

**CITY OF TOM BEAN, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2018**

City of Tom Bean, Texas  
Annual Financial Report  
For the Year Ended September 30, 2018

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**LaFollett and Abbott PLLC**  
Certified Public Accountants

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

### **Independent Auditor's Report**

To the City Council  
City of Tom Bean, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tom Bean, Texas (City) as of and for the year ended September 30, 2018, 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 City'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 City'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, 2018, 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, 38-41 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  
May 13, 2019

**City of Tom Bean, Texas  
Management Discussion and Analysis  
For the Year Ended September 30, 2018**

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, 2018. 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, 2018 (FY18) is \$2,222,551. This is an increase in net position of \$241,325 from FY17's net position value of \$1,981,226. Unrestricted net position at the close of FY18 is \$328,706 and may be used to meet the City's ongoing obligations to citizens and creditors. This is an increase of \$79,677 over FY17's unrestricted net position value of \$249,029.
- As of the close of the current fiscal year, the City's governmental fund reported on page 13 has an ending fund balance of \$157,706 due to a current year increase of \$1,405.

**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 FY18 government-wide financial statements with a comparison to FY17:

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

	FY18	FY17
Current and other assets	\$ 1,199,502	\$ 1,517,107
Capital assets	2,667,227	2,118,292
Net Pension Asset	65,983	52,801
Deferred outflows of resources	8,201	14,405
Total assets	<u>3,940,913</u>	<u>3,702,605</u>
Current payables and other liabilities	70,436	72,627
Long-term liabilities	1,608,762	1,615,242
Total OPEB Liability	11,413	-
Deferred inflows of resources	27,751	33,510
Total liabilities	<u>1,718,362</u>	<u>1,721,379</u>
Net position:		
Net investment in capital assets	1,058,465	503,050
Restricted for debt service and other	835,380	1,229,147
Unrestricted	328,706	249,029
Total net position	<u>\$ 2,222,551</u>	<u>\$ 1,981,226</u>

### City of Tom Bean-Statement of Activities

	FY18	FY17
Revenues:		
Program revenues		
General Fund charges for services	\$ 125,268	\$ 120,161
Water Fund charges for services	523,828	478,331
Grants and contributions	177,723	15,118
General revenues	376,148	348,679
Total revenues	<u>1,202,967</u>	<u>962,289</u>
Expenses:		
General government, court and interest on long-term debt	296,658	271,150
Water, sewer, and sanitation	437,972	520,664
Police	204,515	209,914
Emergency fire and medical service	13,000	-
Total expenses	<u>952,145</u>	<u>1,001,728</u>
Increase (decrease) in net position	<u>\$ 250,822</u>	<u>\$ (39,439)</u>

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

The City's total net position increased to \$2,222,551 from \$1,981,226. 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 \$328,706 at September 30, 2018. Forty-eight (48%) 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 FY18 were \$107,022 more than the previous year. Most of this increase in revenues is represented by an increase in grant revenue. Total expenditures increased \$133,685 from 2017 totals. Most of the increase in expenditures was from the purchase of two, new SUV's for the police department.

The General Fund (as presented in the balance sheet on page 11) reported a fund balance of \$157,706 compared to \$156,301 in FY17. This represents an increase of \$1,405. This increase also resulted in a \$420 negative variance with the General Fund's budget versus actual results as shown on page 38. There was also a cumulative effect of change in accounting principle due to the implementation of GASB 75 which decreased total net position by \$8,885.

Total revenues for the City's proprietary fund were \$700,796 while total expenses and transfers were \$439,818. There was also a cumulative effect of change in accounting principle due to the implementation of GASB 75 which decreased total net position by \$612. This resulted in an overall increase in net position of \$260,366. Last year's result was a decrease in net position of \$33,779.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for all activities as of September 30, 2018 amounts to \$2,667,227 compared to \$2,118,292 (net of accumulated depreciation) at September 30, 2017. This investment in capital assets includes land, buildings and improvements, street improvements, water and wastewater systems, equipment and vehicles.

### **Long-term Debt**

In this fiscal year, the City acquired a new debt of \$101,693 for the purchase of two, new SUV's and equipment for the Police Department. At year-end, the City's long-term debt consisted of contractual obligations and notes payable totaling \$1,608,762. The total for FY17 was \$1,615,242. FY18 principal payments totaled \$108,174 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 2018-2019 fiscal year. The operating budget for the 2018-2019 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 (TWDB) agreed to purchase the bonds for the \$1.2M water well project of which began in December 2015. The contract was awarded to Central Texas Water Well and completion of this project should be by mid-summer/early fall 2019.

The Holcombville Water Systems Upgrade was a grant awarded to the city from the Texas Department of Agriculture Office of Rural Affairs (TDA). The total amount for this project was \$207,420. The contract fund was \$189,420 and the City matching fund was \$18,000. This project has been completed and new water lines have been installed throughout the neighborhood in addition to two new fire hydrants.

