

CITY OF TROUP, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITY OF TROUP, TEXAS
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Troup, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Troup, 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 the City of Troup, Texas' management. Our responsibility is to express an opinion 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 misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Troup, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 2 through 7 and 33 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.



ACKER & COMPANY
Certified Public Accountants
February 8, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Troup's financial performance provides an overview of the City's financial activities for the year ended September 30, 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 3. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps the reader of the financial statement determine if the city is better or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administrations, streets and parks. Property taxes, sales taxes, franchise fees and fines finance most of these activities.

Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

Additionally, the City has one component unit, the Troup Community Development Corporation, which is included in the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 5. The fund financial statements begin on page 11 and provide detailed information about the most significant funds not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS A WHOLE

For the year ended September 30, 2011, net assets changed as follows:

	Governmental Activities	Business- type Activities	Total
Beginning net assets	\$ 719,758	\$ 2,166,270	\$ 2,886,028
Increase/ (Decrease) in net assets	(119,087)	17,715	(101,372)
Ending net assets	\$ 600,671	\$ 2,183,985	\$ 2,784,656

This schedule reflects a decrease of 17.0 percent for governmental activities and an increase of 1.0 percent for business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE CITY AS A WHOLE (continued)

A comparison of assets, liabilities and changes in net assets is as follows:

	2011	2010	Change
Total Assets	\$ 4,550,609	\$ 4,539,195	\$ 11,414
Total Liabilities	1,765,955	1,653,167	112,788
Net Assets	<u>\$ 2,784,654</u>	<u>\$ 2,886,028</u>	<u>\$ (101,374)</u>

The increase in assets is due to water & sewer improvements. The increase in liabilities is due to increased accounts and notes payable.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

Miscellaneous:	Various permits, fees for services
Police:	Fines
Library:	Fines and Donations

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

A comparison of governmental activities revenues and expenses on the Statement of Activities is as follows:

	2011	2010	Change
Revenues	\$ 1,675,489	\$ 1,715,249	\$ (39,760)
Expenses and Transfers	1,794,576	1,860,281	(65,705)
Change in Net Assets	<u>\$ (119,087)</u>	<u>\$ (145,032)</u>	<u>\$ 25,945</u>

The decrease in revenue is due to a decrease in investment income and charges for services. Increased expenses are due to spending for streets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities (continued),

A comparison of the whole City revenues and expenses is as follows:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Total Revenues and Transfers	\$ 2,371,461	\$ 2,360,552	\$ 10,909
Total Expenses	<u>2,472,833</u>	<u>2,503,385</u>	\$ (30,552)
Change in Net Assets	<u>\$ (101,372)</u>	<u>\$ (142,833)</u>	\$ 41,461

Business-type Activities

The Business-type activities include the operations of the water and sewer fund. The water and sewer fund generated a loss of \$128,528 in 2011, compared to a loss of 139,762 in 2010. The water and sewer fund received operating transfers from the general fund in the amounts of \$216,029 in 2011 and \$207,916 in 2010. These transfers also included \$129,851 in property tax revenue for debt service. These operating transfers resulted in changes in fund balance of \$17,715 in 2011 and \$2,201 in 2010.

THE CITY'S FUNDS

The City's general fund decreased \$252,194, after a transfer to Library fund of \$18,297. Total revenues increased \$24,394 while expenses increased \$648.

General Fund Budgetary highlights

General fund revenues were over the budget by \$84,136 or 6.0%. Expenditures were over the budget by \$95,914 or 6%. The shortage was, due primarily to administrative and street expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2011, the City had \$3,686,625 invested in fixed assets (net of depreciation) including police and fire equipment, building, water lines, sewer lines and gas lines. The City has not recorded its investments in roads, bridges and parks for years prior to 2004 due to the difficulty in estimating the value of those items.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (continued)

	Governmental		Business-type	
	Value	Depreciation	Value	Depreciation
Land	\$ 8,212	\$ -	\$ -	\$ -
Library	324,381	278,996	-	-
Fire Department	23,921	20,931	-	-
Police Department	20,756	6,381	-	-
Streets Paving	1,238,417	1,184,846	-	-
Other	1,165,079	888,122	-	-
Water and Sewer	-	-	6,794,774	3,509,639
	<u>\$2,780,766</u>	<u>\$2,379,276</u>	<u>\$ 6,794,774</u>	<u>\$ 3,509,639</u>

Governmental fund assets increased \$183,906 and depreciation was \$86,122. Business fund assets increased \$595,079 and depreciation was \$237,369.

