

***CITY OF GUN BARREL CITY, TEXAS***

**ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2013**

**CITY OF GUN BARREL CITY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**Year Ended September 30, 2013**

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# Yeldell, Wilson & Co., P.C.

Certified Public Accountants

Greer Yeldell, CPA | Glen Wilson, CPA | Brooke Farmer, CPA | Joyce Reeve, CPA | Glenda Valek, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Gun Barrel City, Texas

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Gun Barrel City, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gun Barrel City, Texas, as of September 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council  
City of Gun Barrel City, Texas  
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**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 39 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gun Barrel City, Texas' financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

*Yeldell, Wilson & Co., P.C.*

Yeldell, Wilson & Co., P.C.  
Certified Public Accountants

June 19, 2014

# **CITY OF GUN BARREL CITY, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Gun Barrel City, Texas we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,315,524 (net position). Of this amount, \$2,428,229 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$529,222.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,745,947. Over 70% of this total amount, \$1,921,411 is unassigned and available for use within the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,921,411 or 52% of the total general fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows of resources, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The governmental activities of the City include mayor and council, administration, city secretary, treasurer, municipal court, municipal buildings, police protection, code enforcement, building inspections, fire protection, streets, parks, animal control and economic development.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation (Corporation) for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements for the Corporation may be obtained at the Corporation's administrative office.

The government-wide financial statements can be found on pages 10-11 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are governmental funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund which is considered to be a major fund. Data from the other nine funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-37 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison information. Required supplementary information can be found on pages 38-39 of this report.

The combining and individual nonmajor fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual statements can be found on pages 40-42 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$8,315,524 as of September 30, 2013.

A large portion of the City's net position (67%) reflects its investments in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF GUN BARREL CITY'S NET POSITION**

	Governmental Activities		Total	
	2013	2012	2013	2012
Current and other assets	\$ 3,094,447	\$ 2,729,384	\$ 3,094,447	\$ 2,729,384
Capital assets	6,919,694	6,994,407	6,919,694	6,994,407
<b>Total assets</b>	<b>10,014,141</b>	<b>9,723,791</b>	<b>10,014,141</b>	<b>9,723,791</b>
Long term liabilities	1,408,861	1,744,255	1,408,861	1,744,255
Other liabilities	289,756	193,234	289,756	193,234
<b>Total liabilities</b>	<b>1,698,617</b>	<b>1,937,489</b>	<b>1,698,617</b>	<b>1,937,489</b>
Net position:				
Net investment in capital assets	5,583,082	5,320,457	5,583,082	5,320,457
Restricted	304,213	288,218	304,213	288,218
Unrestricted	2,428,229	2,177,627	2,428,229	2,177,627
<b>Total net position</b>	<b>\$ 8,315,524</b>	<b>\$ 7,786,302</b>	<b>\$ 8,315,524</b>	<b>\$ 7,786,302</b>

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

Analysis of the City's Operations. The following table provides a summary of the City's operations.

**CITY OF GUN BARREL CITY'S CHANGE IN NET POSITION**

	Governmental Activities		Total	
	2013	2012	2013	2012
Revenues:				
Program revenues:				
Charges for services	\$ 360,260	\$ 324,225	\$ 360,260	\$ 324,225
Operating grants and contributions	14,332	72,957	14,332	72,957
Capital grants and contributions	188,942	774,945	188,942	774,945
General revenues:				
Sales tax	2,754,143	2,713,170	2,754,143	2,713,170
Franchise tax	331,253	378,321	331,253	378,321
Hotel occupancy tax	54,495	45,388	54,495	45,388
Alcoholic beverage tax	25,929	20,057	25,929	20,057
Investment earnings	5,839	6,120	5,839	6,120
Miscellaneous	156,207	103,548	156,207	103,548
Gain on sale of capital assets	246,827	-	246,827	-
Total revenues	<u>4,138,227</u>	<u>4,438,731</u>	<u>4,138,227</u>	<u>4,438,731</u>
Expenses:				
Mayor and council	5,558	1,843	5,558	1,843
Administration	480,989	416,938	480,989	416,938
City secretary	81,119	77,808	81,119	77,808
Treasurer	74,463	72,009	74,463	72,009
Municipal court	107,229	128,324	107,229	128,324
Municipal buildings	74,102	91,004	74,102	91,004
Police protection	1,154,172	1,132,168	1,154,172	1,132,168
Code enforcement	112,369	117,614	112,369	117,614
Building inspections	109,671	105,693	109,671	105,693
Fire protection	449,763	487,639	449,763	487,639
Streets	664,582	613,525	664,582	613,525
Parks	108,018	85,241	108,018	85,241
Animal control	52,774	55,071	52,774	55,071
Economic development	72,528	64,901	72,528	64,901
Interest on long-term debt	61,668	45,089	61,668	45,089
Total expenses	<u>3,609,005</u>	<u>3,494,867</u>	<u>3,609,005</u>	<u>3,494,867</u>
Change in net position	529,222	943,864	529,222	943,864
Net position - beginning	7,786,302	6,842,438	7,786,302	6,842,438
Net position - ending	<u>\$8,315,524</u>	<u>\$7,786,302</u>	<u>\$8,315,524</u>	<u>\$7,786,302</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,745,947. Approximately 70% of this total amount, \$1,921,411, constitutes unassigned fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been restricted to pay for (1) cultural and recreational in the amount of \$150,296, and (2) public safety in the amount of \$153,917, committed for debt service in the amount of \$153,845, and assigned for economic development in the amount of \$366,478.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,921,411. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 52% of total general fund expenditures, while total fund balances represents 68% of that same amount.

The fund balance of the City's general fund increased \$251,238 during the current fiscal year.

**General Fund Budgetary Highlights.** There were no amendments to the original budget.

General fund actual revenues of \$3,598,535 exceeded budgeted revenues of \$3,260,687 by \$337,848. Following are the main components that experienced an increase or decrease of actual revenues compared to budgeted revenues.

