

AUDITED FINANCIAL STATEMENT

OF

THE CITY OF TOM BEAN
TOM BEAN, TEXAS

AT

SEPTEMBER 30, 1993

GREGG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
100 BRITTON PLAZA
P.O. BOX 619
TOM BEAN, TEXAS 75489-0619

AUDITED FINANCIAL STATEMENTS

OF

CITY OF TOM BEAN
TOM BEAN, TEXAS

AT

SEPTEMBER 30, 1993

CITY OF TOM BEAN
Annual Financial Report
Fiscal Year Ended September 30, 1993

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FINANCIAL SECTION

Gregg & Company

Certified Public Accountants

Member of

American Institute of CPA's

Texas Society of CPA's

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Tom Bean, Texas

We have audited the accompanying general purpose financial statements of City of Tom Bean, Texas, as of September 30, 1993, and for the year then ended. These general purpose financial statements are the responsibility of City of Tom Bean, Texas, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of City of Tom Bean, Texas, as of September 30, 1993, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of City of Tom Bean, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Gregg & Company
Tom Bean, Texas
January 5, 1994

CITY OF TOM BEAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 1993

EXHIBIT A
PAGE 1 OF 2

ASSETS	Governmental fund type	Proprietary fund type	Account groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1993	1992
Cash in bank	\$26,304	\$31,523	--	--	\$57,827	\$60,765
Receivables (net of uncollectible accounts):						
Property taxes	1,896	--	--	--	1,896	2,206
Water/Sewer	--	18,095	--	--	18,095	15,089
Sanitation	--	2,275	--	--	2,275	2,305
Sewer grant	--	--	--	--	0	--
Sundry	2,180	--	--	--	2,180	--
Interest receivable	25	47	--	--	72	71
Due from other funds	6,868	--	--	--	6,868	33,899
 Total current assets:	 37,273	 51,940	 --	 --	 89,213	 114,335
 Restricted assets (Note C):						
Deposits held by other agencies		81,094	--	--	81,094	79,257
Other deposits held by agencies		--	--	--	--	--
 Total restricted assets	 --	 81,094	 --	 --	 81,094	 79,257
 Property, plant and equipment: (Note B)						
Land	--	2,500	\$10,000	--	12,500	12,500
City park	--	--	46,223	--	46,223	46,223
Buildings	--	--	20,000	--	20,000	20,000
Improv. other than bldgs.	--	--	70,000	--	70,000	70,000
Machinery and equipment	--	40,094	63,871	--	103,965	91,316
Furniture & fixtures	--	5,006	5,077	--	10,083	10,083
Sewer system	--	823,916	--	--	823,916	823,916
Water pump	--	7,935	--	--	7,935	7,935
Water system	--	555,479	--	--	555,479	555,479
Water distribution imprvmnts.	--	133,540	--	--	133,540	133,540
	--	1,568,470	215,171	--	1,783,641	1,770,992
 Accumulated depreciation	 --	 (301,666)	 (149,452)	 --	 (451,118)	 (386,078)
	--	1,266,804	65,719	--	1,332,523	1,384,914
 Amount to be provided	 --	 --	 --	 \$10,549	 10,549	 --
 Total assets	 \$37,273	 \$1,399,838	 \$65,719	 \$10,549	 \$1,513,379	 \$1,578,506
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 1993