We were also notified that we were a recipient of the TNMP grant for \$2,155 in which we will be installing new radio-controlled remotes for the siren system.

The City was asked to annex a lot at the end of Jones St. of which will be added to our property tax rolls in the future. Other lots in our ETJ are in work at this time. We were also able to revise the CITY OF TOM BEAN AFFORDABLE HOUSING INITIATIVE in which we increased the square footage from 1600 to 1800 and changed the building permit, water tap fee and sewer tap fee to help with additional housing development for our future builds in the city. The City also hired Hayter Engineering to review our plats for land that are in the county but in our ETJ.

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

Our property tax rate remained in 2017 at \$0.567362 per \$100 assessed value for the prior year. 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 8% to pay for our planned new water well funding.

Revenue from old outstanding warrants lagged due to lost Police personnel last year for our court system. Police Department is working to recruit more full-time officers as well as reserves to cover our city.

The Water Fund or Proprietary Fund was down somewhat once again this year due in part to the abundant amount of rain we have received this year. Water loss issues continue to plague the City but once again decreased this year due to many repairs made in our system and the Public Works Department continues to monitor daily for leaks around the City. As part of the new water well loan, we installed even more new water meters that were purchased last year to cut our water losses. Our recycling effort continued to increase this year and continues to be a great program for our citizens. In contract negotiations with Waste Management, we were able to have the recycling program paid for by Waste Management instead of our usual \$90/month fee.

The Type A Community Development Board had to cancel their annual hosted Christmas Parade in December. The Type B Economic Development Board worked with the Type A Community Development Board and had to cancel the 2<sup>nd</sup> annual Autumn Nights in October. Due to inclement weather for both events, both have been rescheduled for the following year.

Cottonwood Meadows has been sold to another developer, Texas Platinum Homes, and they will begin the build of the remainder of the existing lots in this addition next year. We will again see a boost in our property taxes.

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

We also approved an ordinance for the Alcoholic Beverage Sales Establishment since the sale of liquor was passed at the last May election.

As we launched our new City of Tom Bean website, the City Council and I were so happy to have finally accomplished this overdue project. It features many new options of which several will be automated and more convenient for our customers to use and communicate easier with the city staff.

Our library and TBVFD departments are staffed with volunteers of our community and we appreciate their service and dedicated to better our lives and keep us safe.

#### **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, 2018

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tom Bean Community Development Corporation	Tom Bean Economic Development Corporation
Cash and Cash Equivalents	\$ 162,953	\$ 79,564	\$ 242,517	\$ 121,746	\$ 102,288
Receivables, Net	90,564	38,661	129,225	4,567	4,567
Net Pension Asset	61,739	4,244	65,983	-	-
Deposits Held in Trust by GTUA	-	827,760	827,760	-	-
Capital Assets not being Depreciated					
Land	7,000	79,850	86,850	-	-
Construction in Progress	-	565,932	565,932	-	-
Capital Assets net of Accumulated Depreciation					
Buildings, Parks and Improvements	36,722	-	36,722	-	-
Furniture, Equipment and Vehicles	81,354	621	81,975	-	-
Streets and Other Infrastructure	1,017,929	-	1,017,929	-	-
Water and Sewer System	-	877,819	877,819	-	-
Total Assets	<u>1,458,261</u>	<u>2,474,451</u>	<u>3,932,712</u>	<u>126,313</u>	<u>106,855</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows - OPEB	785	54	839	-	-
Deferred Outflows - Pension	2,302	5,060	7,362	-	-
Total Deferred Outflows of Resources	<u>3,087</u>	<u>5,114</u>	<u>8,201</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts Payable and Other Current Liabilities	24,089	9,094	33,183	500	500
Water Deposits Payable to Customers	-	27,644	27,644	-	-
Due Within One Year	19,254	99,916	119,170	-	-
Salaries Payable	7,285	2,324	9,609	-	-
Noncurrent Liabilities					
Total OPEB Liability	10,679	734	11,413	-	-
Due in More Than One Year	68,526	1,421,066	1,489,592	-	-
Total Liabilities	<u>129,833</u>	<u>1,560,778</u>	<u>1,690,611</u>	<u>500</u>	<u>500</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows - Pension	20,796	6,955	27,751	-	-
Total Deferred Inflows of Resources	<u>20,796</u>	<u>6,955</u>	<u>27,751</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,055,225	3,240	1,058,465	-	-
Restricted for					
Economic Development	-	-	-	125,813	106,355
Court Security and Technology	7,620	-	7,620	-	-
Deposits Held in Trust by GTUA	-	827,760	827,760	-	-
Unrestricted	247,874	80,832	328,706	-	-
Total Net Position	<u>\$ 1,310,719</u>	<u>\$ 911,832</u>	<u>\$ 2,222,551</u>	<u>\$ 125,813</u>	<u>\$ 106,355</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, 2018

