

**CITY OF TOM BEAN, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2016**

**City of Tom Bean, Texas  
Annual Financial Report  
For the Year Ended September 30, 2016**

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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, 2016, 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, 2016, 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, General Fund budgetary comparison, and retirement system funding information on pages 3-8, 34-36 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 Albright PLLC*

Tom Bean, Texas  
June 12, 2017

**City of Tom Bean, Texas  
Management Discussion and Analysis  
For the Year Ended September 30, 2016**

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, 2016. 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, 2016 (FY16) is \$2,020,665. This is an increase in net position of \$117,487 from FY15's net position value of \$1,903,178. Unrestricted net position at the close of FY16 is \$268,550 and may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$47,380 over FY15's unrestricted net position value of \$221,170.
- As of the close of the current fiscal year, the City's governmental fund reported on page 13 has an ending fund balance of \$128,233 due to a current year increase of \$51,232.

**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, deferred outflows, deferred inflows, 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 FY16 government-wide financial statements with a comparison to FY15:

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

	FY 16	FY 15
Current and other assets	\$ 1,457,992	\$ 358,053
Capital assets	2,230,879	2,042,273
Deferred outflows	31,490	16,679
Total assets and deferred outflows	<u>3,720,361</u>	<u>2,417,005</u>
Current payables and other liabilities	75,716	59,879
Long-term liabilities	1,578,147	452,892
Deferred inflows	45,833	1,056
Total Liabilities and deferred inflows	<u>1,699,696</u>	<u>513,827</u>
Net Position:		
Net investment in capital assets	652,732	1,589,381
Restricted for debt service and other	1,099,383	92,091
Unrestricted	268,550	221,706
Total net position	<u>\$ 2,020,665</u>	<u>\$ 1,903,178</u>

### City of Tom Bean-Statement of Activities

	FY 16	FY 15
Revenues:		
Program Revenues		
Water Fund charges for services	\$ 449,157	\$ 421,288
General Fund charges for services	153,642	191,839
Grants and contributions	109,443	22,750
General revenues	326,298	311,859
Total Revenues	<u>1,038,540</u>	<u>947,736</u>
Expenses:		
General government, court, streets, and interest on long-term debt	220,807	259,107
Water, sewer, and sanitation	481,497	443,535
Police	212,349	220,750
Emergency medical service	6,400	6,400
Total Expenses	<u>921,053</u>	<u>929,792</u>
Increase (Decrease) in Net Position	<u>117,487</u>	<u>17,944</u>
Beginning Net Position	<u>1,903,178</u>	<u>1,885,234</u>
Ending Net Position	<u>\$ 2,020,665</u>	<u>\$ 1,903,178</u>

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

The City's total net position increased to \$2,020,665 from \$1,903,178. 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 \$268,550 at September 30, 2016. Thirty two percent (32%) 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 FY16 were \$81,489 more than the previous year. Most of this increase in revenues is represented by an increase in grant revenue. Total expenditures increased \$48,897 from 2015 totals. Most of the increase in expenditures was from an increase in capital outlays.

The General Fund (as presented in the balance sheet on page 11) reported a fund balance of \$128,233 compared to \$77,001 in FY15. This represents an increase of \$51,232. This increase also resulted in a \$49,285 positive variance with the General Fund's budget versus actual results as shown on page 34.

Total revenues for the City's proprietary fund were \$450,888 while total expenses were \$481,497. This resulted in a decrease in net position of \$30,609. Last year's result was a decrease in net position of \$20,593.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for all activities as of September 30, 2016 amounts to \$2,230,879, compared to \$2,042,273 (net of accumulated depreciation) at September 30, 2015. 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 \$1,578,147. The total for FY2015 was \$452,892. FY2016 principal payments totaled \$84,744 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 2016-2017 fiscal year. The operating budget for the 2016-2017 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, in connection with the proposed Greater Texoma Utility Authority (GTUA) Contract Revenue Bonds, Series 2015, Texas Water Development Board (TDWB) agreed to purchase the bonds for the \$1.2M water well project of which began in December 2015. With this loan for the third well for the City, we will be more prepared for the upcoming growth for our City. Due to the updated SCADA system that will be installed with the new system, we will be able to automatically monitor all three wells from the office/home via smart phone thus controlling any potential problems early on.

