

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

**ANNUAL FINANCIAL REPORT**

**Year Ended September 30, 2011**

**CITY OF GUN BARREL CITY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**Year Ended September 30, 2011**

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

CERTIFIED PUBLIC ACCOUNTANTS (A PROFESSIONAL CORPORATION)

Members of American Institute of Certified Public Accountants / Members of Private Companies Practice Section

Greer Yeldell, CPA / Glen D. Wilson, CPA  
Mary E. Coile, CPA / Brooke Farmer, CPA / Joyce Reeve, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Gun Barrel City, Texas' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

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

August 6, 2012

# **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, 2011.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,842,438 (net assets). Of this amount, \$1,608,856 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$253,701.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,947,727. Over 56% of this total amount, \$1,097,633 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 \$1,097,633 or 23% 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 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 fifteen 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 and Lowe's Incentive Fund which are considered to be major funds. Data from the other thirteen funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 15-36 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 37-38 of this report.

The combining and individual statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual statements can be found on pages 39-41 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,842,438 as of September 30, 2011.

A large portion of the City's net assets (73%) 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 ASSETS**

	Governmental Activities		Total	
	2011	2010	2011	2010
Current and other assets	\$2,564,547	\$2,656,260	\$2,564,547	\$2,656,260
Capital assets	6,013,826	4,576,086	6,013,826	4,576,086
Total assets	<u>8,578,373</u>	<u>7,232,346</u>	<u>8,578,373</u>	<u>7,232,346</u>
Long term liabilities	1,120,033	422,286	1,120,033	422,286
Other liabilities	615,902	221,323	615,902	221,323
Total liabilities	<u>1,735,935</u>	<u>643,609</u>	<u>1,735,935</u>	<u>643,609</u>
Net assets:				
Invested in capital assets, net of related debt	4,965,825	4,223,077	4,965,825	4,223,077
Restricted	123,412	110,605	123,412	110,605
Unrestricted	1,753,201	2,255,055	1,753,201	2,255,055
Total net assets	<u>\$6,842,438</u>	<u>\$6,588,737</u>	<u>\$6,842,438</u>	<u>\$6,588,737</u>

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

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

**CITY OF GUN BARREL CITY'S CHANGES IN NET ASSETS**

	Governmental Activities		Total	
	2011	2010	2011	2010
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for services	\$ 369,746	\$ 393,765	\$ 369,746	\$ 393,765
Operating grants and contributions	44,913	34,573	44,913	34,573
Capital grants and contributions	208,145	216,405	208,145	216,405
<b>General revenues:</b>				
Sales tax	2,651,181	2,687,197	2,651,181	2,687,197
Franchise tax	371,323	338,861	371,323	338,861
Hotel occupancy tax	48,124	39,454	48,124	39,454
Alcoholic beverage tax	25,502	25,502	25,502	25,502
Investment earnings	9,752	15,183	9,752	15,183
Gain on sale of capital assets	17,618	1,634	17,618	1,634
Miscellaneous	129,429	69,474	129,429	69,474
<b>Total revenues</b>	<b>3,875,733</b>	<b>3,822,048</b>	<b>3,875,733</b>	<b>3,822,048</b>
<b>Expenses:</b>				
Mayor and council	2,008	5,082	2,008	5,082
Administration	563,413	545,286	563,413	545,286
City secretary	77,219	73,648	77,219	73,648
Treasurer	71,129	74,219	71,129	74,219
Municipal court	130,429	143,261	130,429	143,261
Municipal buildings	71,685	66,865	71,685	66,865
Police protection	1,175,258	1,151,572	1,175,258	1,151,572
Code enforcement	115,590	124,620	115,590	124,620
Building inspections	112,379	95,483	112,379	95,483
Fire protection	478,706	425,471	478,706	425,471
Streets	635,436	991,807	635,436	991,807
Parks	82,351	61,945	82,351	61,945
Animal control	52,691	52,485	52,691	52,485
Economic development	51,633	63,106	51,633	63,106
<b>Total expenses</b>	<b>3,622,032</b>	<b>3,874,850</b>	<b>3,622,032</b>	<b>3,874,850</b>
Change in net asset	253,701	(52,802)	253,701	(52,802)
Net assets - beginning	6,588,737	6,641,539	6,588,737	6,641,539
<b>Net assets - ending</b>	<b>\$6,842,438</b>	<b>\$6,588,737</b>	<b>\$6,842,438</b>	<b>\$6,588,737</b>

## 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, unreserved 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 \$1,947,727. Approximately 56% of this total amount, \$1,097,633, 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 committed to pay for (1) public safety in the amount of \$144,345, (2) debt service in the amount of \$30,136, and (3) economic development in the amount of \$552,201.