- The \$388,264 (16.39%) increase in sales tax resulted from an increase in spending within the economy.
- The \$27,671 (20.11%) decrease in licenses and permits resulted from a decrease in construction activity within the City.
- The \$37,334 (16.58%) decrease in fines and forfeitures resulted from a decline in the number of citations issued and in the citations paid.
- The \$44,071 (38.41%) increase in other revenue resulted from an increase in softball leagues and tournaments, and the installation of street lights in a new subdivision.
- The \$21,910 (53.88%) decrease in intergovernmental revenue resulted from the City only receiving about 50% of the final park grant.

Actual general fund expenditures of \$3,746,904 exceeded budgeted expenditures of \$3,381,122 by \$365,782. Following are the main components that experienced an increase or decrease of actual expenditures compared to budgeted expenditures:

- The \$52,852 (4.43%) decrease in police protection resulted primarily from employee turn over combined with the reduced need for building and auto maintenance.
- The \$225,505 (44.28%) increase in streets resulted primarily from the increase in street repairs and the construction of new streets.
- The \$29,852 (23.77%) increase in parks resulted primarily from lights being installed on a second field combined with the increase in softball leagues and tournaments.
- The \$181,029 (115.81%) increase in principal retirement resulted primarily from the payments made on the City Hall remodel note.

## CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of September 30, 2013 amounts to \$6,919,694 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Approximately \$840,000 of park and street construction was completed.
- New park equipment was acquired in the approximate amount of \$17,000.
- New police equipment was acquired in the approximate amount of \$76,000.
- Administrative land and building was disposed of in the approximate amount of \$167,000.
- Police equipment was disposed of in the approximate amount of \$19,000.

### Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Total	
	2013	2012	2013	2012
Land	\$ 354,891	\$ 398,560	\$ 354,891	\$ 398,560
Construction in progress	-	581,940	-	581,940
Buildings	2,267,603	2,362,855	2,267,603	2,362,855
Machinery and equipment	1,019,060	1,211,018	1,019,060	1,211,018
Infrastructure	3,278,140	2,440,034	3,278,140	2,440,034
<b>Total</b>	<b>\$6,919,694</b>	<b>\$6,994,407</b>	<b>\$6,919,694</b>	<b>\$6,994,407</b>

Additional information on the City of Gun Barrel City capital assets can be found in note 3 on pages 24-25 of this report.

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had the following debt:

**Outstanding Debt at Year End  
Notes and Lease Payable**

	Governmental Activities		Total	
	2013	2012	2013	2012
Note payable	\$ 1,119,783	\$ 1,409,418	\$ 1,119,783	\$ 1,409,418
Capital lease	216,829	264,532	216,829	264,532
	<u>\$ 1,336,612</u>	<u>\$ 1,673,950</u>	<u>\$ 1,336,612</u>	<u>\$ 1,673,950</u>

Information on the City of Gun Barrel City long term-debt can be found in note 3 on page 27-28 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In the 2013-14 Budget, General Fund revenues are budgeted to increase by 2% from the 2012-13 budget year with sales and use taxes making up about 73% of general fund budgeted revenues. The budget reviewed by department heads and the financial department will continue the efforts to practice good management practices, such as to provide the best service at the least cost.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 1810 W. Main Street, Gun Barrel City, Texas 75147.

**CITY OF GUN BARREL CITY, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2013

	Primary Government		Component Unit
	Governmental Activities	Total	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,268,626	\$ 2,268,626	\$ 858,782
Investments	1,249	1,249	3,509
Receivables (net of allowance for uncollectibles)	795,240	795,240	210,467
Due from primary government	-	-	63,463
Due from other governments	29,332	29,332	-
Deposit	-	-	1,980
Land held for resale	-	-	477,333
Capital assets:			
Non-depreciable	354,891	354,891	325,711
Depreciable (net of accumulated depreciation)	6,564,803	6,564,803	1,067
Total assets	10,014,141	10,014,141	1,942,312
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	147,485	147,485	798
Accrued interest	4,969	4,969	-
Accrued payroll payable	57,494	57,494	-
Due to other governments	16,345	16,345	-
Due to component unit	63,463	63,463	-
Noncurrent liabilities:			
Due within one year	161,198	161,198	-
Due in more than one year	1,247,663	1,247,663	-
Total liabilities	1,698,617	1,698,617	798
<b>NET POSITION</b>			
Net investment in capital assets	5,583,082	5,583,082	326,778
Restricted for:			
Cultural and recreational	150,296	150,296	-
Public safety	153,917	153,917	-
Unrestricted	2,428,229	2,428,229	1,614,736
Total net position	\$ 8,315,524	\$ 8,315,524	\$ 1,941,514