EXHIBIT A
PAGE 2 OF 2

	Governmental fund type	Proprietary fund type	Account groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1993	1992
LIABILITIES						
Accrued liabilities	\$11,840	\$6,510	--	--	\$18,350	\$21,890
Payroll taxes payable	9	20	--	--	29	24
Sales tax payable	--	493	--	--	493	489
Other accounts payable	--	2,035	--	--	2,035	2,075
Customer water deposits	--	8,240	--	--	8,240	5,910
Notes Payable - First Nat'l Bank	--	--	--	\$10,549	10,549	0
Due to other funds	--	6,868	--	--	6,868	33,899
Water and sewer bonds (current)	--	24,000	--	--	24,000	24,000
Bond interest payable	--	10,490	--	--	10,490	10,883
Deferred revenues (Note H)	1,896	--	--	--	1,896	2,206
Total curr. liabilities	13,745	58,656	--	--	82,950	101,376
Long-term debt:						
Water and sewer bonds- L.T.	--	559,000	--	--	559,000	583,000
Total liabilities	13,745	617,656	--	10,549	641,950	684,376
FUND EQUITY						
Investment in general fixed assets	--	--	\$65,719	--	65,719	70,163
Fund balance: unreserved	23,528	782,182	--	--	805,710	823,967
Total fund equity	23,528	782,182	65,719	--	871,429	894,130
Total liabilities and fund equity	\$37,273	\$1,399,838	\$65,719	\$10,549	\$1,513,379	\$1,578,506
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year ended September 30, 1993

EXHIBIT B
PAGE 1 OF 2

	Governmental fund types	Totals (Memorandum only)	
	General	1993	1992
Revenues:			
Property tax revenue	\$52,994	\$52,994	\$52,171
Franchise permits	22,976	22,976	20,584
Sales tax revenue	14,300	14,300	13,672
Court fees income	7,925	7,925	6,237
Interest income	914	914	1,377
Property tax-penalty and interest	544	544	991
Miscellaneous income	551	551	400
Permit revenue	90	90	103
Donations	614	614	
Total revenues	100,908	100,908	95,535
Expenditures:			
General:			
Salaries	19,572	19,572	18,964
Utilities	8,075	8,075	8,166
Payroll taxes & fringe benefits	4,956	4,956	4,613
Workers comp. insurance	2,029	2,029	4,290
Insurance	1,612	1,612	4,019
Mayor expense	2,400	2,400	2,400
Office supplies and postage expense	1,108	1,108	2,361
Audit	1,008	1,008	917
Legal	752	752	1,206
Vehicle expense	748	748	831
Appraisal district fees expense	789	789	795
Dues, subscriptions, & tuition	952	952	761
Tax collection fee	554	554	553
Equipment purchases	117	117	525
Advertising/professional	372	372	481
Tools, equipment & uniforms	419	419	443
Miscellaneous expense	858	858	423
Repair and maintenance	864	864	338
Election expense	255	255	315
Contributions	300	300	300
Contract labor	600	600	242
Chemicals & lab fees	96	96	152
Total general expenditures	\$48,436	\$48,436	\$53,095

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 Year ended September 30, 1993

EXHIBIT B
 PAGE 2 OF 2

	Governmental fund types	Totals (Memorandum only)	
	General	1993	1992
Fire department:			
Miscellaneous expense	\$1,400	\$1,400	\$1,200
Utilities-fire dept	--	--	--
Total fire department expenditures	1,400	1,400	1,200
Police department:			
Salaries	31,144	31,144	21,784
Vehicle expense	5,922	5,922	4,177
Municipal court expense	4,394	4,394	3,658
Employee fringe benefits	2,866	2,866	3,205
Utilities	1,356	1,356	868
Miscellaneous expense	884	884	113
Office supplies expense	403	403	282
Repairs and maintenance	321	321	542
Education and tuition	269	269	572
Total police department expenditures	47,559	47,559	35,201
Street department:			
Street repairs	13,430	13,430	11,040
Miscellaneous expense	1,714	1,714	460
Total street department expenditures	15,144	15,144	11,500
Park department:			
Utilities	133	133	137
Repair and maintenance	--	--	128
Total park department expenditures	133	133	265
Total expenditures	112,672	112,672	101,261
Excess of revenues over (under) expenditures	(11,764)	(11,764)	(5,726)
Transfer out to water fund	(10,000)	(10,000)	--
Fund balances, beginning October 1	45,292	45,292	51,018
Fund balances, ending September 30	\$23,528	\$23,528	\$45,292
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS)
 AND ACTUAL - GENERAL FUND
 Year ended September 30, 1993

