

CITY OF GUN BARREL CITY, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2012

CITY OF GUN BARREL CITY, TEXAS
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15-36
Required Supplementary Information:	37-38
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	38
Combining and Individual Fund Statements:	39-41
Combining Balance Sheet – Nonmajor Special Revenue Funds	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	41

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, 2012, 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, 2012, 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 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor and City Council
City of Gun Barrel City, Texas
Page Two

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

April 17, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$7,786,302 (net assets). Of this amount, \$2,177,627 (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 \$943,864.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,542,214. Over 72% of this total amount, \$1,853,941 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 \$1,853,941 or 43% 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 (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 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 \$7,786,302 as of September 30, 2012.

A large portion of the City's net assets (68%) 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	
	2012	2011	2012	2011
Current and other assets	\$2,729,384	\$2,564,547	\$2,729,384	\$2,564,547
Capital assets	6,994,407	6,013,826	6,994,407	6,013,826
Total assets	9,723,791	8,578,373	9,723,791	8,578,373
Long term liabilities	1,744,255	1,120,033	1,744,255	1,120,033
Other liabilities	193,234	615,902	193,234	615,902
Total liabilities	1,937,489	1,735,935	1,937,489	1,735,935
Net assets:				
Invested in capital assets, net of related debt	5,320,457	4,965,825	5,320,457	4,965,825
Restricted	288,218	123,412	288,218	123,412
Unrestricted	2,177,627	1,753,201	2,177,627	1,753,201
Total net assets	\$7,786,302	\$6,842,438	\$7,786,302	\$6,842,438

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	
	2012	2011	2012	2011
Revenues:				
Program revenues:				
Charges for services	\$ 324,225	\$ 369,746	\$ 324,225	\$ 369,746
Operating grants and contributions	72,957	44,913	72,957	44,913
Capital grants and contributions	774,945	208,145	774,945	208,145
General revenues:				
Sales tax	2,713,170	2,651,181	2,713,170	2,651,181
Franchise tax	378,321	371,323	378,321	371,323
Hotel occupancy tax	45,388	48,124	45,388	48,124
Alcoholic beverage tax	20,057	25,502	20,057	25,502
Investment earnings	6,120	9,752	6,120	9,752
Gain on sale of capital assets	-	17,618	-	17,618
Miscellaneous	103,548	129,429	103,548	129,429
Total revenues	4,438,731	3,875,733	4,438,731	3,875,733
Expenses:				
Mayor and council	1,843	2,008	1,843	2,008
Administration	416,938	563,413	416,938	563,413
City secretary	77,808	77,219	77,808	77,219
Treasurer	72,009	71,129	72,009	71,129
Municipal court	128,324	130,429	128,324	130,429
Municipal buildings	91,004	71,685	91,004	71,685
Police protection	1,132,168	1,175,258	1,132,168	1,175,258
Code enforcement	117,614	115,590	117,614	115,590
Building inspections	105,693	112,379	105,693	112,379
Fire protection	487,639	478,706	487,639	478,706
Streets	613,525	635,436	613,525	635,436
Parks	85,241	82,351	85,241	82,351
Animal control	55,071	52,691	55,071	52,691
Economic development	64,901	51,633	64,901	51,633
Interest on long-term debt	45,089	2,105	45,089	2,105
Total expenses	3,494,867	3,622,032	3,494,867	3,622,032
Change in net asset	943,864	253,701	943,864	253,701
Net assets - beginning	6,842,438	6,588,737	6,842,438	6,588,737
Net assets - ending	\$ 7,786,302	\$ 6,842,438	\$ 7,786,302	\$ 6,842,438

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 \$2,542,214. Approximately 73% of this total amount, \$1,853,941, 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 \$133,366, and (2) public safety in the amount of \$154,852, committed for debt service in the amount of \$34,549, and assigned for economic development in the amount of \$365,506.

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 \$1,853,941. 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 42% of total general fund expenditures.

The fund balance of the City's general fund increased \$574,026 during the current fiscal year.

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

General fund budgeted revenues of \$4,323,580 exceeded actual revenues of \$4,231,786 by \$91,794. Following are the main components that experienced an increase or decrease of actual revenues compared to budgeted revenues.