Debt

The Governmental Fund had no debt at the end of the year. During the year, net debt reduction was \$55,000 in the Business type activities.

Economic Factors

The principle business activities conducted within the City and the immediately surrounding areas continue to be retail, agriculture, light manufacturing and oil and gas exploration and production. The business climate during the fiscal year ending September 30, 2011 was generally positive and relatively stable in the City and surrounding area.

Property valuations within the City have continued to experience slight increases, even as a current declining national housing market made its way into East Texas. Several recent new housing starts have provided an indication that growth in the City may be taking root.. The budget process for the 2011-2012 fiscal year reflected a stable and gradually expanding property tax base.

Sales tax revenue increased 12.5% in calendar year 2011 compared to 2010. The increase reflects encouraging improvements from FYE 2010.

Oil and gas exploration and production has slowed in the area, but the related reduction in royalties has been successfully addressed in the City's budgeting process as efficiencies in operation and reduction of operating costs have more than compensated for the financial effect of that sector.

The City has had inquiries from several businesses that are considering locating in Troup. The presence of the railroad provides an opportunity for some of those business operations to ship and receive freight in a manner that is preferable to them over being limited to only trucking materials in and out of town. The City is working to expand business operation by attracting several smaller operations that will support an even more diversified employment and tax base.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Secretary's Office at (903) 842-3128.

Cheryl Jimerson
City Secretary

CITY OF TROUP, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

ASSETS	Governmental Activities	Business- type Activities	Total	Component Units
Current Assets:				
Cash, Including Time Deposits	\$ 31,566	\$ 486,813	\$ 518,379	\$ 268,750
Accounts Receivable	26,372	79,541	105,913	
Accounts Receivable - Taxes	49,193	-	49,193	
Total Current Assets	<u>107,131</u>	<u>566,354</u>	<u>673,485</u>	<u>268,750</u>
Noncurrent Assets:				
Restricted Cash	143,004	47,495	190,499	
Capital Assets, Net of Depreciation	401,490	3,285,135	3,686,625	6,954
Total Noncurrent Assets	<u>544,494</u>	<u>3,332,630</u>	<u>3,877,124</u>	<u>6,954</u>
Total Assets	<u>651,625</u>	<u>3,898,984</u>	<u>4,550,609</u>	<u>275,704</u>
LIABILITIES				
Current Liabilities:				
Bonds Payable - Current		57,000	57,000	
Notes Payable'- Current		26,400	26,400	
Accounts Payable	50,954	69,481	120,435	
Total Current Liabilities	<u>50,954</u>	<u>152,881</u>	<u>203,835</u>	<u>-</u>
Noncurrent Liabilities:				
Bonds Payable - Non-Current	-	1,456,410	1,456,410	
Notes Payable - Non-Current	-	105,710	105,710	
Total Noncurrent Liabilities	<u>-</u>	<u>1,562,120</u>	<u>1,562,120</u>	<u>-</u>
Total Liabilities	<u>50,954</u>	<u>1,715,001</u>	<u>1,765,955</u>	<u>-</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	401,490	1,639,615	2,041,105	6,954
Unrestricted	199,181	544,368	743,549	268,750
Total Net Assets	<u>\$ 600,671</u>	<u>\$ 2,183,983</u>	<u>\$ 2,784,654</u>	<u>\$ 275,704</u>