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 \$1,097,633. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22% of total general fund expenditures.

The fund balance of the City's general fund decreased \$531,212 during the current fiscal year.

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

General fund actual revenues of \$3,564,872 exceeded budgeted revenues of \$3,548,263 by \$16,609. Following are the main components that experienced an increase or decrease of actual revenues compared to budgeted revenues.

- The \$52,669 (20.53%) decrease in fines and forfeitures resulted from a decline in the number of citations issued and in the citations paid.
- The \$22,721 (19.12%) increase in licenses and permits resulted from an increase in construction activity within the City.
- The \$44,479 (143.56%) increase in intergovernmental revenue resulted from an increase in grant activity.

Budgeted general fund expenditures of \$3,552,275 exceeded actual expenditures of \$3,480,373 by \$71,902. Following are the main components that experienced an increase or decrease of actual expenditures compared to budgeted expenditures:

- The \$2,992 (59.84%) decrease in Mayor and council expenditures resulted primarily from conservative spending.
- The \$83,327 (9.32%) decrease in streets resulted primarily from the City not performing maintenance on all of the roads originally budgeted for.
- The \$2,105 (11.51%) increase in interest and fiscal charges resulted primarily from interest incurred on the note payable to finance the remodel of the new City Hall building.

## CAPITAL ASSETS

The City's investment in capital assets for its governmental activities as of September 30, 2011 amounts to \$6,013,826 (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 \$933,500 of construction in progress was added
- Approximately \$373,000 of infrastructure improvements were completed
- New police vehicles and equipment were acquired in the approximate amount of \$114,000
- A new fire truck and fire equipment were acquired in the approximate amount of \$175,000
- New street equipment was acquired in the approximate amount of \$130,000
- New parks building and improvements were completed in the approximate amount of \$191,000
- Police, fire, and street vehicles and equipment were disposed of in the approximate amount of \$448,000

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

	Governmental Activities		Total	
	2011	2010	2011	2010
Land	\$ 206,296	\$ 206,296	\$ 206,296	\$ 206,296
Construction in progress	933,502	-	933,502	-
Buildings	1,127,798	973,345	1,127,798	973,345
Machinery and equipment	1,271,411	1,159,832	1,271,411	1,159,832
Infrastructure	2,474,819	2,236,613	2,474,819	2,236,613
<b>Total</b>	<b>\$6,013,826</b>	<b>\$4,576,086</b>	<b>\$6,013,826</b>	<b>\$4,576,086</b>

Additional information on the City of Gun Barrel City capital assets can be found in note 3 on pages 23-24 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	
	2011	2010	2011	2010
Notes payable	\$ 738,114	\$ -	\$ 738,114	\$ -
Capital lease	309,887	353,009	309,887	353,009
	<b>\$1,048,001</b>	<b>\$ 353,009</b>	<b>\$1,048,001</b>	<b>\$ 353,009</b>

Information on the City of Gun Barrel City long term-debt can be found in note 3 on page 25-26 of this report.