- The \$58,254 (2.21%) increase in sales tax resulted from an increase in spending within the economy.
- The \$55,609 (16.07%) increase in franchise tax resulted from an increase in the amount of electricity consumed and retrosepective fees received.
- The \$22,940 (15.43%) decrease in licenses and permits resulted from a decrease in construction activity within the City.
- The \$84,794 (32.93%) decrease in fines and forfeitures resulted from a decline in the number of citations issued and in the citations paid.
- The \$115,825 (65.50%) decrease in other revenue resulted from fewer insurance claims than anticipated and fewer warrants processed for external entities. Also, a street grant was budgeted for in the amount of \$100,000 that was not awarded.

Budgeted general fund expenditures of \$4,323,580 exceeded actual expenditures of \$4,083,180 by \$240,400. Following are the main components that experienced an increase or decrease of actual expenditures compared to budgeted expenditures:

- The \$41,103 (9.99%) decrease in administration resulted primarily from fewer legal and engineering services used.

- The \$64,850 (5.71%) increase in police protection resulted primarily from expenditures for equipment funded by grant revenue.
- The \$28,198 (7.81%) decrease in fire protection resulted primarily from a decrease in the number of shifts worked by volunteers and less equipment purchased than expected.
- The \$220,914 (22.83%) decrease in streets resulted primarily from the City not being awarded a \$100,000 grant which was budgeted and not performing maintenance on all of the roads originally budgeted.
- The \$37,425 (6.56%) decrease in parks resulted primarily from the park improvements project not being completed before year end leaving a portion of the budget unspent.
- The \$36,905 (49.39%) 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, 2012 amounts to \$6,994,407 (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 \$202,000 of real property was purchased.
- Approximately \$582,000 of park and street construction was incurred along with approximately \$359,000 of construction in completion of the City Hall building improvements of approximately \$1,321,000.
- Approximately \$263,000 of infrastructure improvements were completed.
- New administrative equipment was acquired in the approximate amount of \$23,000.
- New police equipment was acquired in the approximate amount of \$46,000.
- New fire equipment was acquired in the approximate amount of \$22,000.
- Police equipment was disposed of in the approximate amount of \$32,000.

Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Total	
	2012	2011	2012	2011
Land	\$ 398,560	\$ 206,296	\$ 398,560	\$ 206,296
Construction in progress	581,940	933,502	581,940	933,502
Buildings	2,362,855	1,127,798	2,362,855	1,127,798
Machinery and equipment	1,211,018	1,271,411	1,211,018	1,271,411
Infrastructure	2,440,034	2,474,819	2,440,034	2,474,819
Total	\$6,994,407	\$6,013,826	\$6,994,407	\$6,013,826

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	
	2012	2011	2012	2011
Notes payable	\$ 1,409,418	\$ 738,114	\$ 1,409,418	\$ 738,114
Capital lease	264,532	309,887	264,532	309,887
	<u>\$ 1,673,950</u>	<u>\$ 1,048,001</u>	<u>\$ 1,673,950</u>	<u>\$ 1,048,001</u>

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 2012-13 Budget, General Fund revenues are budgeted to decrease by 22% from the 2011-12 budget year with sales and use taxes making up about 70% of general fund budgeted revenues. This decrease is primarily the result of a decrease in grant revenue from the prior year as the park improvement grant is not budgeted in 2012-13. 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 ASSETS
September 30, 2012

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Total</u>	
ASSETS			
Cash	\$ 1,751,211	\$ 1,751,211	\$ 1,150,230
Investments	1,248	1,248	3,505
Receivables (net of allowance for uncollectibles)	784,512	784,512	103,791
Due from primary government	-	-	63,856
Due from other governments	192,413	192,413	-
Deposit	-	-	1,980
Land held for resale	-	-	477,333
Capital assets:			
Non-depreciable	980,500	980,500	389,641
Depreciable (net of accumulated depreciation)	6,013,907	6,013,907	1,345
Total assets	<u>9,723,791</u>	<u>9,723,791</u>	<u>2,191,681</u>
LIABILITIES			
Accounts payable and other current liabilities	67,254	67,254	3,960
Accrued interest	6,376	6,376	-
Accrued payroll payable	46,090	46,090	-
Due to other governments	9,658	9,658	-
Due to component unit	63,856	63,856	-
Noncurrent liabilities:			
Due within one year	253,832	253,832	-
Due in more than one year	1,490,423	1,490,423	-
Total liabilities	<u>1,937,489</u>	<u>1,937,489</u>	<u>3,960</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,320,457	5,320,457	390,986
Restricted for:			
Cultural and recreational	133,366	133,366	-
Public safety	154,852	154,852	-
Unrestricted	2,177,627	2,177,627	1,796,735
Total net assets	<u>\$ 7,786,302</u>	<u>\$ 7,786,302</u>	<u>\$ 2,187,721</u>

See accompanying notes to financial statements.