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2013

Function/Program Activities	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 Unit
					Governmental Activities	Total	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
Mayor and council	\$ 5,558	\$ -	\$ -	\$ -	\$ (5,558)	\$ (5,558)	\$ -
Administration	480,989	122,586	-	2,940	(355,463)	(355,463)	-
City secretary	81,119	-	-	-	(81,119)	(81,119)	-
Treasurer	74,463	-	-	-	(74,463)	(74,463)	-
Municipal court	107,229	29,637	-	-	(77,592)	(77,592)	-
Municipal buildings	74,102	-	-	-	(74,102)	(74,102)	-
Police protection	1,154,172	208,037	250	-	(945,885)	(945,885)	-
Code enforcement	112,369	-	-	-	(112,369)	(112,369)	-
Building inspections	109,671	-	-	-	(109,671)	(109,671)	-
Fire protection	449,763	-	14,082	-	(435,681)	(435,681)	-
Streets	664,582	-	-	-	(664,582)	(664,582)	-
Parks	108,018	-	-	186,002	77,984	77,984	-
Animal control	52,774	-	-	-	(52,774)	(52,774)	-
Economic development	72,528	-	-	-	(72,528)	(72,528)	-
Interest on long-term debt	61,668	-	-	-	(61,668)	(61,668)	-
<b>Total governmental activities</b>	<b>3,609,005</b>	<b>360,260</b>	<b>14,332</b>	<b>188,942</b>	<b>(3,045,471)</b>	<b>(3,045,471)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 3,609,005</b>	<b>\$ 360,260</b>	<b>\$ 14,332</b>	<b>\$ 188,942</b>	<b>(3,045,471)</b>	<b>(3,045,471)</b>	<b>-</b>
<b>Component unit:</b>							
Gun Barrel City Economic Development Corporation	\$ 652,441	\$ -	\$ -	\$ -			(652,441)
<b>Total component unit</b>	<b>\$ 652,441</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>(652,441)</b>
<b>General revenues:</b>							
Sales tax					2,754,143	2,754,143	393,449
Franchise tax					331,253	331,253	-
Hotel occupancy tax					54,495	54,495	-
Alcoholic beverage tax					25,929	25,929	-
Investment earnings					5,839	5,839	5,002
Miscellaneous					156,207	156,207	1,995
Gain on sale of capital assets					246,827	246,827	5,788
<b>Total general revenues</b>					<b>3,574,693</b>	<b>3,574,693</b>	<b>406,234</b>
<b>Change in net position</b>					<b>529,222</b>	<b>529,222</b>	<b>(246,207)</b>
<b>Net position - beginning</b>					<b>7,786,302</b>	<b>7,786,302</b>	<b>2,187,721</b>
<b>Net position - ending</b>					<b>\$ 8,315,524</b>	<b>\$ 8,315,524</b>	<b>\$ 1,941,514</b>

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,971,882	\$ 296,744	\$ 2,268,626
Investments	1,249	-	1,249
Receivables (net of allowance for uncollectibles)	789,069	6,171	795,240
Due from other governments	29,332	-	29,332
Due from other funds	-	1,298	1,298
Total assets	\$ 2,791,532	\$ 304,213	\$ 3,095,745
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 147,485	\$ -	\$ 147,485
Accrued payroll payable	57,494	-	57,494
Due to other funds	1,298	-	1,298
Due to other governments	16,345	-	16,345
Due to component unit	63,463	-	63,463
Total liabilities	286,085	-	286,085
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property tax	213	-	213
Total deferred inflows of resources	213	-	213
<b>FUND BALANCES</b>			
Restricted for:			
Cultural and recreational	-	150,296	150,296
Public safety	-	153,917	153,917
Streets	63,500	-	63,500
Committed for:			
Debt service	153,845	-	153,845
Assigned for:			
Economic development	366,478	-	366,478
Unassigned	1,921,411	-	1,921,411
Total fund balances	2,505,234	304,213	2,809,447
Total liabilities, deferred inflows of resources and fund balances	\$ 2,791,532	\$ 304,213	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	6,919,694
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(4,969)
Other assets are not available to pay for current period expenditures and, therefore are reported as deferred inflows of resources in the funds.	213
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due within one year	\$ (161,198)
Due in more than one year	(1,247,663)
Net position of governmental activities	\$ 8,315,524

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended September 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes:			
Sales	\$ 2,754,143	\$ -	\$ 2,754,143
Franchise	331,253	-	331,253
Hotel occupancy	-	54,495	54,495
Alcoholic beverage	25,929	-	25,929
Licenses and permits	109,940	-	109,940
Fines and forfeitures	188,315	19,722	208,037
Charges for current services	12,647	-	12,647
Revenues from use of money and property	5,240	599	5,839
Other	149,752	36,191	185,943
Intergovernmental	43,652	-	43,652
Contributions and donations	-	7,449	7,449
Total revenues	<u>3,620,871</u>	<u>118,456</u>	<u>3,739,327</u>
<b>EXPENDITURES</b>			
Current:			
Mayor and council	5,558	-	5,558
Administration	400,894	-	400,894
City secretary	80,039	-	80,039
Treasurer	74,288	-	74,288
Municipal court	103,249	4,552	107,801
Municipal buildings	73,332	-	73,332
Police protection	1,141,089	10,741	1,151,830
Code enforcement	103,469	-	103,469
Building inspections	108,819	-	108,819
Fire protection	314,712	3,462	318,174
Streets	668,638	-	668,638
Parks	152,055	3,430	155,485
Animal control	52,748	-	52,748
Economic development	-	70,605	70,605
Debt service:			
Principal retirement	337,338	-	337,338
Interest and fiscal charges	63,076	-	63,076
Total expenditures	<u>3,679,304</u>	<u>92,790</u>	<u>3,772,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,433)</u>	<u>25,666</u>	<u>(32,767)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	9,671	-	9,671
Transfers out	-	(9,671)	(9,671)
Sale of capital assets	300,000	-	300,000
Total other financing sources and uses	<u>309,671</u>	<u>(9,671)</u>	<u>300,000</u>
Net change in fund balances	251,238	15,995	267,233
Fund balances - beginning	<u>2,253,996</u>	<u>288,218</u>	<u>2,542,214</u>
Fund balances - ending	<u>\$ 2,505,234</u>	<u>\$ 304,213</u>	<u>\$ 2,809,447</u>

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2013**

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balance-total governmental funds (page 13)	\$	267,233
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current year.		513,597
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(53,172)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(535,138)
The issuance of long-term debt (e.g., bonds payable, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Notes payable principal retired	\$	289,635
Capital leases retired		47,703
		337,338
Payment of compensated absences is reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of changes in net assets, compensated absences are expensed as they are accrued. Change in the compensated absences liability.		(1,944)
Some revenues will not be collected for several months after the city's fiscal year end. These are not considered "available" revenues in the governmental funds until received, therefore are not reported as revenues in the fund statements.		(100)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		1,408
		1,408
Change in net position of governmental activities (page 11)	\$	529,222

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Gun Barrel City, Texas (the "City") was incorporated on May 26, 1969, under the provisions of the State of Texas. The City operates under a Home Rule Charter, with a mayor and one city council member elected at large and four council members elected from two districts. The City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, public improvements, planning and zoning, and general administrative services.