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

In the 2011-12 Budget, General Fund revenues are budgeted to increase by 22% from the 2010-11 budget year with sales and use taxes making up about 61% and a grant for park improvements making up about 12% of general fund budgeted revenues . This forecast statement is a factor of the volatility of the stock market and the national economy of the country. 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 ACTIVITIES**  
Year Ended September 30, 2011

Net (Expense) Revenue and  
Changes in Net Assets

Function/Program Activities	Program Revenues			Primary Government		Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
<b>Primary government:</b>						
<b>Governmental activities:</b>						
Mayor and council	\$ 2,008	\$ -	\$ 5,490	\$ -	\$ 3,482	\$ -
Administration	563,413	156,443	7,430	208,145	(191,395)	-
City secretary	77,219	-	-	-	(77,219)	-
Treasurer	71,129	-	-	-	(71,129)	-
Municipal court	130,429	-	-	-	(130,429)	-
Municipal buildings	71,685	-	-	-	(71,685)	-
Police protection	1,175,258	213,303	26,565	-	(935,390)	-
Code enforcement	115,590	-	-	-	(115,590)	-
Building inspections	112,379	-	-	-	(112,379)	-
Fire protection	478,706	-	5,428	-	(473,278)	-
Streets	635,436	-	-	-	(635,436)	-
Parks	82,351	-	-	-	(82,351)	-
Animal control	52,691	-	-	-	(52,691)	-
Economic development	51,633	-	-	-	(51,633)	-
Interest on long-term debt	2,105	-	-	-	(2,105)	-
<b>Total governmental activities</b>	<u>\$ 3,622,032</u>	<u>\$ 369,746</u>	<u>\$ 44,913</u>	<u>\$ 208,145</u>	<u>\$ (2,999,228)</u>	<u>\$ -</u>
<b>Total primary government</b>	<u>\$ 3,622,032</u>	<u>\$ 369,746</u>	<u>\$ 44,913</u>	<u>\$ 208,145</u>	<u>\$ (2,999,228)</u>	<u>\$ -</u>
<b>Component unit:</b>						
Gun Barrel City Economic Development Corporation	\$ 449,797	\$ -	\$ -	\$ -	\$ -	\$ (449,797)
<b>Total component unit</b>	<u>\$ 449,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (449,797)</u>
<b>General revenues:</b>						
Sales tax					2,651,181	378,740
Franchise tax					371,323	-
Hotel occupancy tax					48,124	-
Alcoholic beverage tax					25,502	-
Investment earnings					9,752	8,101
Gain on sale of capital assets					17,618	-
Miscellaneous					129,429	3,001
<b>Total general revenues</b>					<u>3,252,929</u>	<u>389,842</u>
Change in net assets					253,701	(59,955)
Net assets - beginning					6,588,737	2,310,885
Net assets - ending					<u>\$ 6,842,438</u>	<u>\$ 2,250,930</u>

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,474,805	\$ 251,220	\$ 1,726,025
Investments	1,248	-	1,248
Receivables (net of allowance for uncollectibles)	783,956	15,030	798,986
Due from other governments	38,288	-	38,288
Due from other funds	2,105	1,507	3,612
Total assets	\$ 2,300,402	\$ 267,757	\$ 2,568,159
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and other current liabilities	\$ 488,417	\$ -	\$ 488,417
Accrued payroll payable	47,454	-	47,454
Due to other funds	3,612	-	3,612
Due to other governments	18,252	-	18,252
Due to component unit	61,779	-	61,779
Deferred revenue	918	-	918
Total liabilities	620,432	-	620,432
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Cultural and recreational	-	123,412	123,412
Public safety	-	144,345	144,345
<b>Committed for:</b>			
Debt service	30,136	-	30,136
<b>Assigned for:</b>			
Economic development	552,201	-	552,201
Unassigned	1,097,633	-	1,097,633
Total fund balances	1,679,970	267,757	1,947,727
<b>Total liabilities and fund balances</b>	<b>\$ 2,300,402</b>	<b>\$ 267,757</b>	

Amounts reported for governmental activities in the statement of net assets 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.		6,013,826
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		918
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	\$ (202,431)	
Due in more than one year	(917,602)	(1,120,033)
Net assets of governmental activities		\$ 6,842,438