CITY OF GUN BARREL CITY, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Total	
Primary government:							
Governmental activities:							
Mayor and council	\$ 1,843	\$ -	\$ -	\$ -	\$ (1,843)	\$ (1,843)	\$ -
Administration	416,938	142,499	25,819	30,849	(217,771)	(217,771)	-
City secretary	77,808	-	-	-	(77,808)	(77,808)	-
Treasurer	72,009	-	-	-	(72,009)	(72,009)	-
Municipal court	128,324	-	-	-	(128,324)	(128,324)	-
Municipal buildings	91,004	-	-	-	(91,004)	(91,004)	-
Police protection	1,132,168	181,726	20,439	46,332	(883,671)	(883,671)	-
Code enforcement	117,614	-	-	-	(117,614)	(117,614)	-
Building inspections	105,693	-	-	-	(105,693)	(105,693)	-
Fire protection	487,639	-	26,699	21,585	(439,355)	(439,355)	-
Streets	613,525	-	-	-	(613,525)	(613,525)	-
Parks	85,241	-	-	676,179	590,938	590,938	-
Animal control	55,071	-	-	-	(55,071)	(55,071)	-
Economic development	64,901	-	-	-	(64,901)	(64,901)	-
Interest on long-term debt	45,089	-	-	-	(45,089)	(45,089)	-
Total governmental activities	<u>3,494,867</u>	<u>324,225</u>	<u>72,957</u>	<u>774,945</u>	<u>(2,322,740)</u>	<u>(2,322,740)</u>	<u>-</u>
Total primary government	<u>\$ 3,494,867</u>	<u>\$ 324,225</u>	<u>\$ 72,957</u>	<u>\$ 774,945</u>	<u>(2,322,740)</u>	<u>(2,322,740)</u>	<u>-</u>
Component unit:							
Gun Barrel City Economic Development Corporation	\$ 524,158	\$ -	\$ -	\$ -	-	-	(524,158)
Total component unit	<u>\$ 524,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(524,158)</u>
General revenues:							
Sales tax					2,713,170	2,713,170	387,602
Franchise tax					378,321	378,321	-
Hotel occupancy tax					45,388	45,388	-
Alcoholic beverage tax					20,057	20,057	-
Investment earnings					6,120	6,120	5,676
Miscellaneous					103,548	103,548	70
Gain on sale of capital assets					-	-	67,600
Total general revenues					<u>3,266,604</u>	<u>3,266,604</u>	<u>460,948</u>
Change in net assets					943,864	943,864	(63,210)
Net assets - beginning					<u>6,842,438</u>	<u>6,842,438</u>	<u>2,250,931</u>
Net assets - ending					<u>\$ 7,786,302</u>	<u>\$ 7,786,302</u>	<u>\$ 2,187,721</u>

See accompanying notes to financial statements.

CITY OF GUN BARREL CITY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,472,163	\$ 279,048	\$ 1,751,211
Investments	1,248	-	1,248
Receivables (net of allowance for uncollectibles)	776,096	8,416	784,512
Due from other governments	192,413	-	192,413
Due from other funds	-	754	754
Total assets	\$ 2,441,920	\$ 288,218	\$ 2,730,138
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 67,254	\$ -	\$ 67,254
Accrued payroll payable	46,090	-	46,090
Due to other funds	754	-	754
Due to other governments	9,658	-	9,658
Due to component unit	63,856	-	63,856
Deferred revenue	312	-	312
Total liabilities	187,924	-	187,924
Fund balances:			
Restricted for:			
Cultural and recreational	-	133,366	133,366
Public safety	-	154,852	154,852
Committed for:			
Debt service	34,549	-	34,549
Assigned for:			
Economic development	365,506	-	365,506
Unassigned	1,853,941	-	1,853,941
Total fund balances	2,253,996	288,218	2,542,214
Total liabilities and fund balances	\$ 2,441,920	\$ 288,218	