EXHIBIT C
 PAGE 1 OF 3

	General Fund		
	Budget	Actual	Variance- favorable (unfavorable)
Revenues:			
Property tax revenue - current	\$52,767	\$52,153	(\$614)
Franchise tax revenue	24,700	22,976	(1,724)
Sales tax revenue	16,400	14,300	(2,100)
Court fee revenue	10,254	7,925	(2,329)
Interest income	1,500	914	(586)
Property tax revenue - prior year	500	841	341
Donations - police dept	--	614	614
Miscellaneous revenue	500	551	51
Penalty & interest - property tax	1,283	544	(739)
Permit revenue	100	90	(10)
Total revenues	\$108,004	\$100,908	(\$7,096)

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS)
 AND ACTUAL - GENERAL FUND
 Year ended September 30, 1993

EXHIBIT C
 PAGE 2 OF 3

	General Fund		
	Budget	Actual	Variance- favorable (unfavorable)
Expenditures:			
General Expenses:			
Salaries - GF	\$20,454	\$19,572	\$882
Utilities	8,500	8,075	425
Payroll taxes	2,460	3,366	(906)
Mayor expense	2,400	2,400	--
Workers comp insurance	2,600	2,029	571
Property and liability insurance	3,000	1,612	1,388
Employee fringe benefits	2,000	1,590	410
Audit	900	1,008	(108)
Dues and subscriptions	650	907	(257)
Repair and maintenance	400	864	(464)
Miscellaneous expense	300	858	(558)
Appraisal district fees	877	789	88
Legal	1,000	752	248
Postage	600	689	(89)
Contract labor	200	600	(400)
Tax collection fees	200	554	(354)
Vehicle expense - fuel	300	410	(110)
Uniforms	300	374	(74)
Advertising	100	347	(247)
Vehicle expense - maintenance	200	338	(138)
Contributions	2,000	300	1,700
Election expense	400	255	145
Supplies	400	237	163
Office expense	950	182	768
Equipment purchases	180	117	63
Chemicals	150	96	54
Education and tuition	300	45	255
Tools and equipment	200	45	155
Professional fees other	50	25	25
Total general expenses	\$52,071	\$48,436	\$3,635

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS)
AND ACTUAL - GENERAL FUND

EXHIBIT C
Page 3 of 3

Year ended September 30, 1993

	General Fund		
	Budget	Actual	Variance- favorable (unfavorable)
Fire department			
Miscellaneous	--	\$1,400	(\$1,400)
Police department			
Salaries	\$31,200	31,144	56
Municipal court	3,300	4,394	(1,094)
Employee fringe benefits	2,900	2,866	34
Vehicle expense - fuel	3,000	2,741	259
Vehicle expense - purchase	--	2100	(2,100)
Utilities	950	1,356	(406)
Vehicle expense - maintenance	2,450	1,081	1,369
Miscellaneous expense	100	884	(784)
Office expense	300	403	(103)
Repair & maintenance	200	321	(121)
Education & tuition	600	269	331
	45,000	47,559	(2,559)
Street department			
Street repairs	10,000	13,430	(3,430)
Miscellaneous	500	1,714	(1,214)
	10,500	15,144	(4,644)
Parks department			
Repair & maintenance	283	--	283
Utilities	150	133	17
	433	133	300
Total expenditures	108,004	112,672	(4,668)
Excess of revenues over (under) expenditures	\$ --	(\$11,764)	(\$11,764)
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - PROPRIETARY FUND TYPE (WATER AND SEWER FUND)
Year ended September 30, 1993