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended September 30, 2011**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
<b>Taxes:</b>			
Sales	\$ 2,651,181	\$ -	\$ 2,651,181
Franchise	371,323	-	371,323
Hotel occupancy	-	48,124	48,124
Alcoholic beverage	25,502	-	25,502
Licenses and permits	141,585	-	141,585
Fines and forfeitures	203,987	9,315	213,302
Charges for current services	14,858	-	14,858
Revenues from use of money and property	8,890	862	9,752
Other	81,722	47,707	129,429
Intergovernmental	28,917	4,160	33,077
Contributions and donations	30	4,406	4,436
<b>Total revenues</b>	<b>3,527,995</b>	<b>114,574</b>	<b>3,642,569</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Mayor and council	2,008	-	2,008
Administration	1,451,334	-	1,451,334
City secretary	75,717	-	75,717
Treasurer	72,055	-	72,055
Municipal court	135,811	223	136,034
Municipal buildings	69,624	-	69,624
Police protection	1,220,833	2,255	1,223,088
Code enforcement	103,634	-	103,634
Building inspections	111,523	-	111,523
Fire protection	494,498	17,465	511,963
Streets	941,968	-	941,968
Parks	75,466	-	75,466
Animal control	52,843	-	52,843
Economic development	-	49,711	49,711
<b>Debt service:</b>			
Principal retirement	43,121	-	43,121
Interest and fiscal charges	20,386	-	20,386
<b>Total expenditures</b>	<b>4,870,821</b>	<b>69,654</b>	<b>4,940,475</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,342,826)</b>	<b>44,920</b>	<b>(1,297,906)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan proceeds	738,114	-	738,114
Sale of capital assets	73,500	-	73,500
<b>Total other financing sources and uses</b>	<b>811,614</b>	<b>-</b>	<b>811,614</b>
<b>Net change in fund balances</b>	<b>(531,212)</b>	<b>44,920</b>	<b>(486,292)</b>
<b>Fund balances - beginning</b>	<b>2,211,182</b>	<b>222,837</b>	<b>2,434,019</b>
<b>Fund balances - ending</b>	<b>\$ 1,679,970</b>	<b>\$ 267,757</b>	<b>\$ 1,947,727</b>

See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2011

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)	\$	(486,292)
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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.

1,960,235

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

(55,882)

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.

(466,613)

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 issuance costs, 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 proceeds	\$ (738,114)	
Capital leases retired	<u>43,122</u>	(694,992)

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.

(2,755)

Change in net assets of governmental activities (page 11)	\$	<u><u>253,701</u></u>
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See accompanying notes to financial statements.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

**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 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 type 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

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities, and net assets 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.

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.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 \$1,000 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:

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

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 assets.

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

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Equity -

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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.

New Standard -

With the implementation of GASB-54 previously reported special revenue funds no longer met the definition and needed to be reclassified as part of the general fund.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

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

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

The following discloses the restatement of governmental fund balances as of the beginning of the fiscal year:

	General Fund	Other Governmental Funds
Fund balance, beginning of year, as previously stated:	\$1,471,698	\$ 412,496
Increase due to reclassification of major fund to general fund	549,825	-
Increase (decrease) due to reclassification of special revenue fund	189,659	(189,659)
Fund balance, beginning of year, as restated	\$2,211,182	\$ 222,837

**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. Compliance with finance related legal and contractual provisions**

The City has no material violations of finance related legal and contractual provisions.

**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, 2011. At year end, the bank balance of the City's deposits was \$1,724,184. Of the bank balance, \$478,344 was covered by federal depository insurance and the remaining balance, \$1,245,840 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 \$1,697,000.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

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 \$879,021. Of the bank balance, \$513,283 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 \$1,844,000

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>\$ 1,248</u>	N/A	AAA

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, 2011

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

**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:

	General	Nonmajor Funds	Total
Receivables:			
Taxes	\$ 769,505	\$ 15,030	\$ 784,535
Other	14,757	-	14,757
Gross receivables	784,262	15,030	799,292
Less: allowance for uncollectibles	(306)	-	(306)
Net total receivables	\$ 783,956	\$ 15,030	\$ 798,986

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (general fund)	\$ 918

Corporation -

Notes receivable

The Corporation provided funds in the original amount of \$8,000 to a local business under a loan agreement. These funds will be repaid to the Corporation in sixty monthly installments of \$153 including interest at 5.5%. The unpaid balance of the note is \$2,343.

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 \$31,233.

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 \$21,778.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

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 \$25,000.

No allowance for uncollectible notes receivable has been provided since management considers all unpaid balances to be collectible.