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	Tom Bean Community Development Corporation	Tom Bean Economic Development Corporation
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General Government	\$ 149,005	\$ 7,509	\$ -	\$ -	\$ (141,496)	\$ -		
Police	202,015	-	-	853	(201,162)			
Municipal Court	107,253	117,759	-	-	10,506			
Fire Protection	13,000	-	-	-	(13,000)			
Streets and Infrastructure	37,353	-	-	-	(37,353)			
Interest on Long-Term Debt	3,047	-	-	-	(3,047)			
Total Governmental Activities	511,673	125,268	-	853	(385,552)			
<b>Business-Type Activities:</b>								
Water and Sewer	437,972	523,828	-	176,870	-	\$ 262,726		
Total Business-Type Activities	437,972	523,828	-	176,870	-	262,726		
Total Primary Government	949,645	649,096	-	177,723	(385,552)	262,726		
<b>Component Units:</b>								
Community Development Corporation	7,042	-	-	-			\$ (7,042)	\$ -
Economic Development Corporation	5,982	-	-	-				(5,982)
Total Component Units	\$ 13,024	\$ -	\$ -	\$ -			(7,042)	(5,982)
<b>General Revenues:</b>								
Property Taxes					250,631	-		-
General Sales and Use Taxes					48,996	-	24,549	24,874
Franchise Taxes					49,377	-	-	-
Miscellaneous					14,229	-	-	50
Gain on Sale of Assets					10,011	-	-	-
Investment Earnings					306	98	-	-
Transfers					1,846	(1,846)	-	-
Total General Revenues and Transfers					375,396	(1,748)	24,549	24,874
Change in Net Position					(10,156)	260,978	17,507	18,892
Net Position - Beginning					1,329,760	651,466	108,306	87,463
Cumulative Effect of Change in Accounting Principle					(8,885)	(612)	-	-
Net Position - Ending					\$ 1,310,719	\$ 911,832	\$ 125,813	\$ 106,355

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, 2018

	General Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 162,953
Receivables, Net:	
Property Taxes	17,112
Court	52,279
Sales Taxes	9,135
Franchise	<u>12,038</u>
Total Assets	<u><u>\$ 253,517</u></u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 24,089
Salaries Payable	<u>7,285</u>
Total Liabilities	<u>31,374</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenues - Property Taxes	15,920
Unavailable Revenues - Court Fines	<u>48,517</u>
Total Deferred Inflows of Resources	<u>64,437</u>
 <b>FUND BALANCES</b>	
Restricted for Court Security and Technology	7,620
Unassigned	<u>150,086</u>
Total Fund Balances	<u>157,706</u>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$ 253,517</u></u>

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

City of Tom Bean, Texas  
Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Position  
September 30, 2018

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>\$ 157,706</b>
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the Governmental Fund.	1,143,005
Delinquent property taxes and court revenue are not current financial resources; therefore, they are not reported in the governmental funds.	64,437
Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure).	
Deferred outflows - OPEB	785
Deferred outflows - Pension	14,317
Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and is not recognized as an inflow of resources (revenue) until that time.	
Deferred inflows - Pension	(32,811)
Long-term liabilities, including accrued compensated absences and notes payable are not due and payable in the current period and, therefore, are not reported in the governmental fund.	
Non-current liabilities due in one year	(19,254)
Non-current liabilities due in more than one year	(68,526)
Net pension asset	61,739
Total OPEB liability	<u>(10,679)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 1,310,719</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 Fund  
For the Year Ended September 30, 2018

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes:	
Property	\$ 253,665
General Sales and Use	48,996
Franchise	49,377
Municipal Court	98,920
Grant Revenue	853
Other Revenue	14,229
Licenses and Permits	7,509
Interest Revenue	306
Total Revenues	<u>473,855</u>
<b>EXPENDITURES</b>	
Current:	
Police Department	193,540
General Government	137,223
Municipal Court	107,253
Fire Department	8,000
Streets	15,237
Emergency Medical Service	5,000
Library	1,095
Capital Outlays	101,693
Debt Service:	
Principal	13,912
Interest	3,047
Total Expenditures	<u>586,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(112,145)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Loan Proceeds	101,693
Transfers (to) from Other Funds	1,846
Gain on Sale of Assets	10,011
Total Other Financing Sources (Uses)	<u>113,550</u>
Net Change in Fund Balance	1,405
Fund Balance - Beginning	<u>156,301</u>
Fund Balance - Ending	<u>\$ 157,706</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 Fund to the  
Statement of Activities  
For the Year Ended September 30, 2018