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	Component Units	Total
Governmental Activities								
Administration	\$ 395,519	\$ 67,037	\$ -	\$ (328,482)	\$ -	\$ (328,482)	\$ -	\$ (328,482)
Police	595,356	101,016	143,741	(350,599)	-	(350,599)	-	(350,599)
Ambulance	34,955	36,508	-	1,553	-	1,553	-	1,553
Cemetary	9,082	5,167	-	(3,915)	-	(3,915)	-	(3,915)
Garbage	177,595	228,345	-	50,750	-	50,750	-	50,750
Library	73,565	7,135	89,187	22,757	-	22,757	-	22,757
Parks	32,326	-	-	(32,326)	-	(32,326)	-	(32,326)
Streets	260,149	-	-	(260,149)	-	(260,149)	-	(260,149)
Total Governmental Activities	<u>1,578,547</u>	<u>445,208</u>	<u>232,928</u>	<u>(900,411)</u>	<u>-</u>	<u>(900,411)</u>	<u>-</u>	<u>(900,411)</u>
Business-type Activities								
Water & Sewer	894,286	693,354	-	-	(200,932)	(200,932)	-	(200,932)
Total Business-type Activities	<u>894,286</u>	<u>693,354</u>	<u>-</u>	<u>-</u>	<u>(200,932)</u>	<u>(200,932)</u>	<u>-</u>	<u>(200,932)</u>
Total Primary Government	<u>\$2,472,833</u>	<u>\$1,138,562</u>	<u>\$ 232,928</u>	<u>(900,411)</u>	<u>(200,932)</u>	<u>(1,101,343)</u>	<u>-</u>	<u>(1,101,343)</u>
Component Units								
Troup Community Development	\$ (2,859)	\$ -	\$ -	-	-	-	(2,859)	(2,859)
Total Component Units	<u>\$ (2,859)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,859)</u>	<u>(1,104,202)</u>

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	Component Units	Total
General Revenues								
Taxes:								
Property taxes				664,946		664,946	-	664,946
Franchise and Sales taxes				317,297		317,297	79,300	396,597
Investment income				15,110	2,618	17,728	1,322	19,050
Transfers-Internal Activity				(216,029)	216,029	-	-	
Total General Revenues and Transfers				<u>781,324</u>	<u>218,647</u>	<u>999,971</u>	<u>80,622</u>	<u>1,080,593</u>
Change in Net Assets				(119,087)	17,715	(101,372)	77,763	(23,609)
Net Assets - Beginning				<u>719,758</u>	<u>2,166,270</u>	<u>2,886,028</u>	<u>197,941</u>	<u>3,083,969</u>
Net Assets - Ending				<u>\$ 600,671</u>	<u>\$ 2,183,985</u>	<u>\$ 2,784,656</u>	<u>\$ 275,704</u>	<u>\$ 3,060,360</u>

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Library Fund	Total Governmental Funds
ASSETS			
Cash, Including Time Deposits	\$ 31,566	\$ 38,242	\$ 69,808
Cash Restricted for Specific Purposes	-	104,762	104,762
Accounts Receivable - Taxes	49,193		49,193
Accounts Receivable - Other	26,372		26,372
Total Assets	\$ 107,131	\$ 143,004	\$ 250,135
LIABILITIES			
Accounts Payable	\$ 50,955	\$ -	\$ 50,955
Total Liabilities	50,955	.	50,955
Fund Balances			
Committed for the Library	-	143,004	143,004
Unassigned	56,176	-	56,176
Total Fund Balances	56,176	143,004	199,180
Total Liabilities and Fund Balances	\$ 107,131	\$ 143,004	
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,379,276			401,491
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes Payable			
Bonds Payable			
Net Assets of Governmental Activities			\$ 600,671