**C. Capital assets**

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 206,296	\$ -	\$ -	\$ 206,296
Construction in progress	-	933,502	-	933,502
<b>Total capital assets not being depreciated</b>	<u>206,296</u>	<u>933,502</u>	<u>-</u>	<u>1,139,798</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,381,036	201,089	-	1,582,125
Machinery and equipment	2,820,301	452,342	(447,441)	2,825,202
Infrastructure	2,666,607	373,302	-	3,039,909
<b>Totals capital assets being depreciated</b>	<u>6,867,944</u>	<u>1,026,733</u>	<u>(447,441)</u>	<u>7,447,236</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(407,691)	(46,636)	-	(454,327)
Machinery and equipment	(1,660,469)	(284,881)	391,559	(1,553,791)
Infrastructure	(429,994)	(135,096)	-	(565,090)
<b>Total accumulated depreciation</b>	<u>(2,498,154)</u>	<u>(466,613)</u>	<u>391,559</u>	<u>(2,573,208)</u>
<b>Total capital assets, being depreciated, net</b>	<u>4,369,790</u>	<u>560,120</u>	<u>(55,882)</u>	<u>4,874,028</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 4,576,086</u>	<u>\$ 1,493,622</u>	<u>\$ (55,882)</u>	<u>\$ 6,013,826</u>

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

<b>Governmental activities:</b>	
Administration	\$ 45,564
Municipal court	1,927
Police protection	65,106
Code enforcement	14,566
Fire protection	136,043
Streets	195,398
Parks	6,087
Economic development	1,922
<b>Total depreciation expense - governmental activities</b>	<u>\$ 466,613</u>

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets (continued)

The construction in progress consists of building improvements.

Construction Commitments —

The City has a construction project outstanding as of September 30, 2011. The project is evidenced by a contractual commitment with a contractor and includes:

<u>Project:</u>	<u>Spent to-date</u>	<u>Commitment Remaining</u>
Building improvements	<u>\$ 933,502</u>	<u>\$ 359,439</u>

The building improvements project is a commitment of the City's general fund. This project is being funded by a note payable.

Corporation -

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 482,041	\$ -	\$ -	\$ 482,041
Total capital assets not being depreciated	<u>482,041</u>	<u>-</u>	<u>-</u>	<u>482,041</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	(5,870)	(487)	-	(6,357)
Total accumulated depreciation	<u>(5,870)</u>	<u>(487)</u>	<u>-</u>	<u>(6,357)</u>
Total capital assets, being depreciated, net	<u>2,126</u>	<u>(487)</u>	<u>-</u>	<u>1,639</u>
Governmental activities capital assets, net	<u>\$ 484,167</u>	<u>\$ (487)</u>	<u>\$ -</u>	<u>\$ 483,680</u>

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

Governmental activities:	
Economic development	<u>\$ 487</u>

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>\$ 3,612</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.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

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 Activities</u>
Machinery and equipment	\$ 353,009
Less: accumulated depreciation	(85,311)
Total	<u>\$ 267,698</u>

Annual debt service requirements to maturity are as follows –

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 45,355	\$ 16,047
2013	47,703	13,699
2014	50,174	11,228
2015	52,772	8,630
2016	55,505	5,898
2017	58,378	3,023
	<u>\$ 309,887</u>	<u>\$ 58,525</u>

F. Long-term liabilities

Notes Payable -

Notes 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>
\$ 145,083	10/30/2012	4.27%	\$ 145,083	Equipment
1,400,000 <sup>1</sup>	5/10/2036	3.55%	593,031	Certificates of deposit
			<u>\$ 738,114</u>	

<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%.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

**NOTE 4 – OTHER INFORMATION**

**F. Long-term liabilities (continued)**

Annual debt service requirements to maturity are as follows -

**Primary Government**

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 85,044	\$ 27,248
2013	143,840	22,845
2014	69,758	17,156
2015	72,267	14,646
2016	74,867	12,046
2017-2019	292,338	18,947
	<u>\$ 738,114</u>	<u>\$ 112,888</u>