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>\$ 1,405</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 exceeds depreciation.	39,051
Issuance of Long Term Debt	
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 Added in Current Year	(101,693)
Long-Term Debt Repaid in Current Year	13,912
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2017 caused the change in the ending net position to increase by this amount.	6,179
Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position of this amount.	(12,053)
The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by this amount.	28,247
The City's reported TMRS total OPEB expense had to be recorded. The total OPEB expense decreased the change in net position by this amount	(1,008)
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	<u>15,804</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (10,156)</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, 2018

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 79,564
Accounts Receivables, Net	38,661
Total Current Assets	<u>118,225</u>
Restricted and Other Assets:	
Restricted Deposits Held by GTUA	827,760
Net Pension Asset	4,244
Total Restricted and Other Assets	<u>832,004</u>
Noncurrent Assets:	
Capital Assets:	
Land	79,850
Construction in Progress	565,932
Machinery, Furniture, and Equipment	95,338
Water and Sewer System	2,834,085
Less Accumulated Depreciation	<u>(2,050,983)</u>
Total Capital Assets, Net	<u>1,524,222</u>
Total Noncurrent Assets	<u>1,524,222</u>
<b>Total Assets</b>	<u><b>2,474,451</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows - OPEB	54
Deferred Outflows - Pension	5,060
Total Deferred Outflows of Resources	<u><b>5,114</b></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	8,370
Accrued Liabilities	724
Salaries and Wages Payable	2,324
Customer Deposits Payable	27,644
Notes Payable - Current Portion	14,916
Contractual Obligation - Current Portion	<u>85,000</u>
Total Current Liabilities	<u>138,978</u>
Noncurrent Liabilities:	
Total OPEB Liability	734
Notes payable - Long Term Portion	76,066
Contractual Obligation - Long Term Portion	<u>1,345,000</u>
Total Noncurrent Liabilities	<u>1,421,800</u>
<b>Total Liabilities</b>	<u><b>1,560,778</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows - Pension	6,955
Total Deferred Inflows of Resources	<u><b>6,955</b></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	3,240
Restricted Deposits with GTUA	827,760
Unrestricted	<u>80,832</u>
<b>Total Net Position</b>	<u><b>\$ 911,832</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, 2018

	<b>Water and Sewer Fund</b>
<b>Operating Revenues:</b>	
Water	\$ 280,630
Sewer	143,182
Sanitation	63,329
Late Charges, Connect Fees, and Other	<u>36,687</u>
Total Operating Revenues	<u>523,828</u>
<b>Operating Expenses:</b>	
Salaries and Benefits	135,744
Supplies, Maintenance and Repairs	31,244
Depreciation	84,591
Utilities	56,901
Sanitation Contract	56,976
Other Operating Expenses	<u>44,283</u>
Total Operating Expenses	<u>409,739</u>
Operating Income (Loss)	<u>114,089</u>
<b>Nonoperating Sources (Uses)</b>	
Interest Income	98
Grant proceeds	176,870
Interest Expense	<u>(28,233)</u>
Total Nonoperating Revenue (Expenses)	<u>148,735</u>
Income (Loss) Before Contributions and Transfers	262,824
Transfers In (Out)	<u>(1,846)</u>
<b>Change in Net Position</b>	260,978
<b>Cumulative Effect of Change in Accounting Principle</b>	(612)
Total Net Position - Beginning	<u>651,466</u>
Total Net Position - Ending	<u><u>\$ 911,832</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, 2018

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 532,613
Cash Paid to Employees	(139,008)
Cash Paid to Suppliers for Goods and Services	(204,251)
Net Cash Provided by Operating Activities	<u>189,354</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer (to) from General Fund	(1,846)
Operating Grants	176,870
Net Cash Provided by Noncapital Financing Activities	<u>175,024</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(594,476)
Net Cash Deposited with GTUA	392,526
Interest Paid on Capital Debt	(28,233)
Principal Paid on Capital Debt	(94,260)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(324,443)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash Paid for Interest on Investments	98
Net Cash Provided by Investing Activities	<u>98</u>
Net Increase (Decrease) in Cash and Cash Equivalents	40,033
Cash and Cash Equivalents, October 1, 2017	39,531
Cash and Cash Equivalents, September 30, 2018	<u>\$ 79,564</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>	
<b>Provided (Used) by Operating Activities:</b>	
Operating Income (Loss)	\$ 114,089
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Depreciation Expense	84,591
(Increase) Decrease in Accounts Receivable	(6,485)
(Increase) Decrease in Net Pension Asset and Total OPEB Liability	15,972
(Increase) Decrease in Deferred Outflows of Resources - Pension and OPEB	368
Increase (Decrease) in Deferred Inflows of Resources - Pension and OPEB	(5,797)
Increase (Decrease) in Deposits Payable	2,300
Increase (Decrease) in Accounts Payable	(12,574)
Increase (Decrease) in Accrued Liabilities	(3,110)
Net Cash Provided by Operating Activities	<u>\$ 189,354</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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 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 are 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 statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has the following items that qualify for reporting as deferred outflows:

Pensions/OPEB – these deferred outflows result from pension/OPEB contributions after the measurement date (deferred and recognized in the following fiscal year) and/or the differences between expected and actual economic experience and assumption changes.