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Fund	General	Library Fund	Total Governmental Funds
Revenues:				
Property Taxes	\$	664,946	\$ -	\$ 664,946
Franchise and Sales Taxes		317,297	-	317,297
Fines and Fees		81,434	7,135	88,569
Charges for Services		299,674	-	299,674
Other Miscellaneous Revenues		58,594	6,300	64,894
Royalties, Grant Revenues and Donations		156,781	68,328	225,109
Total Revenues		<u>1,578,726</u>	<u>81,763</u>	<u>1,660,489</u>
Expenditures:				
Administration		479,665		479,665
Police		619,992		619,992
Ambulance		34,996		34,996
Cemetery		9,082		9,082
Garbage		177,595		177,595
Library			64,738	64,738
Parks		30,879		30,879
Streets		244,385		244,385
Debt Service		-		
Total Expenditures		<u>1,596,594</u>	<u>64,738</u>	<u>1,661,332</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>(17,868)</u>	<u>17,025</u>	<u>(843)</u>
Other Financing Sources (Uses):				
Operating Transfers		<u>(234,326)</u>	<u>18,297</u>	<u>(216,029)</u>
Total Other Financing Sources (Uses)		<u>(234,326)</u>	<u>18,297</u>	<u>(216,029)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses		(252,194)	35,322	(216,872)
Fund Balance - Beginning		308,370	107,682	416,052
Fund Balance - Ending	\$	<u>56,176</u>	<u>\$ 143,004</u>	<u>\$ 199,180</u>

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$ (216,872)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital Asset Purchases Capitalized	183,907
Depreciation Expense	(86,122)
	97,785
Governmental funds report capital financing as revenues while governmental activities do not:	
Capital Financing	-
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Principal Payments	-
Change in Net Assets of Governmental Activities	\$ (119,087)

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash	\$ 486,813
Cash Restricted	47,495
Accounts Receivable	79,541
Total Current Assets	613,849
Noncurrent Assets:	
Restricted Assets	
Fixed Assets, Net of Depreciation of \$3,509,639	3,285,135
Total Noncurrent Assets	3,285,135
Total Assets	3,898,984
LIABILITIES	
Current Liabilities:	
Accounts Payable	10,060
Meter Deposits	59,421
1996 Bonds Payable - Current	15,000
2009 Bonds Payable - Current	42,000
Notes Payable - Current	26,400
Total Current Liabilities	152,881
Noncurrent Liabilities:	
1996 Bonds Payable - Noncurrent	178,982
2009 Bonds Payable - Noncurrent	1,277,428
Notes Payable - Noncurrent	105,710
Total. Noncurrent Liabilities	1,562,120
Total Liabilities	1,715,001
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,639,615
Unrestricted	544,368
Total Net Assets	\$ 2,183,983

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Water and Sewer Fund.
Operating Revenues:	
Water and Sewer Charges	\$ 629,244
Other Miscellaneous Revenues	64,110
Total Operating Revenues	693,354
Operating Expenses:	
Payroll Expenses	247,272
Repairs, Maintenance and Supplies	136,892
Utilities and Telephone	77,184
Insurance	27,829
Depreciation and Amortization	239,559
Lab Fees and Permits Legal and Professional	6,380 50,146
Miscellaneous Expenses	36,620
Total Operating Expenses	821,882
Operating Income/(Loss)	(128,528)
Non-Operating Revenues/(Expense):	
Interest Income	2,618
Interest Expense	(72,404)
Total Non-Operating Revenues/(Expense)	(69,786)
Net Income Before Operating Transfers	(198,314)
Operating Transfers In/(Out)	216,029
Net Income/(Loss)	17,715
Equity:	
Net Assets - Beginning of Year	2,166,268
Net Assets - End of Year	\$ 2,183,983

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
 COMBINED STATEMENT OF CASH FLOWS ALL
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Proprietary Fund Type Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 680,489
Cash Payments to Suppliers for Goods and Services	(330,934)
Cash Payments to and for Employees	(247,272)
Net Cash Provided by Operating Activities	102,283
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating Transfer (Out)/In	216,029
Net Cash Used for Non-Capital Financing Activities	216,029
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Issuance of Notes Payable	132,107
Purchase of Fixed Assets	(595,079)
Interest Paid on Bonds and Loans	(72,404)
Principal Payments on Bonds and Loans	(55,000)
Net Cash Used for Capital and Related Financing Activities	(590,376)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends on Investments	2,618
Net Cash Provided by Investing Activities	2,618
Net Increase/(Decrease) in Cash and Cash	(269,446)
Equivalents Cash and Cash Equivalents - Beginning of Year	803,754
Cash and Cash Equivalents - End of Year	\$ 534,308
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income/(Loss)	\$ (128,528)
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation and Amortization	239,559
Change in Assets and Liabilities:	
(Increase)/Decrease in Receivables	(12,866)
Increase/(Decrease) in Accounts Payable	4,118
Net Cash Provided by Operating Activities	\$ 102,283