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.	6,994,407
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.	(6,376)
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	312
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	\$ (253,832)
Due in more than one year	(1,490,423)
Net assets of governmental activities	\$ 7,786,302

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Sales	\$ 2,713,170	\$ -	\$ 2,713,170
Franchise	378,321	-	378,321
Hotel occupancy	-	45,388	45,388
Alcoholic beverage	20,057	-	20,057
Licenses and permits	125,726	-	125,726
Fines and forfeitures	171,118	10,609	181,727
Charges for current services	16,774	-	16,774
Revenues from use of money and property	5,533	587	6,120
Other	61,161	42,991	104,152
Intergovernmental	594,828	9,000	603,828
Contributions and donations	-	3,216	3,216
Total revenues	<u>4,086,688</u>	<u>111,791</u>	<u>4,198,479</u>
EXPENDITURES			
Current:			
Mayor and council	1,843	-	1,843
Administration	729,291	-	729,291
City secretary	79,735	-	79,735
Treasurer	72,597	-	72,597
Municipal court	126,337	1,747	128,084
Municipal buildings	89,196	-	89,196
Police protection	1,102,303	4,310	1,106,613
Code enforcement	102,036	-	102,036
Building inspections	105,573	-	105,573
Fire protection	332,957	20,727	353,684
Streets	746,895	-	746,895
Parks	538,497	1,567	540,064
Animal control	54,788	-	54,788
Economic development	-	62,979	62,979
Debt service:			
Principal retirement	143,677	-	143,677
Interest and fiscal charges	56,563	-	56,563
Total expenditures	<u>4,282,288</u>	<u>91,330</u>	<u>4,373,618</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(195,600)</u>	<u>20,461</u>	<u>(175,139)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	769,626	-	769,626
Total other financing sources and uses	<u>769,626</u>	<u>-</u>	<u>769,626</u>
Net change in fund balances	574,026	20,461	594,487
Fund balances - beginning	<u>1,679,970</u>	<u>267,757</u>	<u>1,947,727</u>
Fund balances - ending	<u>\$ 2,253,996</u>	<u>\$ 288,218</u>	<u>\$ 2,542,214</u>

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, 2012

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) \$ 594,487

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. 1,516,813

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. (536,232)

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	\$ (769,626)	
Notes payable principal retired	98,322	
Capital leases retired	45,355	(625,949)

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. 1,727

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. Change in amount deferred on Fund statements. (606)

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. (6,376)

Change in net assets of governmental activities (page 11) \$ 943,864

See accompanying notes to financial statements.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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, 2012

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.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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, 2012

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 \$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:

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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, including the Texas Public Funds Investment Act.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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, 2012. At year end, the bank balance of the City's deposits was \$1,751,733. Of the bank balance, \$485,882 was covered by federal depository insurance and the remaining balance, \$1,265,851 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 \$2,104,000.

At year end, the bank balance of the Corporation's deposits was \$1,158,809. Of the bank balance, \$516,630 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 \$1,664,000.

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
Corporation:			
TexSTAR	<u>\$ 3,505</u>	N/A	AAAm

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and investments (continued)

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.

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:

	General	Nonmajor Funds	Total
Receivables:			
Taxes	\$ 761,443	\$ 8,416	\$ 769,859
Other	14,756	-	14,756
Gross receivables	<u>776,199</u>	<u>8,416</u>	<u>784,615</u>
Less: allowance for uncollectibles	<u>(103)</u>	<u>-</u>	<u>(103)</u>
Net total receivables	<u>\$ 776,096</u>	<u>\$ 8,416</u>	<u>\$ 784,512</u>

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

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:

	<u>Unavailable</u>
Delinquent property taxes receivable (general fund)	<u>\$ 312</u>

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 \$593.

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 \$22,312.

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 \$19,078.

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 \$21,808.

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 \$15,000.