The City has the following items that qualify for reporting as deferred inflows:

Pensions – at the government-wide level these deferred inflows result from differences due to pension assumption changes.

Unavailable Revenues – at the fund level these deferred inflows result from property taxes that have not been received in the current period and are unavailable until collected.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

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

*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, 2018, the Water Fund had restricted net position in the amount of \$827,760. 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,

*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.



**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

**E. Pensions and Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension liability (asset), total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the City's Total Net Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68. Accounting and Financial Reporting for Pensions and GASB No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

**F. 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.

*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

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

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

services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**G. 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.

**H. 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.

The City expended \$101,693 for the purchase of two police vehicles. This purchase was not budgeted and caused actual expenditures to exceed budget by \$65,909. This deficit was replenished by a loan for \$101,693 that is reflected in other sources of funds in the City's financial statements.

**Note 2: Cash and Investments**

As of September 30, 2018, 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, 2018, the City's deposits in its depository bank totaled \$242,517 with the full balance insured by the FDIC.

**Note 3: Receivables**

Government-wide receivables as of September 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Proprietary Fund	Totals
Receivables:			
Ad valorem taxes	\$ 17,112	\$ -	\$ 17,112
Sales taxes	9,135	-	9,135
Court	134,792	-	134,792
Franchise	12,038	-	12,038
Accounts	-	64,612	64,612
Gross receivables	173,077	64,612	237,689
Less: Uncollectible allowance	(82,513)	(25,951)	(108,464)
Net total receivables	<u>\$ 90,564</u>	<u>\$ 38,661</u>	<u>\$ 129,225</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

**Note 4: Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2018, follows:

	Balance September 30, 2017	Additions and Reclasses	Retirements	Balance September 30, 2018
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Construction in progress	133,606	(133,606)	-	-
Total capital assets, not being depreciated	<u>140,606</u>	<u>(133,606)</u>	<u>-</u>	<u>7,000</u>
Capital assets, being depreciated:				
Buildings, parks, and improvements	247,664	-	-	247,664
Streets and other infrastructure	1,426,477	133,606	-	1,560,083
Furniture, equipment and vehicles	182,607	126,691	(30,003)	279,295
Total capital assets, being depreciated	<u>1,856,748</u>	<u>260,297</u>	<u>(30,003)</u>	<u>2,087,042</u>
Less accumulated depreciation for:				
Buildings, parks, and improvements	(204,370)	(6,572)	-	(210,942)
Streets and other infrastructure	(520,038)	(22,116)	-	(542,154)
Furniture, equipment and vehicles	(168,991)	(36,455)	7,505	(197,941)
Total accumulated depreciation	<u>(893,399)</u>	<u>(65,143)</u>	<u>7,505</u>	<u>(951,037)</u>
Capital assets, being depreciated, net	<u>963,349</u>	<u>195,154</u>	<u>(22,498)</u>	<u>1,136,005</u>
Governmental activities capital assets, net	<u>\$ 1,103,955</u>	<u>\$ 61,548</u>	<u>\$ (22,498)</u>	<u>\$ 1,143,005</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	\$ 10,687
Public safety	32,340
Streets	22,116
Total	<u>\$ 65,143</u>
<b>Business-type activities:</b>	
Water and sewer	<u>\$ 84,591</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

	Balance September 30, 2017	Additions and Reclasses	Retirements	Balance September 30, 2018
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 79,850	\$ -	\$ -	\$ 79,850
Construction in Progress	147,954	417,978	-	565,932
Total capital assets, not being depreciated	227,804	417,978	-	645,782
Capital assets, being depreciated:				
Furniture, equipment, and vehicles	95,338	-	-	95,338
Utility plant in service	2,657,587	176,498	-	2,834,085
Total capital assets, being depreciated	2,752,925	176,498	-	2,929,423
Less accumulated depreciation for:				
Furniture, equipment, and vehicles	(92,493)	(2,224)	-	(94,717)
Utility plant in service	(1,873,899)	(82,367)	-	(1,956,266)
Total accumulated depreciation	(1,966,392)	(84,591)	-	(2,050,983)
Capital assets, being depreciated, net	786,533	91,907	-	878,440
Business-type activities capital assets, net	\$ 1,014,337	\$ 509,885	\$ -	\$ 1,524,222

**Note 5: Retirement Plan**

**A. Plan Description**

The City of Tom Bean participates as one of 883 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.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

**B. Benefits Provided (continued)**

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	11
Active employees	7
	<hr/>
	Total: 20

**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 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 1.30% and 0.80% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$7,213, and were equal to the required contributions.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.50% - 10.50%, including inflation
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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

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

In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 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%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
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.