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF NET ASSETS - COMPONENT UNIT
SEPTEMBER 30, 2011

ASSETS	Troup Community Development Corporation
Current Assets:	
Cash, Including Time Deposits	\$ 268,750
Total Current Assets	268,750
Property and Equipment:	
Furniture and Equipment (Net of \$5,013 Accumulated Depreciation)	6,954
Total Assets	275,704
LIABILITIES	
Current Liabilities:	
Notes Payable	
Total Current Liabilities	-
Noncurrent Liabilities:	
Notes Payable	-
Total Noncurrent Liabilities	-
Total Liabilities	-
NET ASSETS	
Invested in Capital Assets	6,954
Unrestricted	268,750
Total Net Assets	\$ 275,704

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
STATEMENT OF ACTIVITIES - COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Troup Community Development Corporation
Expenses:	
Interest and Fees	\$ 409
Economic Development	835
Other	1,615
Total Expenses	2,859
General Revenues:	
Sales Tax	79,300
Interest Earned	1,322
Total General Revenues	80,622
Change in Net Assets	77,763
Net Assets, Beginning	197,941
Net Assets, Ending	\$ 275,704

See accompanying notes to financial statements.

CITY OF TROUP, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Troup, Texas (City), operates, under a Mayor-Council form of government. The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

A. FINANCIAL REPORTING ENTITY

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
 - The City appoints a voting majority of the organization's board
 - The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
 - There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has one component unit, the Troup Community Development Corporation.

Troup Community Development Corporation

Troup Community Development Corporation was incorporated under the Development Corporation Act of 1979, as amended, Article 5190.6, Tex. Rev. Civ. Stat. Ann., as amended as a non-profit industrial development corporation. The purpose of the corporation is to promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City. The City appoints its five (5) member board of directors who serve at the will of the City. Troup Community Development Corporation may not issue debt without City approval. Its revenue is derived from a \$.005 City sales tax. Troup Community Development Corporation is reported as an Enterprise Fund. Financial information regarding Troup Community Development Corporation may be obtained from Note 12 below and from the corporation.

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. FUND ACCOUNTING

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Fund Types

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund: The General Fund is used to account for financial resources used for general operations. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund.

Proprietary Fund Types

Proprietary Fund: Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 20.11

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Enterprise Funds: Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary Funds: distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, if any which are accrued. Expenses are recognized at the time the liability is incurred.

The Governmental Fund Types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, (i.e., both measurable and available), and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Property and sales taxes are susceptible to accrual.

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant.

The proprietary fund type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet.

E. BUDGET

The official budget was prepared for adoption prior to October 1, 2010. The budget was formally adopted by the City Council at a duly advertised public meeting prior to the expenditure of funds. There were no amendments to the budget during the year.

F. ENCUMBRANCES

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The City had no outstanding encumbrances at year end.

G. CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, highly liquid investments with a maturity of three months or less and all certificates of deposit regardless of term are considered to be cash equivalents.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. RECENT ACCOUNTING PRONOUNCEMENT — GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 34 — "BASIC FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS — FOR STATE AND LOCAL GOVERNMENTS":

With the fiscal year ending September 30, 2004, the City implemented the provisions of Governmental Accounting Standards Board Statement 34, which has substantially changed its method of reporting. The adoption did not result in the restatement of fund balances.

NOTE 2 — PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien is attached to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due.