*Discretely Presented Component Unit*—The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent on the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and it provides services to the citizens of Gun Barrel City and the surrounding area as opposed to only the primary government. To emphasize that it is legally separate from the City, it is reported in a separate column in the financial statements.

The *Gun Barrel City Economic Development Corporation* is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The Board of Directors of the Corporation shall consist of seven residents of the City of Gun Barrel City who shall be nominated by the Board of Directors and approved by two-thirds majority of the City Council. Not more than one Director may be an employee, officer, or elected member of the governing body of the City. The City Council may remove any Director from the Board, with or without cause, with a two-thirds majority vote of the Council. The Corporation is presented as a governmental fund and has a September 30 year end.

Complete financial statements for the Corporation may be obtained at the Corporation's administrative office.

Gun Barrel City Economic Development Corporation  
1835 West Main Street  
Gun Barrel City, Texas 75147

Governmental accounting standards require reasonable separation between the Primary Government (including its blended components units) and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component unit. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all 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 government considers revenues to be available if they are collected within sixty 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 accumulated unpaid sick pay, are recorded only when payment is due.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property and taxpayer-assessed taxes estimated to be collectible within sixty days after balance sheet date, interest, special assessments and expenditure driven grants are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities, and net position or equity

Investments -

Investments for the City, as well as the Corporation, are reported at fair value.

Receivables and payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, liabilities, and net position or equity (continued)**

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

The City has not levied property taxes since 1992. Prior to 1992, the City's property tax was levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Henderson County Tax Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. The Henderson County Tax Assessor/Collector bills and collects the City's delinquent property taxes, which are due October 1. Over time substantially all property taxes are collected.

Effective October 1, 1992, in accordance with the results of an election, the City began collecting an additional 1/2 cent sales tax through the state, based on retail sales in the City. In conjunction with this election, property taxes are no longer being assessed as of October 1, 1992.

**Land held for resale -**

The Corporation has acquired a tract of land as part of their purpose to develop industry in the City. The Corporation records this tract as land held for resale in their financial records. The properties held for resale are recorded at cost.

**Capital assets -**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following estimated useful lives:

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, liabilities, and net position or equity (continued)**

Assets	Years
Buildings	30
Improvements	10-20
Machinery and equipment	5-15
Infrastructure	10-40

**Deferred inflows of resources –**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Compensated absences –**

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation leave shall be taken during the year following its accumulation.

**Long-term obligations -**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

**Net Position -**

Net position represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net position or equity (continued)

*Net investment in capital assets* —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* —This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Fund Equity -

The governmental fund financials present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

*Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance*—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

*Assigned fund balance*—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

*Unassigned fund balance*—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned, in order as needed.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. New GASB Pronouncements

The Governmental Accounting Standards Board has issued a new pronouncement that the City has reviewed for application to their accounting and reporting.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City has implemented this reporting for the year ended September 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a budgetary basis for the general fund. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

B. Excess of expenditures over appropriations

For the year ended September 30, 2013, expenditures exceeded appropriations in the General Fund by \$365,782. These over expenditures were funded by greater than anticipated revenues in that fund.

C. Compliance with finance related legal and contractual provisions

The City has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

✕ NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2013. At year end, the bank balance of the City's deposits was \$1,978,754. Of the bank balance, \$827,228 was covered by federal depository insurance and the remaining balance, \$1,151,526 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$2,229,000.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and investments (continued)

At year end, the bank balance of the Corporation's deposits was \$769,042. Of the bank balance, \$454,529 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$982,000.

Investments – State statutes authorize the City and Corporation to invest in demand deposits, certificates of deposit, time deposits, and investment pools. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, not categorized for credit risk.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the Public Funds Investment Act, and the actual rating as of year end.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Primary Government:			
TexPool	<u>\$ 1,249</u>	N/A	AAA
Corporation:			
TexSTAR	<u>\$ 3,509</u>	N/A	AAAm

The City currently invests in one 2a7-like pool, the Texas Local Government Investment Pool (TexPool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. Ch. 791 and the Texas Government Code Ann. Ch. 2256. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. Ch. 2256. The City's investment in TexPool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The daily operations of TexPool are managed by Federated Investors under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool including the ability to influence operations, designation of management and accountability for fiscal matters.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and investments (continued)**

TexSTAR is co-administered by JPMorgan Fleming Asset Management (USA), Inc. and J.P. Morgan Chase, who provide investment services, participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JP Morgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

**B. Receivables**

Receivables as of year end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 767,407	\$ 6,171	\$ 773,578
Other	21,733	-	21,733
Gross receivables	<u>789,140</u>	<u>6,171</u>	<u>795,311</u>
Less: allowance for uncollectibles	(71)	-	(71)
Net total receivables	<u><u>\$ 789,069</u></u>	<u><u>\$ 6,171</u></u>	<u><u>\$ 795,240</u></u>

Corporation -

Notes receivable

The Corporation provided funds in the original amount of \$45,000 to a local business under a loan agreement. These funds will be repaid to the Corporation in sixty monthly installments of \$789 including interest at 2%. The unpaid balance of the note is \$14,739.

The Corporation provided funds in the original amount of \$40,000 to a local business under a loan agreement. These funds will be repaid to the Corporation in sixty monthly installments of \$701 including interest at 2%. The unpaid balance of the note is \$18,102.

The Corporation provided funds in the original amount of \$25,000 to a local business under a loan agreement. These funds will be repaid to the Corporation in sixty monthly installments of \$438 including interest at 2%. The unpaid balance of the note is \$16,943.

The Corporation provided funds in the original amount of \$15,000 to a local business under a loan agreement. These funds will be repaid to the Corporation in sixty monthly installments of \$263 including interest at 2%, beginning one year after date of issue. The unpaid balance of the note is \$13,554.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

The Corporation provided funds in the original amount of \$25,000 to a local business under a loan agreement. These funds will be repaid to the Corporation in sixty monthly installments of \$438 including interest at 2%. The unpaid balance of the note is \$24,206.

The Corporation provided funds in the original amount of \$148,311 to a local business under a loan agreement. These funds will be repaid to the Corporation in sixty monthly installments of \$4,249 including interest at 2%. The unpaid balance of the note is \$141,026.