	Increase (Decrease)		
	Total Pension Plan Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2016	\$ 174,003	\$ 226,804	\$(52,801)
Changes for the year:			
Service Cost	18,504	-	18,504
Interest	12,896	-	12,896
Change of benefit terms	11,248	-	11,248
Diff between expected/actual experience	(8,093)	-	(8,093)
Changes of assumptions	-	-	-
Contributions - employer	-	2,925	(2,925)
Contributions - employee	-	13,586	(13,586)
Net investment income	-	31,397	(31,397)
Benefit payments, including refunds of employee contributions	(6,914)	(6,914)	-
Administrative expense	-	(163)	163
Other Changes	-	(8)	8
Net Changes	27,641	40,823	(13,182)
Balance at 12/31/2017	\$ 201,644	\$ 267,627	\$(65,983)

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

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

***Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate***

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:

<b>Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate</b>		
<b>1% Decrease 5.75%</b>	<b>Current Single Rate assumption 6.75%</b>	<b>1% Increase 7.75%</b>
<b>(\$32,388)</b>	<b>(\$65,983)</b>	<b>(\$93,167)</b>

***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](http://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, 2018, the City recognized pension income of \$5,292.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (20,712)
Changes in actuarial assumptions	1,101	-
Difference between projected and actual investment earnings	-	(7,039)
Contributions subsequent to the measurement date	6,261	-
<b>Total</b>	<b>\$ 7,362</b>	<b>\$ (27,751)</b>



**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

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

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

\$6,261 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, 2019. 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
2019	(13,340)
2020	(3,973)
2021	(5,272)
2022	(4,065)
2023	-
Thereafter	-
Total	<u>\$ (26,650)</u>

**Note 6: Other Post-Employment Benefit (OPEB) Plan**

**A. Plan Description**

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

**B. Benefits Provided**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another post-employment benefit ("OPEB") and is a fixed amount of \$7,500.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	7
Total:	<u>9</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

**Note 6: Other Post-Employment Benefit (OPEB) Plan (continued)**

**C. Contributions**

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city.

There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

For the year ended September 30, 2018, the City recognized OPEB expense in the amount of \$1,077. The contribution rates to the SDBF for the City are as follows:

<b>Plan / Calendar Year</b>	<b>Total SDB Contribution (Rate)</b>	<b>Retiree Portion of SDB Contribution (Rate)</b>
2017	0.22%	0.00%
2018	0.19%	0.01%

**D. Total OPEB Liability**

The City's Total OPEB Liability (TOL) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

***Actuarial Assumptions***

The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate	3.31%
Retiree's share of benefit-related costs	\$0.00

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the 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. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

**Note 6: Other Post-Employment Benefit (OPEB) Plan (continued)**

**D. Total OPEB Liability (continued)**

on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.31% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

***Changes in Total OPEB Liability***

	Increase (Decrease)
	Total OPEB Liability
Balance at 12/31/2016	\$ 9,497
Changes for the year:	
Service Cost	598
Interest	370
Changes of assumptions	948
Net Changes	1,916
Balance at 12/31/2017	<u>\$ 11,413</u>

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.31%) or 1 percentage-point higher (4.31%) than the current rate:

<b>Sensitivity of the Total OPEB Liability to Changes in the Discount Rate</b>		
<b>1% Decrease 2.31%</b>	<b>Current Discount Rate 3.31%</b>	<b>1% Increase 4.31%</b>
\$13,915	\$11,413	\$9,513

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

**Note 6: Other Post-Employment Benefit (OPEB) Plan (continued)**

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$1,077. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	839	-
Contributions subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 839</b>	<b>\$ -</b>

The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Net deferred outflows (inflows) of resources
2019	\$ 109
2020	109
2021	109
2022	109
2023	109
Thereafter	294
Total	<b>\$ 839</b>

**Note 7: Cumulative Effects of Change in Accounting Principle**

As a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" an adjustment has been made to record the City's total OPEB liability as of October 1, 2017. As a result, beginning net position of the governmental activities has been decreased by \$8,885 and the beginning net position of the proprietary fund has been decreased by \$612.

**Note 8: Long-term Liabilities**

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2018:

**A. Governmental Activities**

Description	Interest Rate Payable	Balance October 1, 2017	Additions	Retirements	Balance September 30, 2018	Due Within One Year
Note Payable - SUVs	4.25%	\$ -	\$ 101,693	\$ (13,913)	\$ 87,780	\$ 19,254
		<u>\$ -</u>	<u>\$ 101,693</u>	<u>\$ (13,913)</u>	<u>\$ 87,780</u>	<u>\$ 19,254</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

**Note 8: Long-term Liabilities (continued)**

**A. Governmental Activities (continued)**

On November 30, 2017, the City entered into a \$101,693 loan agreement to purchase two police SUVs and equipment. These vehicles will be paid from and secured by the City's property tax income. The note is payable to the First National Bank of Tom Bean in monthly installments of \$1,884 with 4.25% interest and will mature on December 6, 2022.