Hot patching remains as our yearly maintenance on our repaired streets at an estimated cost of \$4,000.

We were able to lower our property tax rate for 2016 to \$0.596287 per \$100 assessed value for the prior year but due to growth still were able to increase our property taxes by \$20,652. In addition, we once again increased the garbage rate by 3.5% due to Waste Management increase request and increased our water/sewer rates by 5% for our planned new water well funding.

The City Council approved Resolution 2016-03 Personal Property Turnover with our Tax Assessor-Collector providing for an additional collection penalty on delinquent taxes for real personal property.

Added a new Public Works Operator to the City staff in February due to former PW Director retiring in November 2015. Promoted current PW Operator to PW Director as well.

Solicited bids for the new contract for our trash service from three (3) vendors. Waste Management was chosen by council because of pricing, elimination of recycling charges (\$90/mo) and the addition of two (2) \$500 scholarships for Tom Bean ISD seniors.

Solicited bids for the yearly mowing with three (3) vendors. C&M Mowing was chosen due to best price quote receiving from all vendors in August 2016. Contract is effective April 2017-September 2017.

Approached by Whitewright EMS on upcoming contract renewal and after discussion the Council decided to award them with our agreement for five (5) years based on very competitive pricing.

Revenue from old outstanding warrants remained constant due to the close interaction between the court clerk and the police department.

A donation of a new council chambers was added to the City late last year. With this new donation to the Community Center, we now have a more professional look for our city council meetings.

The Water Fund or Proprietary Fund was up modestly this year, but water loss issues continue to plague the City and the Public Works Department continues to monitor daily for leaks around the City. As part of the new water well loan, we were able to purchase \$10,000 worth of new meters to cut our water loss and all have been installed at this time. Our recycling effort continued to increase this year and continues to be a great program for our citizens.

The Type A Community Development Board continued their efforts with the Denison Development Alliance Education for Teachers Program and allocated \$1,000 to this effort being able to send two (2) High School teachers to the program. The Type B Economic Development Board worked with the city and was able to fund the new Pavilion Park in our downtown area. They later voted to plant a 25' Red Oak tree to the area along with updating the existing table and benches. 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 plant drift roses in our brick flowerbed in front of our city clock that was added last year to enhance the beauty of our town and is funding Yard of the Month winners to encourage homeowners to keep our town beautiful.

Cottonwood Meadows is our new housing development that had their ribbon cutting last summer. The projection is for 29 new homes in this area of which will boost our property taxes and hopefully increase our school system enrollment with the new family additions.

Dollar General continues to be a great catalyst for the boost in our sales tax each month for the City. We are experiencing buyers from other local cities to visit/spend their money at our store due to the cleanliness, being well stocked and friendly sales staff.

### **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 903.546.3010 or visit [www.tombean.net](http://www.tombean.net).