An allowance for uncollectible notes receivable of \$18,102 has been included on the Statement of Net Position.

C. Capital assets

Capital asset activity for the year ended September 30, 2013, was as follows:

City -

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 398,560	\$ -	\$ (43,669)	\$ 354,891
Construction in progress	581,940	258,579	(840,519)	-
Total capital assets not being depreciated	<u>980,500</u>	<u>258,579</u>	<u>(884,188)</u>	<u>354,891</u>
Capital assets being depreciated:				
Buildings	2,903,813	-	(123,110)	2,780,703
Machinery and equipment	2,884,670	93,742	(18,909)	2,959,503
Infrastructure	3,303,214	1,001,795	-	4,305,009
Totals capital assets being depreciated	<u>9,091,697</u>	<u>1,095,537</u>	<u>(142,019)</u>	<u>10,045,215</u>
Less accumulated depreciation for:				
Buildings	(540,958)	(95,252)	123,110	(513,100)
Improvements	-	-	-	-
Machinery and equipment	(1,673,652)	(276,197)	9,406	(1,940,443)
Infrastructure	(863,180)	(163,689)	-	(1,026,869)
Total accumulated depreciation	<u>(3,077,790)</u>	<u>(535,138)</u>	<u>132,516</u>	<u>(3,480,412)</u>
Total capital assets, being depreciated, net	<u>6,013,907</u>	<u>560,399</u>	<u>(9,503)</u>	<u>6,564,803</u>
Governmental activities capital assets, net	<u>\$ 6,994,407</u>	<u>\$ 818,978</u>	<u>\$ (893,691)</u>	<u>\$ 6,919,694</u>

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 91,068
Municipal court	720
Police protection	71,150
Code enforcement	8,750
Fire protection	132,353
Streets	216,656
Parks	12,519
Economic development	1,922
Total depreciation expense - governmental activities	<u>\$ 535,138</u>

Corporation -

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 389,641	\$ 43,670	\$ (107,600)	\$ 325,711
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>389,641</u>	<u>43,670</u>	<u>(107,600)</u>	<u>325,711</u>
Capital assets being depreciated:				
Machinery and equipment	7,996	-	-	7,996
Totals capital assets being depreciated	<u>7,996</u>	<u>-</u>	<u>-</u>	<u>7,996</u>
Less accumulated depreciation for:				
Machinery and equipment	(6,651)	(278)	-	(6,929)
Total accumulated depreciation	<u>(6,651)</u>	<u>(278)</u>	<u>-</u>	<u>(6,929)</u>
Total capital assets, being depreciated, net	1,345	(278)	-	1,067
Governmental activities capital assets, net	<u>\$ 390,986</u>	<u>\$ 43,392</u>	<u>\$ (107,600)</u>	<u>\$ 326,778</u>

Depreciation expense was charged to the Corporation's governmental activities as follows:

Governmental activities:	
Economic development	<u>\$ 278</u>

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund receivables, payables and transfers

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental funds	General	<u>\$ 1,298</u>

These balances resulted from the lag time between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers:

<u>Transfer out:</u>	<u>Transfer in:</u>	<u>Amount</u>
LEOSE	General	<u>\$ 9,671</u>
		<u>\$ 9,671</u>

The transfers reimbursed the General fund for payment of law enforcement training and education.

E. Leases

Capital -

The City is currently purchasing a fire truck under a lease purchase agreement. The interest on the lease is 5.18%.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental</u>
Machinery and equipment	<u>Activities</u>
Less: accumulated depreciation	\$ 353,009
Total	(155,912)
	<u>\$ 197,097</u>

Annual debt service requirements to maturity are as follows –

<u>Year Ending</u>	<u>Governmental Activities</u>	
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 50,174	\$ 11,228
2015	52,772	8,631
2016	55,505	5,898
2017	58,378	3,023
	<u>\$ 216,829</u>	<u>\$ 28,780</u>

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term liabilities

Note Payable -

Note payable currently outstanding and reported as a liability of the City's governmental activities are:

<u>Note Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>	<u>Collateral</u>
\$ 1,400,000	5/10/2036	3.55%	\$1,119,783	Certificates of deposit

<sup>1</sup> The City entered into a loan commitment for an amount up to \$1,400,000, for a term of 25 years, with interest only payable quarterly during the 12 month construction term, then 96 quarterly payments of \$21,728.38, payments subject to change due to rate changes. The interest rate is 3.55% fixed until 11/30/2021, then Wall Street Journal Prime minus .25 adjusted on 11/30/2021 and each 11/30 thereafter, with a floor of 3.55% and a ceiling of 8.00%.

Annual debt service requirements to maturity are as follows -

Primary Government

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 38,775	\$ 28,102
2015	33,420	38,464
2016	34,639	37,244
2017	35,903	35,981
2018	37,213	34,671
2019-2023	207,446	151,973
2024-2028	248,150	111,269
2029-2033	296,840	62,579
2034-2036	187,395	10,285
	<u>\$1,119,783</u>	<u>\$ 510,568</u>

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term liabilities (continued)

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities:					
Note payable	\$ 1,409,418	\$ -	\$ (289,635)	\$ 1,119,783	\$ 38,775
Capital lease	264,532	-	(47,703)	216,829	50,174
Compensated absences	70,305	76,125	(74,181)	72,249	72,249
Governmental activity					
Long-term liabilities	<u>\$ 1,744,255</u>	<u>\$ 76,125</u>	<u>\$ (411,519)</u>	<u>\$ 1,408,861</u>	<u>\$ 161,198</u>

Governmental note payable, capital lease obligations, and compensated absences will be liquidated by the general fund.