Year Ending September 30	Principal	Interest	Total
2019	\$ 19,254	\$ 3,357	\$ 22,611
2020	20,089	2,526	22,615
2021	20,958	1,653	22,611
2022	21,866	745	22,611
2023	5,613	40	5,653
Totals	<u>\$ 87,780</u>	<u>\$ 8,321</u>	<u>\$ 96,101</u>

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

Description	Interest Rate Payable	Balance October 1, 2017	Additions	Retirements	Balance September 30, 2018	Due Within One Year
Bond Payable - GTUA 2015	2.02%	\$ 1,190,000	\$ -	\$ (20,000)	\$ 1,170,000	\$ 20,000
Bond Payable - GTUA 2017	3.22%	135,000	-	-	135,000	5,000
Bond Payable - GTUA 2000	4.74%	185,000	-	(60,000)	125,000	60,000
Bank Note Payable - 1	4.50%	105,242	-	(14,260)	90,982	14,916
Total Long-Term Debt:		<u>\$ 1,615,242</u>	<u>\$ -</u>	<u>\$ (94,260)</u>	<u>\$ 1,520,982</u>	<u>\$ 99,916</u>

*GTUA Certification of Obligation*

The City entered into a long-term water supply and sewer service contract with Greater Texoma Utility Authority (GTUA) on October 3, 2000 and additional contracts in 2015 and 2017. The City has an obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, and pay the administrative and overhead expenses by GTUA in connection with the bonds.

Under the terms of the contract, the City's obligation to make payments to GTUA terminates when all GTUA bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding. The original principal obligation of the series 2000 contract was \$500,000, with interest rates of 4.74%, the original principal obligation of the series 2015 contract was \$1,210,000, with interest rates of 2.02% and the original principal obligation of the series 2018 contract was \$135,000 with interest rates of 3.22%. The City's obligation to GTUA under the 2000 contract expires with the retirement of the GTUA bonds in the fiscal year ending September 30, 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. The City's obligation to GTUA under the 2018 contract expires with the retirement of the GTUA bonds in the fiscal year ending September 30, 2042.

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

**Note 8: 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>
2019	\$ 85,000	\$ 32,104	\$ 117,104
2020	90,000	28,984	118,984
2021	70,000	25,522	95,522
2022	70,000	24,816	94,816
2023	75,000	23,976	98,976
2024-2028	385,000	103,122	488,122
2029-2033	425,000	63,295	488,295
2034-2038	195,000	16,462	211,462
2039-2043	35,000	4,017	39,017
Totals	<u>\$ 1,430,000</u>	<u>\$ 322,296</u>	<u>\$ 1,752,296</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>
2019	\$ 14,916	\$ 3,788	\$ 18,704
2020	15,592	3,111	18,703
2021	16,317	2,386	18,703
2022	17,067	1,636	18,703
2023	17,851	852	18,703
2024	9,239	122	9,361
Totals	<u>\$ 90,982</u>	<u>\$ 11,896</u>	<u>\$ 102,878</u>

**City of Tom Bean, Texas**  
**Notes to the Financial Statements (continued)**  
**September 30, 2018**

**Note 9: Interfund Receivables, Payables and Transfers**

As of September 30, 2018, the City's Proprietary Fund owed the Governmental Fund \$1,846. This amount was needed for administration and was repaid subsequent to year end.

**Note 10: Insurance Coverage**

The Texas Municipal League Inter-Governmental Risk Pool provides insurance coverage for the City. For the period October 1, 2017 to September 30, 2018 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 11: Subsequent Events**

The City has evaluated all events or transactions that occurred after September 30, 2018 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 not any subsequent events requiring disclosure.

City of Tom Bean, Texas  
General Fund Budgetary Comparison  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
For the Year Ended September 30, 2018

	<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>				
Taxes:				
Property	\$ 263,780	\$ 263,780	\$ 253,665	\$ (10,115)
Franchise	43,766	43,766	49,377	5,611
General Sales and Use	47,000	47,000	48,996	1,996
Municipal Court	144,000	144,000	98,920	(45,080)
Building Permits	9,800	9,800	7,509	(2,291)
Grant Revenue	-	-	853	853
Other Revenue	13,370	13,370	14,229	859
Interest Revenue	200	200	306	106
Total Revenues	<u>521,916</u>	<u>521,916</u>	<u>473,855</u>	<u>(48,061)</u>
<b>EXPENDITURES</b>				
Current:				
Police Department	219,474	219,474	193,540	25,934
Municipal Court	124,611	124,611	107,253	17,358
General Government	132,878	132,878	137,223	(4,345)
Fire Department	8,000	8,000	8,000	-
Streets	13,000	13,000	15,237	(2,237)
Emergency Medical Service	500	500	5,000	(4,500)
Library	1,300	1,300	1,095	205
Capital Outlays	-	-	101,693	(101,693)
Debt Service:				
Principal	16,766	16,766	13,912	2,854
Interest	<u>3,562</u>	<u>3,562</u>	<u>3,047</u>	<u>515</u>
Total Expenditures	<u>520,091</u>	<u>520,091</u>	<u>586,000</u>	<u>(65,909)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>1,825</u>	<u>1,825</u>	<u>(112,145)</u>	<u>(113,970)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	-	101,693	101,693
Transfers (to) from Other Funds	-	-	1,846	1,846
Gain on Sale of Assets	-	-	10,011	10,011
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>113,550</u>	<u>113,550</u>
Net Change in Fund Balance	<u>\$ 1,825</u>	<u>\$ 1,825</u>	<u>\$ 1,405</u>	<u>\$ (420)</u>