City of Tom Bean, Texas  
Statement of Net Position  
September 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tom Bean Community Development Corporation	Tom Bean Economic Development Corporation
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 133,667	\$ 75,460	\$ 209,127	\$ 83,580	\$ 70,279
Receivables, Net	78,030	27,574	105,604	4,050	4,050
Net Pension Asset	27,180	16,698	43,878	-	-
Deposits Held in Trust by GTUA	-	1,099,383	1,099,383	-	-
Capital Assets not being Depreciated					
Land	7,000	79,850	86,850	-	-
Construction in Progress	133,606	134,308	267,914	-	-
Capital Assets net of Accumulated Depreciation					
Buildings, Parks and Improvements	49,867	-	49,867	-	-
Furniture, Equipment and Vehicles	27,307	5,464	32,771	-	-
Streets and Other Infrastructure	926,773	-	926,773	-	-
Water and Sewer System	-	866,704	866,704	-	-
<b>Total Assets</b>	<b>1,383,430</b>	<b>2,305,441</b>	<b>3,688,871</b>	<b>87,630</b>	<b>74,329</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows - Pension Deferrals	19,506	11,984	31,490	-	-
<b>Total Deferred Outflows of Resources</b>	<b>19,506</b>	<b>11,984</b>	<b>31,490</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>					
Accounts Payable and Other Current Liabilities	29,853	21,788	51,641	-	-
Water Deposits Payable to Customers	-	21,444	21,444	-	-
Salaries Payable	-	2,631	2,631	-	-
Noncurrent Liabilities					
Due Within One Year	9,272	88,634	97,906	-	-
Due in More Than One Year	-	1,480,241	1,480,241	-	-
<b>Total Liabilities</b>	<b>39,125</b>	<b>1,614,738</b>	<b>1,653,863</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows - Pension Deferrals	28,391	17,442	45,833	-	-
<b>Total Deferred Inflows of Resources</b>	<b>28,391</b>	<b>17,442</b>	<b>45,833</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,135,281	(482,549)	652,732	-	-
Restricted for:					
Economic Development	-	-	-	87,630	74,329
Court Security and Technology	7,956	-	7,956	-	-
Deposits Held in Trust by GTUA	-	1,099,383	1,099,383	-	-
Unrestricted	192,183	68,411	260,594	-	-
<b>Total Net Position</b>	<b>\$ 1,335,420</b>	<b>\$ 685,245</b>	<b>\$ 2,020,665</b>	<b>\$ 87,630</b>	<b>\$ 74,329</b>

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

City of Tom Bean, Texas  
Statement of Activities  
For the Year Ended, September 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Primary Government				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 77,831	\$ 5,132	\$ -	\$ 108,595	\$ 35,896	\$ -	\$ 35,896
Police	212,349	-	-	848	(211,501)	(211,501)	(211,501)
Municipal Court	105,582	148,510	-	-	42,928	42,928	42,928
Fire Protection	6,400	-	-	-	(6,400)	(6,400)	(6,400)
Streets and Infrastructure	36,469	-	-	-	(36,469)	(36,469)	(36,469)
Interest on Long-Term Debt	925	-	-	-	(925)	(925)	(925)
Total Governmental Activities	439,556	153,642	-	109,443	(176,471)	(176,471)	(176,471)
Business-Type Activities:							
Water and Sewer	481,497	449,157	-	-	-	\$ (32,340)	(32,340)
Total Business-Type Activities	481,497	449,157	-	-	-	(32,340)	(32,340)
Total Primary Government	921,053	602,799	-	109,443	(176,471)	(32,340)	(208,811)
Component Units:							
Community Development Corporation	5,351	-	-	-	-	\$ (5,351)	\$ -
Economic Development Corporation	17,845	-	-	-	-	-	(17,845)
Total Component Units	\$ 23,196	\$ -	\$ -	\$ -	\$ -	(5,351)	(17,845)
General Revenues:							
Property Taxes					228,377	-	228,377
General Sales and Use Taxes					43,760	-	43,760
Franchise Taxes					45,582	-	45,582
Miscellaneous					6,625	-	6,625
Investment Earnings					223	1,731	1,954
Total General Revenues and Transfers					324,567	1,731	326,298
Change in Net Position					148,096	(30,609)	117,487
Net Position - Beginning					1,187,324	715,854	1,903,178
Net Position - Ending					\$ 1,335,420	\$ 685,245	\$ 2,020,665

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, 2016**

	<u>General Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 133,667
Receivables, Net:	
Property Taxes	17,767
Court	41,521
Sales Taxes	8,099
Franchise	10,643
<b>Total Assets</b>	<b><u>\$ 211,697</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 7,591
Accrued Liabilities	22,262
<b>Total Liabilities</b>	<b><u>29,853</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenues - Property Taxes	17,535
Unavailable Revenues - Court Fines	36,076
<b>Total Deferred Inflows of Resources</b>	<b><u>53,611</u></b>
<b>FUND BALANCES</b>	
Restricted for Court Security and Technology	7,956
Assigned for Future Projects	6,271
Unassigned	114,006
<b>Total Fund Balances</b>	<b><u>128,233</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 211,697</u></b>

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**  
**September 30, 2016**

Amounts reported for governmental activities in the statement of net position (page 9) are different because