NOTE 4 – OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 4 – OTHER INFORMATION**

**B. Texas Municipal Retirement System**

**Plan Description -**

The City provides pension benefits for all of its eligible employees (except those employees covered under the TESRS plan described in Note 5.C.) through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of Updated service credit	60/5, 0/25 100% Repeating, Transfers	60/5, 0/25 100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

**Contributions -**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 22.2 year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 4 – OTHER INFORMATION (continued)**

**B. Texas Municipal Retirement System (continued)**

The City contributes to the TMRS Plan at an actuarially determined rate, which for 2013 and 2012 was 4.97% and 4.21%, respectively. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$76,795
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	76,795
Contributions Made	(76,795)
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	\$ -

Six-year trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2008	\$ 66,243	\$ 66,243	100%	\$ -
2009	70,716	70,716	100%	-
2010	75,255	75,255	100%	-
2011	81,331	81,331	100%	-
2012	70,555	70,555	100%	-
2013	76,795	76,795	100%	-

The required contribution rates for the year ended September 30, 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	23.9 years; closed period	22.4 years; closed period	22.2 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0%	3.0%	3.0%
	0.0%	0.0%	0.0%

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

**NOTE 4 – OTHER INFORMATION (continued)**

**B. Texas Municipal Retirement System (continued)**

The funded progress, presenting multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	\$ 984,417	\$ 1,057,353	93.1%	\$ 72,936	\$ 1,346,772	5.4%
12/31/2008	1,064,253	1,144,737	93.0%	80,484	1,442,379	5.6%
12/31/2009	1,207,189	1,355,498	89.1%	148,309	1,610,806	9.2%
12/31/2010	1,728,274	1,804,376	95.8%	76,102	1,578,723	4.8%
12/31/2011	1,968,989	2,034,121	96.8%	65,132	1,558,843	4.2%
12/31/2012	2,180,096	2,248,764	96.9%	68,668	1,551,534	4.4%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**C. Texas Emergency Services Retirement System**

**Plan Description -**

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2012 there were 188 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

NOTE 4 – OTHER INFORMATION (continued)

C. Texas Emergency Services Retirement System (continued)

At August 31, 2012, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits*	2,750
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,252
Active Participants (Vested and Nonvested)	<u>4,446</u>
	9,448

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy -

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up a limited amount to make TESRS actuarially sound.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 4 – OTHER INFORMATION (continued)

C. Texas Emergency Services Retirement System (continued)

Contributions Required and Contributions Made -

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2012 total contributions (dues and prior service) of \$3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal year ending August 31, 2012 and 2013. Total contributions made were equal to the contributions required by the state statute and equal to the contributions required based on the August 31, 2010 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2012 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2013 (\$528,538 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$530,000 each year to help pay for the System's administrative expenses.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability <sup>1</sup> (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Total Members Covered	UAAL Per Member Covered
08/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
08/31/2007	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2008 <sup>2</sup>	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
08/31/2009	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2010 <sup>3</sup>	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984
08/31/2011	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2012	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585

Notes:

<sup>1</sup> The actuarial accrued liability is based upon the entry age actuarial cost method.

<sup>2</sup> Changes in actuarial assumptions were reflected in this valuation.

<sup>3</sup> Changes in actuarial assumptions and methods were reflected in this valuation.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 4 – OTHER INFORMATION (continued)

C. Texas Emergency Services Retirement System (continued)

Six-year trend information is as follows:

Fiscal Year Ending	Annual Required Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
08/31/2007	\$ 3,162,742 <sup>1</sup>	\$ 3,162,742 <sup>5</sup>	100%
08/31/2008	3,160,764 <sup>2</sup>	11,239,339 <sup>6</sup>	356%
08/31/2009	2,698,271 <sup>2</sup>	2,698,271	100%
08/31/2010	2,875,103 <sup>3</sup>	2,875,103	100%
08/31/2011	3,125,329 <sup>3</sup>	3,125,329	100%
08/31/2012	4,423,898 <sup>3,4</sup>	3,517,455	80%

<sup>1</sup> Based on the August 31, 2006 actuarial valuation.

<sup>2</sup> Based on the August 31, 2008 actuarial valuation.

<sup>3</sup> Based on the revised August 31, 2010 actuarial valuation.

<sup>4</sup> Includes a requested state contribution of \$906,443.

<sup>5</sup> Includes a state contribution of \$709,072.

<sup>6</sup> Includes a state contribution of \$8,800,000.

Valuation Date	8/31/2010	8/31/2012
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open
Amortization Period	30 years	Infinity
Asset Valuation Method	Market value smoothed by a 5- year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
<b>Actuarial Assumptions:</b>		
Investment Rate of Return*	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses
Projected Salary Increases	N/A	N/A
* Includes Inflation at	3.50%	3.50%
Cost-of-Living Adjustments	None	None

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 4 – OTHER INFORMATION (continued)

D. Postemployment Benefits

Program Description:

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

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

Plan / Calendar Year	Schedule of Contribution Rates As a Percentage of Covered Payroll				
	City's Contribution		As a Percentage of Covered Payroll		
	Annual Required Contribution	Actual Contribution Made	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2008	\$ 4,327	\$ 4,327	0.04%	0.04%	100.0%
2009	5,725	5,725	0.03%	0.03%	100.0%
2010	3,656	3,656	0.04%	0.04%	100.0%
2011	3,921	3,921	0.23%	0.23%	100.0%
2012	2,494	2,494	0.25%	0.25%	100.0%
2013	2,638	2,638	0.17%	0.17%	100.0%

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2013**

NOTE 4 – OTHER INFORMATION (continued)

**E. Economic Dependence**

A material part of the City's revenues are dependent on two taxpayers, the loss of which could have a material effect on the City. For the year ended September 30, 2013, approximately 54% of sales tax representing approximately 41% of total general fund revenues were attributable to these taxpayers.

**F. Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

On June 18, 2003, the City entered into an economic development program agreement (Agreement) with Lowe's Home Centers, Inc. (Lowe's) whereby the City shall pay Lowe's an annual program sales tax refund/sharing payment as an economic development incentive equal to one half of Lowe's sales tax revenues until Lowe's has received \$1,500,000 or the agreement has terminated. All of the sales tax collected for economic development shall be refunded first and then any deficiencies shall be refunded from the City's share of the sales tax.