NOTE 3 — DEPOSITS AND INVESTMENTS

The City's funds are deposited and invested in a local bank. The bank deposits for safekeeping and trust approved pledged securities in an amount sufficient to protect City funds on a day — by — day basis. The pledge of approved securities is waved only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2011, the City's deposits totaled \$708,878. The bank balance for these deposits at September 30, 2011 totaled \$718,100.

The City's cash deposits at September 30, 2011, and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area as part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and the establishment of appropriate policies, the City adhered to requirements of the Act. The City invests only in certificates of deposit.

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 — DEPOSITS AND INVESTMENTS (continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1** - Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2** - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3** - Deposits which are not collateralized or insured.

Based on these three levels of risk, the City's investments at September 30, 2011 are classified as follows:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Deposits</u>
Cash Deposits	\$ -	\$ 718,100	\$ -	\$ 718,100

NOTE 4 — DELINQUENT TAXES RECEIVABLE

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE 5 — LEASE AND NOTE COMMITMENTS

As of September 30, 2011, the City has a lease secured by a copier, and a lease for public safety software. Future minimum payments due are:

2012	\$ 2,023
2013	\$ 2,023
2014	\$ 2,023

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 6 –CAPITAL ASSETS

Business-type Activities:

Fixed assets of the proprietary fund are recorded at cost and depreciated, using the straight line method:

Asset Category	Balance 9/30/10	Additions	Deletions	Balance 9/30/11
Land, Buildings, and Improvements	\$1,754,001	\$ 227,452	\$ -	\$1,981,453
Furniture, Vehicles, and Equipment	342,625	18,309	-	360,934
Fixed Asset Plant Investment	4,103,069	349,318	-	4,452,387
Total Property, Plant and Equipment	6,199,695	595,079	-	6,794,774
Less: Accumulated Depreciation	(3,272,270)	(237,369)	-	(3,509,639)
Net Property, Plant and Equipment	<u>\$2,927,425</u>	<u>\$ 357,710</u>	<u>\$ -</u>	<u>\$3,285,135</u>

Trucks and equipment are depreciated over five to ten years. Water and sewer systems are depreciated over thirty to fifty years. Land is not depreciated. Depreciation expense for 2011 was \$237,369.

CITY OF TROUP, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE 6 — CAPITAL ASSETS (continued)

Governmental Fund Assets

The City has historically not recorded general fixed assets on its financial statements. An inventory of assets as of September 30, 2003 was taken and recorded at historical cost (if available) or estimated fair value. The composition of fixed assets is as follows:

Asset Category	Balance 9/30/10	Additions	Deletions	Balance 9/30/11
Land	\$ 8,212	\$ -	\$ -	\$ 8,212
Post Office Building	159,550	-	-	159,550
Fire Station	23,921	-	-	23,921
Parks and Buildings	31,188	-	-	31,188
Storage Shed	1,874	-	-	1,874
Furniture and Equipment	375,022	125,726	-	500,748
Vehicles	437,539	58,180	(24,000)	471,719
Street Paving	1,238,417	-	-	1,238,417
Library Buildings	324,381	-	-	324,381
Police Building	20,756	-	-	20,756
Total Assets	<u>2,620,860</u>	<u>183,906</u>	<u>(24,000)</u>	<u>2,780,766</u>
Accumulated Depreciation	<u>(2,317,154)</u>	<u>(86,122)</u>	<u>24,000</u>	<u>(2,379,276)</u>
	<u>\$ 303,706</u>	<u>\$ 97,784</u>	<u>\$ -</u>	<u>\$ 401,490</u>

Depreciation was charged to governmental activities in the government-wide financial statements.

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 7 - CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended September 30, 2011 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 10/01/2010	Issued	Retired	Amounts Outstanding 09/30/2011
Tax, Water Works, and Sewer System Surplus						
Revenue Certificate of Obligation						
1996	5.20-6.125%	300,000	210,000	-	10,000	200,000
General Obligation Refunding Bonds						
2009	4.25%	1,464,000	1,394,000	-	45,000	1,349,000 "
Notes Payable						
Austin Bank	3.0%	132,110	-	132,110	-	132,110 ^A
			<u>\$1,604,000</u>	<u>\$ 132,110</u>	<u>\$ 55,000</u>	<u>\$1,681,110</u>

* Gross of unamortized cost of \$35,590.