<b>Fund Balance of the Governmental Fund (Page 11)</b>	<b>\$ 128,233</b>
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the Governmental Fund.	1,144,553
Delinquent property taxes and court revenue are not current financial resources; therefore, they are not reported in the governmental funds.	53,611
Net pension asset is not a financial resource; therefore, it is not reported in the governmental funds.	27,180
Pension deferrals are not current financial resources/burden; therefore they are not reported in the government funds. The net of these amounts is:	(8,885)
Long-term liabilities, including accrued compensated absences and notes payable are not and payable in the current period and, therefore, are not reported in the governmental fund.	(9,272)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,335,420</u></b>

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, 2016**

	General Fund
<b>REVENUES</b>	
Taxes:	
Property	\$ 225,482
General Sales and Use	43,760
Franchise	45,582
Municipal Court	149,369
Grant Revenue	109,443
Other Revenue	6,625
Licenses and Permits	5,132
Interest Revenue	223
Total Revenues	<u>585,616</u>
<b>EXPENDITURES</b>	
Current:	
Police Department	204,279
General Government	73,073
Municipal Court	105,582
Streets	16,134
Emergency Medical Service	6,400
Library	427
Capital Outlays	110,856
Debt Service:	
Principal	16,708
Interest	925
Total Expenditures	<u>534,384</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>51,232</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	51,232
Fund Balance - Beginning	<u>77,001</u>
Fund Balance - Ending	<u><u>\$ 128,233</u></u>

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

**City of Tom Bean, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2016**

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

<b>Net Change in Fund Balance - Total Governmental Fund (Page 13)</b>	<b>\$ 51,232</b>
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed	70,258
Governmental Funds report 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 Repaid in Current Year	16,708
Governmental Funds report some prior year tax and court revenues as income in the current year. However, in the Statement of Activities, the revenue is recognized in the year in which it is earned.	
Net Amounts Earned in Prior Years	2,036
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 reclassifications is to increase net position.	7,862
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 148,096</u></b>

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



**City of Tom Bean, Texas  
Statement of Net Position  
Proprietary Fund  
September 30, 2016**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 75,460
Accounts Receivables, Net	27,574
Total Current Assets	<u>103,034</u>
Restricted and Other Assets:	
Restricted Deposits Held by GTUA	1,099,383
Net Pension Asset	16,698
Total Restricted and Other Assets:	<u>1,116,081</u>
Capital Assets:	
Land	79,850
Construction in Progress	134,308
Machinery, Furniture, and Equipment	95,338
Water and Sewer System	2,657,587
Less Accumulated Depreciation	<u>(1,880,757)</u>
Total Capital Assets, Net	<u>1,086,326</u>
<b>Total Assets</b>	<u><b>2,305,441</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows - Pension Deferrals	<u>11,984</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	20,595
Accrued Liabilities	1,193
Salaries and Wages Payable	2,631
Customer Deposits Payable	21,444
Notes Payable - Current Portion	13,634
Contractual Obligation - Current Portion	75,000
Total Current Liabilities	<u>134,497</u>
Noncurrent Liabilities:	
Notes payable - Long Term Portion	105,241
Contractual Obligation - Long Term Portion	1,375,000
Total Noncurrent Liabilities	<u>1,480,241</u>
<b>Total Liabilities</b>	<u><b>1,614,738</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - Pension Deferrals	<u>17,442</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(482,549)
Restricted Deposits with GTUA	1,099,383
Unrestricted	68,411
<b>Total Net Position</b>	<u><b>\$ 685,245</b></u>