City of Tom Bean, Texas  
Schedules of Contributions to Pension Plan  
Texas Municipal Retirement System  
Last Ten Measured Years

	Fiscal Year Ended September 30.			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 7,213	\$ 4,474	\$ 6,282	\$ 6,045
Contributions in relation to actuarially determined contribution	(7,213)	(4,474)	(6,282)	(6,045)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 268,634	\$ 284,156	\$ 322,127	\$ 307,087
Contributions as a percentage of covered payroll	2.69%	1.57%	1.95%	1.97%

**NOTES TO SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN**

**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	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
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

For Pension Contributions:

- 1) Increased employee contribution rate from 5% to 6%
- 2) Increased municipal matching ratio from 1-1 to 1.5
- 3) Increased statutory max to 10.5% due to plan changes

City of Tom Bean, Texas  
Schedules of Changes in Net Pension Liability and Related Ratios  
Texas Municipal Retirement System  
Last Ten Measured Years

	Plan Year Ended December 31.			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 18,504	\$ 20,661	\$ 18,856	\$ 16,808
Interest (on the total pension liability)	12,896	11,166	13,925	12,627
Changes of benefit terms	11,248	-	-	-
Difference between expected and actual experience	(8,093)	(6,757)	(62,229)	(1,365)
Change of assumptions	-	-	6,348	-
Benefit payments, including refunds of employee contributions	(6,914)	(12,319)	(10,311)	(10,783)
<b>Net Change in Total Pension Liability</b>	<b>27,641</b>	<b>12,751</b>	<b>(33,411)</b>	<b>17,287</b>
<b>Total Pension Liability - Beginning</b>	<b>174,003</b>	<b>161,252</b>	<b>194,663</b>	<b>177,376</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 201,644</b>	<b>\$ 174,003</b>	<b>\$ 161,252</b>	<b>\$ 194,663</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 2,925	\$ 5,789	\$ 5,628	\$ 3,892
Contributions - employee	13,586	14,529	13,824	14,079
Net investment income	31,397	13,840	290	10,211
Benefit payments, including refunds of employee contributions	(6,914)	(12,319)	(10,311)	(10,783)
Administrative expense	(163)	(157)	(176)	(107)
Other	(8)	(8)	(9)	(9)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>40,823</b>	<b>21,674</b>	<b>9,246</b>	<b>17,283</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>226,804</b>	<b>205,130</b>	<b>195,884</b>	<b>178,601</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 267,627</b>	<b>\$ 226,804</b>	<b>\$ 205,130</b>	<b>\$ 195,884</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ (65,983)</b>	<b>\$ (52,801)</b>	<b>\$ (43,878)</b>	<b>\$ (1,221)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>132.72%</b>	<b>130.34%</b>	<b>127.21%</b>	<b>100.63%</b>
<b>Covered Payroll</b>	<b>\$ 271,712</b>	<b>\$ 290,585</b>	<b>\$ 276,486</b>	<b>\$ 281,578</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>(24.28%)</b>	<b>(18.17%)</b>	<b>(15.87%)</b>	<b>(0.43%)</b>

**Notes to Schedule of Net Pension Liability:**

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 schedule over the next 10-year period.

City of Tom Bean, Texas  
Schedules of Changes in Total OPEB Liability and Related Ratios  
Texas Municipal Retirement System  
Last Ten Fiscal Years

	Plan Year Ended December 31, <u>2017</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 598
Interest (on the total OPEB liability)	370
Change of assumptions	<u>948</u>
<b>Net Change in Total OPEB Liability</b>	1,916
<b>Total OPEB Liability - Beginning</b>	<u>9,497</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 11,413</u></u>
 <b>Covered Payroll</b>	 \$ 271,712
 <b>Total OPEB Liability as a Percentage of Covered Payroll</b>	 4.20%

**Notes to Schedule of Total OPEB Liability:**

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not reported in accordance with the standards of GASB 74/75 and should not be shown here. Therefore, only years for which the new GASB statements have been implemented have been shown and ultimately ten years will be presented.