^A In 2011 the City acquired a note from Austin Bank in the amount of \$132,110 to be paid back in four payments of \$26,400.00 plus interest and one final payment of \$27,316.35 plus interest. The interest rate on this note is 3.0%.

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 7 - CHANGES IN LONG-TERM DEBT (continued)

Future requirements for bonded indebtedness are as follows:

Year Ended September 30	1996 Issue		2009 Issue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	15,000	12,200	42,000	57,332	57,000	69,532
2013	15,000	11,301	45,000	55,547	60,000	66,848
2014	15,000	10,402	47,000	53,635	62,000	64,037
2015	15,000	9,496	50,000	51,638	65,000	61,134
2016	15,000	8,571	53,000	49,512	68,000	58,083
2017	20,000	7,656	52,000	47,260	72,000	54,916
2018	20,000	6,431	55,000	45,050	75,000	51,481
2019	20,000	5,207	59,000	42,712	79,000	47,919
2020	20,000	3,981	62,000	40,205	82,000	44,186
2021	20,000	2,756	66,000	37,570	86,000	40,326
2022	25,000	1,531	65,000	34,765	90,000	36,296
2023	-	-	95,000	32,002	95,000	32,002
2024	-	-	99,000	27,964	99,000	27,964
2025	-	-	103,000	23,758	103,000	23,758
2026	-	-	107,000	19,380	107,000	19,380
2027	-	-	112,000	14,832	112,000	14,832
2028	-	-	116,000	10,072	116,000	10,072
2029	-	-	121,000	5,142	121,000	5,142
	<u>\$200,000</u>	<u>\$ 79,532</u>	<u>\$1,349,000</u>	<u>\$648,376</u>	<u>\$1,549,000</u>	<u>\$727,908</u>

On October 15, 2008 the City issued a \$1,400,000 tax note for the construction of improvements to the City's water system, acquisition of vehicles and equipment and professional services. The note bore interest at 2.8% through August 1, 2009, and 6.0% thereafter. In July 2009 the City issued the general obligation Refunding Bond in the amount of \$1,464,000 to refund the remaining tax note balance and to fund the issuance of cost of \$32,857. The bond's interest is payable semiannually on February 1, and August 1 with principal payments due on August 1. The bond bears interest at 4.25%, which adjusts every 5 years beginning August 1, 2014, with a floor of 3.0% and a cap of 8.0%.

CITY OF TROUP, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE 7 - CHANGES IN LONG-TERM DEBT (continued)

After reviewing the bond covenants, City management believes the City is in compliance with the requirements stated in the bond ordinances. In accordance with the bond requirements, the following insurance policies were in force at September 30, 2011, relating to the water and sewer assets:

INSURER	PROPERTY COVERED	AMOUNT OF COVERAGE	EXPIRATION DATE
Texas Municipal League	Buildings and Contents	\$ 3,186,400	10/1/2011
Intergovernmental Risk Pool	General Liability	\$ 4,000,000	10/1/2011

NOTE 8 — ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At September 30, 2011, the City had no material liability for any accrued sick leave or vacation leave.

NOTE 9 — PENSION PLAN

The City provides pension benefits for all of its eligible employees through a non-traditional joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), and 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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on 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:

CITY OF TROUP, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE 9 — PENSION PLAN (continued)

	Plan Year 2011
Employee Deposit Rate	5.0%
Matching Ratio (city to employee)	1.5 to 1
Years Required for Vesting	5
Service Retirement Eligibility (expressed as age/years of experience)	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPT Repeating

Contributions:

Under the state law governing TMRS, the contribution rate of 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 amortized 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.