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.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 206,296	\$ 192,264	\$ -	\$ 398,560
Construction in progress	933,502	941,380	(1,292,942)	581,940
Total capital assets not being depreciated	<u>1,139,798</u>	<u>1,133,644</u>	<u>(1,292,942)</u>	<u>980,500</u>
Capital assets being depreciated:				
Buildings	1,582,125	1,321,688	-	2,903,813
Machinery and equipment	2,825,202	91,118	(31,650)	2,884,670
Infrastructure	3,039,909	263,305	-	3,303,214
Totals capital assets being depreciated	<u>7,447,236</u>	<u>1,676,111</u>	<u>(31,650)</u>	<u>9,091,697</u>
Less accumulated depreciation for:				
Buildings	(454,327)	(86,631)	-	(540,958)
Machinery and equipment	(1,553,791)	(151,511)	31,650	(1,673,652)
Infrastructure	(565,090)	(298,090)	-	(863,180)
Total accumulated depreciation	<u>(2,573,208)</u>	<u>(536,232)</u>	<u>31,650</u>	<u>(3,077,790)</u>
Total capital assets, being depreciated, net	<u>4,874,028</u>	<u>1,139,879</u>	<u>-</u>	<u>6,013,907</u>
Governmental activities capital assets, net	<u>\$ 6,013,826</u>	<u>\$ 2,273,523</u>	<u>\$ (1,292,942)</u>	<u>\$ 6,994,407</u>

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

Governmental activities:	
Administration	\$ 85,487
Municipal court	1,927
Police protection	72,968
Code enforcement	14,566
Fire protection	137,376
Streets	211,171
Parks	10,815
Economic development	1,922
Total depreciation expense - governmental activities	<u>\$ 536,232</u>

The construction in progress consists of park and street improvements.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

C. Capital assets (continued)

Construction Commitments —

The City has a construction project outstanding as of September 30, 2012. 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>
Park improvements	<u>\$ 476,265</u>	<u>\$ 63,869</u>

The park improvements project is a commitment of the City's general fund. This project is being funded by a grant.

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	\$ -	\$ (92,400)	\$ 389,641
Total capital assets not being depreciated	<u>482,041</u>	<u>-</u>	<u>(92,400)</u>	<u>389,641</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	(6,357)	(294)	-	(6,651)
Total accumulated depreciation	<u>(6,357)</u>	<u>(294)</u>	<u>-</u>	<u>(6,651)</u>
Total capital assets, being depreciated, net	<u>1,639</u>	<u>(294)</u>	<u>-</u>	<u>1,345</u>
Governmental activities capital assets, net	<u>\$ 483,680</u>	<u>\$ (294)</u>	<u>\$ (92,400)</u>	<u>\$ 390,986</u>

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

Governmental activities:	
Economic development	<u>\$ 294</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>\$ 754</u>

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

D. Interfund receivables, payables and transfers (continued)

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

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	(120,611)
Total	<u><u>\$ 232,398</u></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>
2013	\$ 47,703	\$ 13,699
2014	50,174	11,228
2015	52,772	8,631
2016	55,505	5,898
2017	58,378	3,023
	<u><u>\$ 264,532</u></u>	<u><u>\$ 42,479</u></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%	\$ 68,489	Equipment
1,400,000 ¹	5/10/2036	3.55%	1,340,929	Certificates of deposit
			<u><u>\$1,409,418</u></u>	

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

F. Long-term liabilities (continued)

¹ 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

Year Ending September 30	Governmental Activities	
	Notes Payable	
	Principal	Interest
2013	\$ 135,824	\$ 22,845
2014	69,758	17,156
2015	72,267	14,646
2016	74,867	12,046
2017	77,560	9,353
2018-2019	979,142	9,594
	<u>\$1,409,418</u>	<u>\$ 85,640</u>

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Primary Government					
Governmental activities:					
Notes payable	\$ 738,114	\$ 769,626	\$ (98,322)	\$ 1,409,418	\$ 135,824
Compensated absences	72,032	70,772	(72,499)	70,305	70,305
Capital lease	309,887	-	(45,355)	264,532	47,703
Governmental activity					
Long-term liabilities	<u>\$ 1,120,033</u>	<u>\$ 840,398</u>	<u>\$ (216,176)</u>	<u>\$ 1,744,255</u>	<u>\$ 253,832</u>

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

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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.

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.

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 2011</u>	<u>Plan Year 2012</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

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

B. Texas Municipal Retirement System (continued)

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 22.4 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.