Changes in long-term liabilities --

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Primary Government					
Governmental activities:					
Notes payable	\$ -	\$ 738,114	\$ -	\$ 738,114	\$ 85,044
Compensated absences	69,277	66,251	(63,496)	72,032	72,032
Capital lease	353,009	-	(43,122)	309,887	45,355
Governmental activity					
Long-term liabilities	<u>\$ 422,286</u>	<u>\$ 804,365</u>	<u>\$ (106,618)</u>	<u>\$ 1,120,033</u>	<u>\$ 202,431</u>

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

**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, 2011

NOTE 4 – OTHER INFORMATION (continued)

B. Texas Municipal Retirement System (continued)

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:

	Plan Year 2010	Plan Year 2011
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,	60/5, 0/25 100% Repeating,
Annuity increase (to retirees)	Transfers 0% of CPI	Transfers 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 applicable period for that city. 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, 2011

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 2011 and 2010 was 5.34% and 4.78%, 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)	\$81,331
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	81,331
Contributions Made	(81,331)
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)
2006	\$ 57,380	\$ 57,380	100%	\$ -
2007	62,068	62,068	100%	-
2008	66,243	66,243	100%	-
2009	70,716	70,716	100%	-
2010	75,255	75,255	100%	-
2011	81,331	81,331	100%	-

The required contribution rates for the year ended September 30, 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

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

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

Valuation Date	12/31/2008	12/31/2009	12/31/2010 <sup>1</sup>	12/31/2010 <sup>2</sup>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll			
GASB 25 Equivalent Single Amortization Period	24 years; closed period	24 years; closed period	24 years; closed period	24 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years	25 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
<b>Actuarial Assumptions:</b>				
Investment Rate of Return*	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases*	Varies by age and service			
* Includes Inflation at	3.0%	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%	0.0%

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
12/31/2005	\$ 859,519	\$ 908,466	94.6%	\$ 48,947	\$ 1,095,986	4.5%
12/31/2006	994,195	1,031,559	96.4%	37,364	1,219,061	3.1%
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 <sup>1</sup>	1,398,873	1,537,709	91.0%	138,836	1,578,723	8.8%
12/31/2010 <sup>2</sup>	1,728,274	1,804,376	95.8%	76,102	1,578,723	4.8%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

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, 2010 there were 199 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.

At August 31, 2010, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits*	2,167
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,106
Active Participants (Vested and Nonvested)	4,371
	8,644

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.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

C. Texas Emergency Services Retirement System (continued)

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.

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, 2010 total contributions (dues and prior service) of \$2,875,103 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, 2010 and 2011. Total contributions made were equal to the contributions required by the state statute and equal to the contributions required based on the August 31, 2008 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, 2010 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, 2010 (\$502,941 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 as is necessary for the System to have a 30-year amortization period, and (2) approximately \$500,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

C. Texas Emergency Services Retirement System (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability <sup>1</sup> - Entry Age (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Total Members Covered	UAAL Per Member Covered
08/31/2005	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2006 <sup>2</sup>	\$ 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>3</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	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984

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.

Six-year trend information is as follows:

Fiscal Year Ending	Annual Required Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
08/31/2005	\$ 3,206,300 <sup>1</sup>	\$ 1,606,759 <sup>5</sup>	50%
08/31/2006	2,753,035 <sup>2</sup>	2,753,035 <sup>6</sup>	100%
08/31/2007	3,162,742 <sup>3</sup>	3,162,742 <sup>7</sup>	100%
08/31/2008	3,160,764 <sup>3</sup>	11,239,339 <sup>8</sup>	356%
08/31/2009	2,698,271 <sup>4</sup>	2,698,271	100%
08/31/2010	2,875,103 <sup>4</sup>	2,875,103	100%

<sup>1</sup> Based on the original August 31, 2004 actuarial valuation.

<sup>2</sup> Based on the revised August 31, 2004 actuarial valuation.

<sup>3</sup> Based on the August 31, 2006 actuarial valuation.

<sup>4</sup> Based on the August 31, 2008 actuarial valuation.

<sup>5</sup> A change in billing procedures resulted in a one-time change in the timing of dues contributions, resulting in an atypical amount of dues contributions for the fiscal year.

<sup>6</sup> Includes a state contribution of \$675,307.

<sup>7</sup> Includes a state contribution of \$709,072.

