjustment - deferred outflows for TMRS contributions	8,511
Prior period adjustment - net pension asset per GASB 68	759
Net Position - beginning as adjusted	<u>\$ 1,148,787</u>

Note 9: Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2015 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 is one subsequent event requiring disclosure.

City of Tom Bean, Texas
Notes to the Financial Statements (continued)
September 30, 2015

Note 9: Subsequent Events – (continued)

In December of 2015, the City issued \$1,210,000 Greater Texoma Utility Authority Contract Revenue Bonds, Series 2015A. The proceeds will be used to make improvements to the City's water well and other system infrastructure. A financing agreement was entered into between the trustee the Texas Water Development Board (TWDB) and GTUA on behalf of the City of Tom Bean. TWDB made this commitment via the State Water Implementation Revenue Fund for Texas (SWIRFT).

These twenty-year revenue bonds have interest rates varying from .38% to 2.41% with an average yield of 2.02% of the life of the bonds. The bonds will mature after the final payment on July 1, 2035.

The following is future debt service commitments for the Greater Texoma Utility Authority Contract Revenue Bonds, Series 2015A:

Fiscal Year	Principal	Interest
2016	\$ -	\$ 12,235
2017	20,000	21,913
2018	20,000	21,838
2019	20,000	21,725
2020	20,000	21,582
2021-2025	340,000	99,356
2026-2030	375,000	72,246
2031-2035	415,000	29,948
	<u>\$ 1,210,000</u>	<u>\$ 300,843</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Tom Bean, Texas
Budgetary Comparison Schedule - General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2015

	<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	\$ 211,542	\$ 211,542	\$ 214,531	\$ 2,989
Police Department and Court	144,000	144,000	166,869	22,869
Franchise Taxes	45,255	45,255	47,803	2,548
General Sales and Use Taxes	44,000	44,000	45,326	1,326
Grants, Permits and Other	8,849	9,180	29,598	20,418
Total Revenues	<u>453,646</u>	<u>453,977</u>	<u>504,127</u>	<u>50,150</u>
EXPENDITURES				
Police Department	219,866	219,535	209,623	9,912
Court	117,150	117,150	121,743	(4,593)
General Government	80,998	81,348	97,865	(16,517)
Streets	27,900	27,550	9,316	18,234
Emergency & Medical Service	6,400	6,400	6,400	-
Library	935	935	157	778
Capital Outlays	-	-	22,750	(22,750)
Debt Service:	-	-		
Principal Expense	-	-	15,913	(15,913)
Interest Expense	-	-	1,720	(1,720)
Total Expenditures	<u>453,249</u>	<u>452,918</u>	<u>485,487</u>	<u>(32,569)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>397</u>	<u>1,059</u>	<u>18,640</u>	<u>17,582</u>
OTHER FINANCING SOURCES (USES)				
Total Other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 397</u>	<u>\$ 1,059</u>	<u>\$ 18,640</u>	<u>\$ 17,582</u>

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

CITY OF TOM BEAN
SCHEDULE OF T.M.R.S.CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2015</u>
Actuarially Determined Contribution	\$ 6,045
Contributions in relation to the actuarially determined	<u>\$ 6,045</u>
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 307,087
Contributions as a percentage of covered employee payroll	1.97%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

CITY OF TOM BEAN
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	<u>2014</u>
Total pension liability	
Service Cost	\$ 16,808
Interest (on the Total Pension Liability)	12,627
Changes of benefit terms	-
Difference between expected and actual experience	(1,365)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(10,783)
Net Change in Total Pension Liability	<u>17,287</u>
Total Pension Liability - Beginning	<u>177,376</u>
Total Pension Liability - Ending (a)	<u><u>\$ 194,663</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 3,892
Contributions - Employee	14,079
Net Investment Income	10,211
Benefit payments, including refunds of employee contributions	(10,783)
Administrative Expense	(107)
Other	(9)
Net Change in Plan Fiduciary Net Position	<u>17,283</u>
Plan Fiduciary Net Position - Beginning	<u>178,601</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 195,884</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (1,221)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.63%
Covered Employee Payroll	\$ 281,578
 Net Pension Liability as a Percentage of Covered Employee Payroll	-0.43%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide current year results. The employer will be required to build this schedule over the next 1 period.