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

**City of Tom Bean, Texas**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended September 30, 2016**

	<b>Water and Sewer Fund</b>
<b>Operating Revenues:</b>	
Water	\$ 245,885
Sewer	125,876
Sanitation	49,940
Late Charges, Connect Fees, and Other	27,456
Total Operating Revenues	<u>449,157</u>
<b>Operating Expenses:</b>	
Salaries and Benefits	\$ 158,822
Supplies, Maintenance and Repairs	35,364
Depreciation	85,961
Utilities	68,092
Sanitation Contract	46,095
Other Operating Expenses	43,587
Total Operating Expenses	<u>437,921</u>
Operating Income (Loss)	<u>11,236</u>
<b>Nonoperating Sources (Uses)</b>	
Bond Issuance Costs	(23,045)
Interest Income	1,731
Interest Expense	(20,531)
Total Nonoperating Revenue (Expenses)	<u>(41,845)</u>
<b>Change in Net Position</b>	(30,609)
Total Net Position - Beginning	\$ 715,854
Total Net Position - Ending	<u>\$ 685,245</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, 2016**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 463,794
Cash Paid to Employees	(162,146)
Cash Paid to Suppliers for Goods and Services	(179,589)
Net Cash Provided by Operating Activities	<u>122,059</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Net Cash (used for) Noncapital Financing Activities	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(204,308)
Proceeds from New Debt	1,210,000
Net Cash Deposited with GTUA	(1,014,038)
Interest Paid on Capital Debt	(20,531)
Principal Paid on Capital Debt	(68,036)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(96,913)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash Paid for Bond Issuance Costs	(23,045)
Cash Paid for Interest on Investments	1,731
Net Cash Provided by Investing Activities	<u>(21,314)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,832
Cash and Cash Equivalents, October 1, 2015	<u>71,628</u>
Cash and Cash Equivalents, September 30, 2016	<u><u>\$ 75,460</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 11,236
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	85,961
(Increase) Decrease in Accounts Receivable	13,523
(Increase) Decrease in Net Pension Asset	(16,234)
(Increase) Decrease in Deferred Outflows of Resources - Pensions	(5,636)
Increase (Decrease) in Deposits Payable	1,114
Increase (Decrease) in Accounts Payable	18,736
Increase (Decrease) in Accrued Liabilities	(3,681)
Increase (Decrease) in Deferred Inflows of Resources - Pensions	17,040
Net Cash Provided by Operating Activities	<u><u>\$ 122,059</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, 2016**

**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 Economic Development Corporation (EDC) and the Tom Bean Community Development Corporation (CDC) 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 EDC, CDC and the City. The EDC and CDC are non-profit organizations established on behalf of the City under the Development Act of 1979. The transactions of the EDC and CDC 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 EDC and CDC 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, 2016**

**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, 2016**

**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, deferred inflow and outflows 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.

*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, 2016**

**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

*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 re amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the differences occurred.

*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, 2016, the Water Fund had restricted net position in the amount of \$1,099,383. 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.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

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

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

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,

*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



**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

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

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

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.

*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, 2016, 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, 2016, the City's deposits in its depository bank totaled \$216,492 with the full balance insured by the FDIC.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

**Note 3: Receivables**

Government-wide receivables as of September 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund	Totals
Receivables:			
Ad valorem taxes	\$ 17,767	\$ -	\$ 17,767
Sales taxes	8,099	-	8,099
Court	111,086	-	111,086
Franchise	10,643	-	10,643
Accounts	-	51,025	51,025
Gross receivables	147,595	51,025	198,620
Less: Uncollectible allowance	(69,565)	(23,451)	(93,016)
Net total receivables	<u>\$ 78,030</u>	<u>\$ 27,574</u>	<u>\$ 105,604</u>

**Note 4: Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2016, follows:

	Balance September 30, 2015	Additions and Reclasses	Retirements	Balance September 30, 2016
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Construction in progress	22,750	110,856	-	133,606
Total capital assets, not being depreciated	29,750	110,856	-	140,606
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	1,856,748	-	-	1,856,748
Less accumulated depreciation for:				
Buildings, parks, and improvements	(191,225)	(6,572)	-	(197,797)
Streets and other infrastructure	(479,369)	(20,335)	-	(499,704)
Furniture, equipment and vehicles	(141,609)	(13,691)	-	(155,300)
Total accumulated depreciation	(812,203)	(40,598)	-	(852,801)
Capital assets, being depreciated, net	1,044,545	(40,598)	-	1,003,947
Governmental activities capital assets, net	<u>\$ 1,074,295</u>	<u>\$ 70,258</u>	<u>\$ -</u>	<u>\$ 1,144,553</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