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

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

C. Texas Emergency Services Retirement System (continued)

Valuation Date	August 31, 2008	August 31, 2010
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open
Amortization Period	6 years	30 years
Asset Valuation Method	Market value smoothed by a 5- year deferred recognition method with a 90%/110% 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*	8.00% 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

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.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

D. Postemployment Benefits (continued)

Plan / Calendar Year	City's Contribution		Schedule of Contribution Rates As a Percentage of Covered Payroll		
	Annual Required Contribution	Actual Contribution Made	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
	2006	\$ 3,229	\$ 3,229	0.04%	0.04%
2007	3,704	3,704	0.04%	0.04%	100.0%
2008	4,327	4,327	0.03%	0.03%	100.0%
2009	5,725	5,725	0.04%	0.04%	100.0%
2010	3,656	3,656	0.23%	0.23%	100.0%
2011	3,921	3,921	0.25%	0.25%	100.0%

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, 2011, approximately 47% of sales tax representing approximately 32% 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.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

F. Commitments and Contingencies (continued)

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, 2011.

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, 2011 the Bank had 6,141 hours accumulated to be used in future periods.

**CITY OF GUN BARREL CITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2011

NOTE 4 – OTHER INFORMATION (continued)

G. Subsequent Events

Subsequent to year end:

- the City accepted a performance agreement whereby the City shall provide funds to a developer totaling \$52,000 for infrastructure improvements. The City will receive \$63,500 from a developer for the developer's share of said infrastructure improvements and \$28,000 for drainage improvements.
- the Corporation entered into a loan agreement whereby the Corporation shall provide funds totaling \$15,000 to a local business. This loan will be repaid to the Corporation with an interest rate of 2% after a 12 month grace period.
- the Corporation accepted a performance agreement whereby the Corporation shall provide funds to a developer totaling \$105,195 for infrastructure and water line improvements and \$130,000 for an in-kind contribution.

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 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended September 30, 2011**

	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	\$ 2,692,366	\$ 2,651,181	\$ 5,134	\$ 2,656,315	\$ (36,051)
Franchise	341,711	371,323	(13,191)	358,132	16,421
Alcoholic beverage	25,299	25,502	(156)	25,346	47
Licenses and permits	118,864	141,585	-	141,585	22,721
Fines and forfeitures	256,583	203,987	(73)	203,914	(52,669)
Charges for current services	2,717	14,858	-	14,858	12,141
Revenues from use of money and property	6,672	8,890	(1,381)	7,509	837
Other	73,069	81,722	-	81,722	8,653
Intergovernmental	30,982	28,917	46,544	75,461	44,479
Contributions and donations	-	30	-	30	30
<b>Total revenues</b>	<b>3,548,263</b>	<b>3,527,995</b>	<b>36,877</b>	<b>3,564,872</b>	<b>16,609</b>
<b>EXPENDITURES</b>					
Current:					
Mayor and council	5,000	2,008	-	2,008	(2,992)
Administration	457,052	1,451,334	(975,230)	476,104	19,052
City secretary	79,288	75,717	(171)	75,546	(3,742)
Treasurer	73,720	72,055	(153)	71,902	(1,818)
Municipal court	147,742	135,811	249	136,060	(11,682)
Municipal buildings	76,897	69,624	(72)	69,552	(7,345)
Police protection	1,099,167	1,220,833	(112,638)	1,108,195	9,028
Code enforcement	110,759	103,634	(402)	103,232	(7,527)
Building inspections	105,842	111,523	(284)	111,239	5,397
Fire protection	315,037	494,498	(170,551)	323,947	8,910
Streets	894,384	941,968	(130,911)	811,057	(83,327)
Parks	70,011	75,466	(80)	75,386	5,375
Animal control	55,974	52,843	(205)	52,638	(3,336)
Debt service:					
Principal retirement	43,121	43,121	-	43,121	-
Interest and fiscal charges	18,281	20,386	-	20,386	2,105
<b>Total expenditures</b>	<b>3,552,275</b>	<b>4,870,821</b>	<b>(1,390,448)</b>	<b>3,480,373</b>	<b>(71,902)</b>
Excess (deficiency) of revenues over (under) expenditures	(4,012)	(1,342,826)	1,427,325	84,499	88,511
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	-	738,114	(738,114)	-	-
Sale of capital assets	4,012	73,500	(73,500)	-	(4,012)
<b>Total other financing sources and uses</b>	<b>4,012</b>	<b>811,614</b>	<b>(811,614)</b>	<b>-</b>	<b>(4,012)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(531,212)</b>	<b>615,711</b>	<b>84,499</b>	<b>84,499</b>
Fund balance - beginning	-	2,211,182	(739,484)	1,471,698	1,471,698
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ 1,679,970</b>	<b>\$ (123,773)</b>	<b>\$ 1,556,197</b>	<b>\$ 1,556,197</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, 2011