The City contributes to the TMRS Plan at an actuarially determined rate, which for 2012 and 2011 was 4.21% and 5.34%, 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)	\$70,555
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	70,555
Contributions Made	(70,555)
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)
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%	-
2012	70,555	70,555	100%	-

The required contribution rates for the year ended September 30, 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

B. Texas Municipal Retirement System (continued)

Valuation Date	12/31/2009	12/31/2010	12/31/2011
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	23.9 years; closed period	22.4 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% 0.0%	3.0% 0.0%	3.0% 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
12/31/2006	\$ 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	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%

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.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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, 2012

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, 2012

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 ¹ (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 ²	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 ³	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

Notes:

- ¹ The actuarial accrued liability is based upon the entry age actuarial cost method.
- ² Changes in actuarial assumptions were reflected in this valuation.
- ³ 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
08/31/2006	\$ 2,753,035 ¹	\$ 2,753,035 ⁴	100%
08/31/2007	3,162,742 ²	3,162,742 ⁵	100%
08/31/2008	3,160,764 ²	11,239,339 ⁶	356%
08/31/2009	2,698,271 ³	2,698,271	100%
08/31/2010	2,875,103 ³	2,875,103	100%
08/31/2011	N/A	N/A	N/A

- ¹ Based on the revised August 31, 2004 actuarial valuation.
- ² Based on the August 31, 2006 actuarial valuation.
- ³ Based on the August 31, 2008 actuarial valuation.
- ⁴ Includes a state contribution of \$675,307.
- ⁵ Includes a state contribution of \$709,072.
- ⁶ Includes a state contribution of \$8,800,000.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

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
Actuarial Assumptions:		
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.

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, 2012

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
	2007	\$ 3,704	\$ 3,704	0.04%	0.04%
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%
2012	2,494	2,494	0.16%	0.16%	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, 2012, approximately 48% 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, 2012

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, 2012.

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, 2012 the Bank had 6,148 hours accumulated to be used in future periods.

On March 27, 2012, the City and Corporation entered into a performance agreement and chapter 380 agreement for affordable senior housing with a developer. The developer shall pay to the City \$63,500 as the developer's proportionate share of the costs to construct a roadway. The City, Corporation and developer each agreed to pay \$52,000 towards the construction of an additional roadway. As of September 30, 2012, the Corporation has fulfilled its commitment under the agreement, with the City still owing \$48,893.

CITY OF GUN BARREL CITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 4 – OTHER INFORMATION (continued)

G. Subsequent Events

Subsequent to year end, the City approved the sale of real property in the amount of \$300,000 to the Corporation.

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

- Contract with a developer to sell real property in the amount of \$115,000
- Performance agreement whereby the Corporation shall provide funds to a developer totaling \$325,000 for construction
- Line of credit agreement whereby the Corporation shall provide funds totaling \$150,000 to a local business. This line of credit will be repaid to the Corporation with an interest rate of 2% for a term of three years, with payments beginning one month after the first draw
- Loan agreement whereby the Corporation shall provide funds totaling \$30,000 to a local business. This loan will be repaid to the Corporation with an interest rate of 2% after a twelve month grace period
- Purchase of real property in the amount of \$330,000 for future development
- Expenditures totaling \$49,000 for park improvements.