Under the Agreement, the City waives and abates all fees, charges and recoveries typically involved in the first year of a project for acquisition, development and operation of a new retail project. As part of the Agreement, within three year's from the date of the Agreement, Lowe's shall (1) build a retail facility of at least 100,000 square feet, (2) expend at least \$10,000,000 through direct and indirect cost related to the development of the project and (3) create and maintain a minimum of 100 full time positions (base employment) during each year the Agreement is in effect.

If Lowe's fails to create and maintain the base employment during any year of the terms of the Agreement, then Lowe's is not entitled to the annual payment for that year. If in any one year Lowe's fails to reach average annual sales of \$10,000,000 at the project commencing with the first day of the twelfth month after the opening date, then Lowe's is not entitled to the annual payment for that year. As of January 27, 2006, Lowe's had not met the requirements of the agreement and therefore, no liability has been incurred or reported by the City as of September 30, 2013.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2013

NOTE 4 – OTHER INFORMATION (continued)

F. Commitments and Contingencies (continued)

On May 1, 2004, the City adopted a voluntary Sick Leave Bank (Bank) policy. The Bank is a pool of sick leave hours donated by eligible City employees for the use of fellow employees who would otherwise have to take leave without pay. Decisions concerning the granting of sick leave are made by the Bank's Board which consist of five employee members, one of whom must be the Personnel Coordinator, and will be appointed by and serving at the discretion of the City Manager. Membership to the Bank is available to any full-time regular employee of the City with an initial transfer of eight hours of sick leave and requires an annual contribution of eight hours or the equivalent number of hours worked during a routine shift. Any employee who has less than forty hours of accrued sick leave may not donate to the Bank.

A member must be in need of at least forty hours of leave in order to receive a loan from the Bank and must have exhausted all sick leave, vacation, compensatory time, and unused holiday time. Sick leave loans may be used for a continuous absence or a part-time, long-term absence if all other requirements are met. Requests for loans will be submitted to the Board for approval with Board consideration being taken upon the employee's length of service, prior utilization of sick leave, contributions to the Bank, and medical information.

Upon termination of any employee who contributes to the Bank, accrued sick leave automatically transfers to the Bank. Any time transferred to the Bank becomes property of the Bank and will not be returned to the employee. Membership requests and voluntary withdrawals of membership are automatically accepted and require no vote/discussion by the Board other than denials based on eligibility. Upon termination of the Bank, accrued leave reverts back to the employee who donated the time. As of September 30, 2013 the Bank had 6,414 hours accumulated to be used in future periods.

G. Subsequent Events

Subsequent to year end, the City approved the following items:

- Two contracts in an amount not to exceed \$33,464 and \$35,000 for grant management services.
- Two contracts in an amount not to exceed \$40,000 and \$48,690 for engineering services.

Subsequent to year end, the Corporation approved the following items:

- Contract for sale of land in the approximate amount of \$99,000.
- Concession to a developer in the amount of \$10,000.
- Expenditure totaling \$17,500 for a feasibility study.
- Performance agreements whereby the Corporation shall provide funds to developers for construction in amounts not to exceed \$100,000 and \$50,000 with \$25,000 to be repaid to the Corporation with an interest rate of two percent after a twelve month grace period.
- Expenditure totaling \$9,900 for consulting services.
- Expenditure totaling \$12,000 for the purchase of real property.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund

This supplementary schedule is included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

**CITY OF GUN BARREL CITY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended September 30, 2013**

	Original and Final Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
<b>REVENUES</b>					
Taxes:					
Sales	\$ 2,368,629	\$ 2,754,143	\$ 2,750	\$ 2,756,893	\$ 388,264
Franchise	332,940	331,253	(7,223)	324,030	(8,910)
Alcoholic beverage	23,979	25,929	(1,551)	24,378	399
Licenses and permits	137,611	109,940	-	109,940	(27,671)
Fines and forfeitures	225,160	188,315	(489)	187,826	(37,334)
Charges for current services	13,855	12,647	-	12,647	(1,208)
Revenues from use of money and property	3,093	5,240	-	5,240	2,147
Other	114,752	149,752	9,071	158,823	44,071
Intergovernmental	40,668	43,652	(24,894)	18,758	(21,910)
<b>Total revenues</b>	<b>3,260,687</b>	<b>3,620,871</b>	<b>(22,336)</b>	<b>3,598,535</b>	<b>337,848</b>
<b>EXPENDITURES</b>					
Current:					
Mayor and council	4,890	5,558	-	5,558	668
Administration	391,603	400,894	613	401,507	9,904
City secretary	80,216	80,039	(63)	79,976	(240)
Treasurer	75,777	74,288	(43)	74,245	(1,532)
Municipal court	112,524	103,249	24	103,273	(9,251)
Municipal buildings	82,161	73,332	136	73,468	(8,693)
Police protection	1,191,884	1,141,089	(2,057)	1,139,032	(52,852)
Code enforcement	104,564	103,469	(210)	103,259	(1,305)
Building inspections	110,506	108,819	(23)	108,796	(1,710)
Fire protection	311,989	314,712	(496)	314,216	2,227
Streets	509,268	668,638	66,135	734,773	225,505
Parks	125,565	152,055	3,362	155,417	29,852
Animal control	54,137	52,748	222	52,970	(1,167)
Debt service:					
Principal retirement	156,309	337,338	-	337,338	181,029
Interest and fiscal charges	69,729	63,076	-	63,076	(6,653)
<b>Total expenditures</b>	<b>3,381,122</b>	<b>3,679,304</b>	<b>67,600</b>	<b>3,746,904</b>	<b>365,782</b>
Excess (deficiency) of revenues over (under) expenditures	(120,435)	(58,433)	(89,936)	(148,369)	(27,934)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	9,671	-	9,671	9,671
Sale of capital assets	-	300,000	-	300,000	300,000
<b>Total other financing sources and uses</b>	<b>-</b>	<b>309,671</b>	<b>-</b>	<b>309,671</b>	<b>309,671</b>
<b>Net change in fund balance</b>	<b>\$ (120,435)</b>	<b>\$ 251,238</b>	<b>\$ (89,936)</b>	<b>\$ 161,302</b>	<b>\$ 281,737</b>

## Nonmajor Governmental Funds

***SPECIAL REVENUE FUNDS*** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

***Volunteer Fire Department*** – This fund is used to account for donations received to benefit the volunteer fire department.