The City contributes to the TMRS Plan at an actuarially determined rate. 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 required contribution rates for fiscal year 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 TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

Actuarial Assumptions

	Prior to Restructuring	Restructured
Actuarial Valuation Date	12/31/2010	12/31/2010
Actuarial Cost Method -	Projected Unit Credit	Projected Unit Credit
Amortization Method -	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period -	28.5 Years -Closed Period	28.6 Years -Closed Period
Amortization Period for Gains/Losses -	30 Years	30 Years
Asset Valuation Method -	10-Year Smoothed Market	10-Year Smoothed Market
Investment Rate of Return -	7.5%	7.0%
Projected Salary Increases -	Varies by age and service	Varies by age and service
Includes Inflation At -	3.0%	3.0%
Cost-of-Living Adjustments -	2.1%	2.1%

Trend Information for the Retirement Plan for the Employees of the City of
Troup

Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
9/30/2006	12,891	100%	
9/30/2007	16,059	100%	
9/30/2008	12,544	100%	
9/30/2009	14,732	100%	
9/30/2010	29,592	100%	-

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)(2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)(5)
12/31/2007	489,697	521,911	93.80%	(32,214)	481,618	6.70%
12/31/2008	520,358	560,848	92.80%	(40,490)	628,647	6.40%
12/31/2009	462,365	533,350	86.70%	(70,985)	636,941	11.10%
12/31/2010 ¹	523,180	662,315	79.00%	(139,135)	666,768	20.90%
12/31/2010 ²	701,297	828,527	84.60%	(127,230)	666,768	19.10%

¹ Actuarial valuations performed under the original fund structure.

² Actuarial valuations performed under the new fund structure.

CITY OF TROUP, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 10 — HEALTH CARE COVERAGE

During the year, ended September 30, 2011, employees of the City were covered by a health insurance plan (Plan). The City contributes the employee's premiums. Employees, at their option, authorize payroll withholdings to pay contributions for dependents. All contributions were paid to a preferred provider organization: The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the Texas Municipal League PPO is renewable October 1, 2010, and terms of coverage and contribution costs are included in the contractual provisions.

NOTE 11— COMMITMENTS AND CONTINGENCIES

The City participates in Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 12— 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. During the year ended September 30, 2011 the City obtained general liability, property and casualty and worker's compensation insurance through the Texas Municipal • League Intergovernmental Risk Pool. Coverage's have not significantly decreased and settlements have not exceeded insurance during the past three years.

CITY OF TROUP, TEXAS
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property Taxes	\$ 638,411	\$ 638,411	\$ 664,946	\$ 26,535
Franchise and Sales Taxes	315,200	315,200	317,297	2,097
Fines and Fees	156,375	156,375	81,434	(74,941)
Charges for Services	307,253	307,253	299,674	(7,579)
Library Receipts	-	-	-	
Other Miscellaneous Revenue	58,851	58,851	58,594	(257)
Royalties, Grant Revenues and Donations	18,500	18,500	156,781	138,281
Total Revenues	<u>1,494,590</u>	<u>1,494,590</u>	<u>1,578,726</u>	<u>84,136</u>
Expenditures:				
Administration	330,225	330,225	479,665	(149,440)
Police	618,351	618,351	619,992	(1,641)
Parks	46,824	46,824	30,879	15,945
Fire and Ambulance	37,531	37,531	34,996	2,535
Cemetery	19,539	19,539	9,082	10,457
Streets and Animal Control	206,010	206,010	244,385	(38,375)
Library	-	-	-	
Debt Service	127,481	127,481	129,851	(2,370)
Garbage	244,570	244,570	177,595	66,975
Total Expenditures	<u>1,630,531</u>	<u>1,630,531</u>	<u>1,726,445</u>	<u>(95,914)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(135,941)</u>	<u>(135,941)</u>	<u>(147,719)</u>	<u>(11,778)</u>
Other Financing Sources (Uses):				
Operating Transfers			(234,326)	
Debt Service			129,851	
Total Other Financing Sources (Uses)			<u>(104,475)</u>	
Excess (Deficiency) of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses			<u>\$ (252,194)</u>	

See accompanying notes to financial statements.