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

	Balance September 30, 2015	Additions and Reclasses	Retirements	Balance September 30, 2016
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,850	\$ 70,000	\$ -	\$ 79,850
Construction in Progress	-	134,308	-	134,308
Total capital assets, not being depreciated	<u>9,850</u>	<u>204,308</u>	<u>-</u>	<u>214,158</u>
Capital assets, being depreciated:				
Furniture, equipment, and vehicles	95,338	-	-	95,338
Utility plant in service	2,657,587	-	-	2,657,587
Total capital assets, being depreciated	<u>2,752,925</u>	<u>-</u>	<u>-</u>	<u>2,752,925</u>
Less accumulated depreciation for:				
Furniture, equipment, and vehicles	(87,253)	(2,621)	-	(89,874)
Utility plant in service	(1,707,543)	(83,340)	-	(1,790,883)
Total accumulated depreciation	<u>(1,794,796)</u>	<u>(85,961)</u>	<u>-</u>	<u>(1,880,757)</u>
Capital assets, being depreciated, net	<u>958,129</u>	<u>(85,961)</u>	<u>-</u>	<u>872,168</u>
Business-type activities capital assets, net	<u>\$ 967,979</u>	<u>\$ 118,347</u>	<u>\$ -</u>	<u>\$ 1,086,326</u>

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

<b>Governmental Activities:</b>	
General government	\$ 8,262
Public safety	12,001
Streets	20,335
Total	<u>\$ 40,598</u>
<b>Business-type activities:</b>	
Water and sewer	<u>\$ 85,961</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

**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.tmrs.com](http://www.tmrs.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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	10
Active employees	8
Total:	18

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

**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 2015 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$6,282, and were equal to the required contributions.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary Increases	3.5%
Investment Rate of Return	6.75%, 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, 2015, 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 2015 valuation.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

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

**D. Net Pension Liability (continued)**

The long-term expected rate of return on pension plan investments is 6.75%. 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%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total:	100.0%	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. 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, 2016**

**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 12/31/2014	\$ 194,663	\$ 195,884	\$ (1,221)
Changes for the year:			
Service Cost	18,856	-	18,856
Interest	13,925	-	13,925
Change of benefit terms	-	-	-
Difference between expected and actual experience	(62,229)	-	(62,229)
Changes of assumptions	6,348	-	6,348
Contributions - employer	-	5,628	(5,628)
Contributions - employee	-	13,824	(13,824)
Net investment income	-	289	(289)
Benefit payments, including refunds of employee contribution	(10,311)	(10,311)	-
Administrative expense	-	(176)	176
Other Changes	-	(8)	8
Net Changes	(33,411)	9,246	(42,657)
Balance at 12/31/2015	\$ 161,252	\$ 205,130	\$ (43,878)

The following presents the net pension liability of the City, calculated using the discount rate of 6.75% 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate assumption 6.75%	1% Increase 7.75%
(\$14,993)	(\$43,878)	(\$67,155)

***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.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2016, the City recognized pension expense of \$1,797.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

**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, 2016, 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	\$ (45,833)
Changes in actuarial assumptions	4,599
Difference between projected and actual investment earnings	12,113
Contributions subsequent to the measurement date	14,778
Total	\$ (14,343)

\$14,778 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, 2016. 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
2016	\$ (12,560)
2017	(12,560)
2018	(6,684)
2019	2,683
Thereafter	-
Total	\$ (29,121)



**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

**Note 6: Long-term Liabilities**

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2016:

**A. Governmental Activities**

Description	Interest Rate Payable	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016	Due Within One Year
Note Payable - SUVs	5.0%	\$ 25,980	\$ -	\$ (16,708)	\$ 9,272	\$ 9,272
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,708)</u>	<u>\$ 9,272</u>	<u>\$ 9,272</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.