***Parks Special*** – This fund is used to account for sign advertising revenue that is restricted for development of City parks. The general operations and maintenance of the parks is accounted for within the General Fund.

***Police Special*** – This fund is used to account for donations received to benefit the police department.

***Court Security*** – This fund is used to account for the revenues collected to provide security services for buildings housing a municipal court.

***Court Time Payment Fees*** – This fund is used to account for revenues that are to be used for the efficiency of judicial administration.

***Court Technology*** – This fund is used to account for revenues that are to be used for technological enhancements to the municipal court.

***Law Enforcement Education*** – This fund is used to account for revenues received to provide law enforcement training and education.

***Forfeited Contraband*** – This fund is used to account for seized property to be used for official purposes as provided by Article 59.06 Texas Code of Criminal Procedure.

***Tourism*** – This fund is used to account for Hotel/Motel taxes received to be used for historic preservation and tourism promotion as authorized by statute.

**CITY OF GUN BARREL CITY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
September 30, 2013

	Volunteer Fire Department	Parks Special	Police Special	Court Security	Court Time Payment Fees	Court Technology	Law Enforcement Education	Forfeited Contraband	Tourism	Totals
<b>ASSETS</b>										
Cash and cash equivalents	\$ 26,730	\$ 502	\$ 3,617	\$ 82,511	\$ 10,212	\$ 17,685	\$ 8,834	\$ 3,030	\$ 143,623	\$ 296,744
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	6,171	6,171
Due from other funds	-	-	-	466	210	622	-	-	-	1,298
<b>Total assets</b>	<b>\$ 26,730</b>	<b>\$ 502</b>	<b>\$ 3,617</b>	<b>\$ 82,977</b>	<b>\$ 10,422</b>	<b>\$ 18,307</b>	<b>\$ 8,834</b>	<b>\$ 3,030</b>	<b>\$ 149,794</b>	<b>\$ 304,213</b>
<b>LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCES</b>										
Restricted for:										
Cultural and recreational	-	502	-	-	-	-	-	-	149,794	150,296
Public safety	26,730	-	3,617	82,977	10,422	18,307	8,834	3,030	-	153,917
<b>Total fund balances</b>	<b>26,730</b>	<b>502</b>	<b>3,617</b>	<b>82,977</b>	<b>10,422</b>	<b>18,307</b>	<b>8,834</b>	<b>3,030</b>	<b>149,794</b>	<b>304,213</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,730</b>	<b>\$ 502</b>	<b>\$ 3,617</b>	<b>\$ 82,977</b>	<b>\$ 10,422</b>	<b>\$ 18,307</b>	<b>\$ 8,834</b>	<b>\$ 3,030</b>	<b>\$ 149,794</b>	<b>\$ 304,213</b>

**CITY OF GUN BARREL CITY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended September 30, 2013**

	Volunteer Fire Department	Parks Special	Police Special	Court Security	Court Time Payment Fees	Court Technology	Law Enforcement Education	Forfeited Contraband	Tourism	Totals
<b>REVENUES</b>										
Taxes:										
Hotel occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,495	\$ 54,495
Fines and forfeitures	-	-	-	2,851	1,149	3,801	-	11,921	-	19,722
Revenues from use of money	14	9	18	122	46	80	7	33	270	599
Other	-	509	-	-	-	-	-	-	35,682	36,191
Contributions and donations	7,199	-	250	-	-	-	-	-	-	7,449
<b>Total revenues</b>	<b>7,213</b>	<b>518</b>	<b>268</b>	<b>2,973</b>	<b>1,195</b>	<b>3,881</b>	<b>7</b>	<b>11,954</b>	<b>90,447</b>	<b>118,456</b>
<b>EXPENDITURES</b>										
Current:										
Municipal court	-	-	-	92	-	4,460	-	-	-	4,552
Police protection	-	-	-	-	-	-	-	10,741	-	10,741
Fire protection	3,462	-	-	-	-	-	-	-	-	3,462
Parks	-	3,430	-	-	-	-	-	-	-	3,430
Economic development	-	-	-	-	-	-	-	-	70,605	70,605
<b>Total expenditures</b>	<b>3,462</b>	<b>3,430</b>	<b>-</b>	<b>92</b>	<b>-</b>	<b>4,460</b>	<b>-</b>	<b>10,741</b>	<b>70,605</b>	<b>92,790</b>
Excess (deficiency) of revenues over (under) expenditures	3,751	(2,912)	268	2,881	1,195	(579)	7	1,213	19,842	25,666
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers out	-	-	-	-	-	-	(9,671)	-	-	(9,671)
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,671)</b>	<b>-</b>	<b>-</b>	<b>(9,671)</b>
<b>Net change in fund balances</b>	<b>3,751</b>	<b>(2,912)</b>	<b>268</b>	<b>2,881</b>	<b>1,195</b>	<b>(579)</b>	<b>(9,664)</b>	<b>1,213</b>	<b>19,842</b>	<b>15,995</b>
<b>Fund balances - beginning</b>	<b>22,979</b>	<b>3,414</b>	<b>3,349</b>	<b>80,096</b>	<b>9,227</b>	<b>18,886</b>	<b>18,498</b>	<b>1,817</b>	<b>129,952</b>	<b>288,218</b>
<b>Fund balances - ending</b>	<b>\$ 26,730</b>	<b>\$ 502</b>	<b>\$ 3,617</b>	<b>\$ 82,977</b>	<b>\$ 10,422</b>	<b>\$ 18,307</b>	<b>\$ 8,834</b>	<b>\$ 3,030</b>	<b>\$ 149,794</b>	<b>\$ 304,213</b>