	Volunteer Fire Department	Parks Special	Police Special	Court Security	Court Time Payment Fees	Court Technology	Law Enforcement Education	Forfeited Contraband	Tourism	Totals
ASSETS										
Cash and cash equivalents	\$ 17,566	\$ 4,597	\$ 3,082	\$ 77,464	\$ 7,868	\$ 16,324	\$ 18,486	\$ 2,048	\$ 103,785	\$ 251,220
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	15,030	15,030
Due from other funds	-	-	-	556	210	741	-	-	-	1,507
Total assets	\$ 17,566	\$ 4,597	\$ 3,082	\$ 78,020	\$ 8,078	\$ 17,065	\$ 18,486	\$ 2,048	\$ 118,815	\$ 267,757
LIABILITIES AND FUND BALANCES										
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Fund balances:										
Restricted for:										
Cultural and recreational	-	4,597	-	-	-	-	-	-	118,815	123,412
Public safety	17,566	-	3,082	78,020	8,078	17,065	18,486	2,048	-	144,345
Total fund balances	17,566	4,597	3,082	78,020	8,078	17,065	18,486	2,048	118,815	267,757
Total liabilities and fund balances	\$ 17,566	\$ 4,597	\$ 3,082	\$ 78,020	\$ 8,078	\$ 17,065	\$ 18,486	\$ 2,048	\$ 118,815	\$ 267,757

**CITY OF GUN BARREL CITY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Year Ended September 30, 2011

	Volunteer Fire Department	Parks Special	Police Special	Court Security	Court Time Payment Fees	Court Technology	Law			Totals
							Enforcement	Education	Contraband	
<b>REVENUES</b>										
Taxes:										
Hotel occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,124
Fines and forfeitures	-	-	-	2,673	1,309	4,433	-	900	-	9,315
Revenues from use of money	34	21	17	252	34	70	41	13	380	862
Other	21,695	606	-	-	-	-	-	-	25,406	47,707
Intergovernmental	1,620	-	-	-	-	-	2,540	-	-	4,160
Contributions and donations	3,156	-	1,250	-	-	-	-	-	-	4,406
Total revenues	<u>26,505</u>	<u>627</u>	<u>1,267</u>	<u>2,925</u>	<u>1,343</u>	<u>4,503</u>	<u>2,581</u>	<u>913</u>	<u>73,910</u>	<u>114,574</u>
<b>EXPENDITURES</b>										
Current:										
Municipal court	-	-	-	223	-	-	-	-	-	223
Police protection	-	-	848	-	-	-	-	1,407	-	2,255
Fire protection	17,465	-	-	-	-	-	-	-	-	17,465
Total expenditures	<u>17,465</u>	<u>-</u>	<u>848</u>	<u>223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,407</u>	<u>49,711</u>	<u>69,654</u>
Net change in fund balances	9,040	627	419	2,702	1,343	4,503	2,581	(494)	24,199	44,920
Fund balances - beginning	8,526	3,970	2,663	75,318	6,735	12,562	15,905	2,542	94,616	222,837
Fund balances - ending	<u>\$ 17,566</u>	<u>\$ 4,597</u>	<u>\$ 3,082</u>	<u>\$ 78,020</u>	<u>\$ 8,078</u>	<u>\$ 17,065</u>	<u>\$ 18,486</u>	<u>\$ 2,048</u>	<u>\$ 118,815</u>	<u>\$ 267,757</u>