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

Description	Interest Rate Payable	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016	Due Within One Year
GTUA Certificate of Obligation	4.74%	\$295,000	\$ 1,210,000	\$ (55,000)	\$ 1,450,000	\$ 75,000
Bank Note Payable - 1	4.50%	<u>131,911</u>	<u>-</u>	<u>(13,036)</u>	<u>118,875</u>	<u>13,634</u>
Total Long-Term Debt:		<u>\$426,911</u>	<u>\$ 1,210,000</u>	<u>\$ (68,036)</u>	<u>\$ 1,568,875</u>	<u>\$ 88,634</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 and an additional contract in 2015. 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% and the original principal obligation of the series 2015 contract was \$1,210,000, 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 City's obligation to GTUA under the 2015 contract expires with the retirement of the GTUA bonds in the fiscal year ending September 30, 2035.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

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

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

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>
2017	\$ 75,000	\$ 33,559	\$ 108,559
2018	80,000	30,843	110,843
2019	80,000	27,821	107,821
2020	85,000	24,767	109,767
2021	65,000	21,408	86,408
2022 - 2027	420,000	110,971	530,971
2028 - 2033	475,000	63,043	538,043
2034 - 2035	170,000	6,129	176,129
Totals	<u>\$ 1,450,000</u>	<u>\$ 318,541</u>	<u>\$ 1,768,541</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 terms:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	16,317	2,386	18,703
2022 - 2024	44,148	2,610	46,758
Totals	<u>\$ 118,867</u>	<u>\$ 21,406</u>	<u>\$ 140,273</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2016**

**Note 7: Insurance Coverage**

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2015 to September 30, 2016 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, 2016 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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Property Taxes	\$ 225,107	\$ 225,107	\$ 225,482	\$ 375
Police Department and Court	150,000	150,000	149,369	(631)
Franchise Taxes	45,255	45,255	45,582	327
General Sales and Use Taxes	44,000	44,000	43,760	(240)
Grants, Permits and Other	6,981	6,981	121,423	114,442
Total Revenues	<u>471,343</u>	<u>471,343</u>	<u>585,616</u>	<u>114,273</u>
<b>EXPENDITURES</b>				
Police Department	235,803	235,803	204,279	31,524
Court	122,351	122,351	105,582	16,769
General Government	91,841	91,841	73,073	18,768
Streets	12,000	12,000	16,134	(4,134)
Emergency & Medical Service	6,400	6,400	6,400	-
Library	1,000	1,000	427	573
Capital Outlays	-	-	110,856	(110,856)
Debt Service:	-	-		
Principal Expense	-	-	16,708	(16,708)
Interest Expense	-	-	925	(925)
Total Expenditures	<u>469,395</u>	<u>469,395</u>	<u>534,384</u>	<u>(64,989)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,947</u>	<u>1,947</u>	<u>51,232</u>	<u>179,262</u>
Net Change in Fund Balances	<u>\$ 1,947</u>	<u>\$ 1,947</u>	<u>\$ 51,232</u>	

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

	2016	2015
Actuarially Determined Contribution	\$ 6,282	\$ 6,045
Contributions in relation to the actuarially determined	\$ 6,282	\$ 6,045
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 322,127	\$ 307,087
Contributions as a percentage of covered employee payroll	1.95%	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 Fiscal Years (will ultimately be displayed)**

	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>		
Service Cost	\$ 18,856	\$ 16,808
Interest (on the Total Pension Liability)	13,925	12,627
Changes of benefit terms	-	-
Difference between expected and actual experience	(62,229)	(1,365)
Change of assumptions	6,348	-
Benefit payments, including refunds of employee contributions	(10,311)	(10,783)
<b>Net Change in Total Pension Liability</b>	(33,411)	17,287
<b>Total Pension Liability - Beginning</b>	194,663	177,376
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 161,252</u>	<u>\$ 194,663</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 5,628	\$ 3,892
Contributions - Employee	13,824	14,079
Net Investment Income	289	10,211
Benefit payments, including refunds of employee contributions	(10,311)	(10,783)
Administrative Expense	(176)	(107)
Other	(8)	(9)
<b>Net Change in Plan Fiduciary Net Position</b>	9,246	17,283
<b>Plan Fiduciary Net Position - Beginning</b>	195,884	178,601
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 205,130</u>	<u>\$ 195,884</u>
<b>Net Pension Liability - Enging (a) - (b)</b>	\$ (43,878)	\$ (1,221)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	127.21%	100.63%
<b>Covered Employee Payroll</b>	\$ 276,486	\$ 281,578
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	-15.87%	-0.43%

**Notes to Schedule:**

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