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, 2012

	Original and Final Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Over (Under) Budget
REVENUES					
Taxes:					
Sales	\$ 2,640,379	\$ 2,713,170	\$ (14,537)	\$ 2,698,633	\$ 58,254
Franchise	346,107	378,321	23,395	401,716	55,609
Alcoholic beverage	25,216	20,057	622	20,679	(4,537)
Licenses and permits	148,666	125,726	-	125,726	(22,940)
Fines and forfeitures	257,511	171,118	1,599	172,717	(84,794)
Charges for current services	14,290	16,774	-	16,774	2,484
Revenues from use of money and property	4,807	5,533	2,105	7,638	2,831
Other	176,829	61,161	(157)	61,004	(115,825)
Intergovernmental	709,775	594,828	132,071	726,899	17,124
Total revenues	<u>4,323,580</u>	<u>4,086,688</u>	<u>145,098</u>	<u>4,231,786</u>	<u>(91,794)</u>
EXPENDITURES					
Current:					
Mayor and council	5,000	1,843	-	1,843	(3,157)
Administration	411,404	729,291	(358,990)	370,301	(41,103)
City secretary	80,580	79,735	-	79,735	(845)
Treasurer	73,446	72,597	2	72,599	(847)
Municipal court	135,518	126,337	699	127,036	(8,482)
Municipal buildings	86,945	89,196	2	89,198	2,253
Police protection	1,136,577	1,102,303	99,124	1,201,427	64,850
Code enforcement	103,609	102,036	296	102,332	(1,277)
Building inspections	106,979	105,573	(1)	105,572	(1,407)
Fire protection	360,889	332,957	(266)	332,691	(28,198)
Streets	967,790	746,895	(19)	746,876	(220,914)
Parks	570,822	538,497	(5,100)	533,397	(37,425)
Animal control	57,735	54,788	(40)	54,748	(2,987)
Debt service:					
Principal retirement	151,568	143,677	10,125	153,802	2,234
Interest and fiscal charges	74,718	56,563	55,060	111,623	36,905
Total expenditures	<u>4,323,580</u>	<u>4,282,288</u>	<u>(199,108)</u>	<u>4,083,180</u>	<u>(240,400)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(195,600)</u>	<u>344,206</u>	<u>148,606</u>	<u>148,606</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	769,626	(769,626)	-	-
Total other financing sources and uses	<u>-</u>	<u>769,626</u>	<u>(769,626)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 574,026</u>	<u>\$ (425,420)</u>	<u>\$ 148,606</u>	<u>\$ 148,606</u>

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, 2012

	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	\$ 22,979	\$ 3,414	\$ 3,349	\$ 79,837	\$ 9,078	\$ 18,540	\$ 18,498	\$ 1,817	\$ 121,536	\$ 279,048
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-	8,416	8,416
Due from other funds	-	-	-	259	149	346	-	-	-	754
Total assets	\$ 22,979	\$ 3,414	\$ 3,349	\$ 80,096	\$ 9,227	\$ 18,886	\$ 18,498	\$ 1,817	\$ 129,952	\$ 288,218
LIABILITIES AND FUND BALANCES										
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:										
40 Restricted for:										
Cultural and recreational	-	3,414	-	-	-	-	-	-	129,952	133,366
Public safety	22,979	-	3,349	80,096	9,227	18,886	18,498	1,817	-	154,852
Total fund balances	22,979	3,414	3,349	80,096	9,227	18,886	18,498	1,817	129,952	288,218
Total liabilities and fund balances	\$ 22,979	\$ 3,414	\$ 3,349	\$ 80,096	\$ 9,227	\$ 18,886	\$ 18,498	\$ 1,817	\$ 129,952	\$ 288,218

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, 2012

	Volunteer Fire Department	Parks Special	Police Special	Court Security	Court Time Payment Fees	Court Technology	Law Enforcement Education	Forfeited Contraband	Tourism	Totals
REVENUES										
Taxes:										
Hotel occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,388	\$ 45,388
Fines and forfeitures	-	-	-	2,325	1,109	3,100	-	4,075	-	10,609
Revenues from use of money	19	22	17	131	40	88	12	4	254	587
Other	14,155	362	-	-	-	-	-	-	28,474	42,991
Intergovernmental	9,000	-	-	-	-	-	-	-	-	9,000
Contributions and donations	2,966	-	250	-	-	-	-	-	-	3,216
Total revenues	26,140	384	267	2,456	1,149	3,188	12	4,079	74,116	111,791
EXPENDITURES										
41 Current:										
Municipal court	-	-	-	380	-	1,367	-	-	-	1,747
Police protection	-	-	-	-	-	-	-	4,310	-	4,310
Fire protection	20,727	-	-	-	-	-	-	-	-	20,727
Parks	-	1,567	-	-	-	-	-	-	-	1,567
Economic development	-	-	-	-	-	-	-	-	62,979	62,979
Total expenditures	20,727	1,567	-	380	-	1,367	-	4,310	62,979	91,330
Net change in fund balances	5,413	(1,183)	267	2,076	1,149	1,821	12	(231)	11,137	20,461
Fund balances - beginning	17,566	4,597	3,082	78,020	8,078	17,065	18,486	2,048	118,815	267,757
Fund balances - ending	\$ 22,979	\$ 3,414	\$ 3,349	\$ 80,096	\$ 9,227	\$ 18,886	\$ 18,498	\$ 1,817	\$ 129,952	\$ 288,218