EXHIBIT D

			Total systems (Note G)	
	Waterworks	Sewer system	1993	1992
Revenues:				
Water/meter and sewer revenue	\$150,026	\$37,363	\$187,389	\$168,786
Penalty and interest revenue	4,471	--	4,471	3,619
Sanitation	2,888	--	2,888	2,612
Interest income	2,784	--	2,784	6,709
Water and sewer tie-on revenue	900	600	1,500	650
Reconnect fee revenue	160	--	160	235
Miscellaneous water income	79	--	79	1,637
Meter transfer fee	70	--	70	53
Total revenues	161,378	37,963	199,341	184,301
Expenses:				
Interest expense	37,352	5,320	42,672	41,690
Depreciation expense (Note E)	24,407	23,540	47,947	29,457
Utilities	20,022	23,488	43,510	44,211
Salaries	19,572	19,572	39,144	37,928
Payroll taxes & fringe benefits	2,997	2,998	5,995	7,983
Repairs and maintenance	2,158	658	2,816	6,716
Workers comp. insurance	2,029	2,029	4,058	4,988
Insurance	1,612	1,612	3,224	4,388
Chemicals, enzymes, lab expense	1,604	3,122	4,726	4,916
Equip rental expense & lease expense	1,233	1,117	2,350	677
Audit	958	958	1,916	1,833
Bad debt expense	683	--	683	628
Office, postage & cleaning expense	655	670	1,325	1,660
Vehicle expense	539	539	1,078	1,903
Material and supplies	532	239	771	1,751
Miscellaneous expense	403	409	812	372
Uniforms & advertising expense	374	590	964	699
Legal, dues, subscriptions, education	283	614	897	824
Tools expense	149	80	229	170
Contract labor	28	--	28	3,333
Engineer expense	--	200	200	--
Inspection expense	--	490	490	690
Total expenses	117,590	88,245	205,835	196,817
Net income	43,788	(50,282)	(6,494)	(12,516)
Other income				
Sewer system construction (Note J)	--	--	--	210,497
Prior period adjustment (Note K)	--	--	--	29,297
Transfer in from general fund	10,000	--	10,000	--
Fund balances, beginning October 1	901,054	(122,378)	778,676	551,398
Fund balances, ending September 30	\$954,842	(\$172,660)	\$782,182	\$778,676
	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
PROPRIETARY FUND TYPE (WATER AND SEWER FUND)
Year ended September 30, 1993

EXHIBIT E

	Water Fund			Sewer Fund		
	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)
Revenue:						
Water/meter and sewer revenue	\$160,927	\$150,026	(\$10,901)	\$34,521	\$37,363	\$2,842
Penalty and interest revenue	3,750	4,471	721	--	--	--
Sanitation	2,700	2,888	188	--	--	--
Interest income	1,590	2,784	1,194	--	--	--
Water and sewer tie-on revenue	700	900	200	900	600	(300)
Reconnect fee revenue	150	160	10	--	--	--
Miscellaneous water income	150	79	(71)	--	--	--
Meter transfer fee	75	70	(5)	--	--	--
Other miscellaneous revenue	100	--	(100)	--	--	--
Total revenue	170,142	161,378	(8,764)	35,421	37,963	2,542
Expenses:						
Interest expense	48,796	37,352	11,444	15,320	5,320	10,000
Depreciation expense (Note A)	--	24,407	(24,407)	--	23,540	(23,540)
Utilities	22,300	20,022	2,278	22,300	23,488	(1,188)
Wages	20,454	19,572	882	20,454	19,572	882
Repairs and maintenance	3,600	2,158	1,442	2,000	658	1,342
Workers comp. insurance	2,600	2,029	571	3,000	2,029	971
Property and liability insurance	3,000	1,612	1,388	2,800	1,612	1,188
Employee fringe benefits	2,000	1,590	410	2,000	1,590	410
Chemicals and enzymes	1,900	1,458	442	2,600	2,171	429
Payroll taxes	1,900	1,407	493	1,900	1,408	492
Equipment purchase	600	1,028	(428)	600	912	(312)
Audit	900	958	(58)	900	958	(58)
Bad debt expense	--	683	(683)	--	--	--
Material and supplies	1,500	532	968	150	239	(89)
Postage expense	600	429	171	500	429	71
Vehicle expense - fuel	600	407	193	600	407	193
Miscellaneous expense	100	403	(303)	400	409	(9)
Uniforms and advertising expense	350	374	(24)	300	590	(290)
Office expense	575	226	349	200	241	(41)
Equipment rental and lease expense	375	205	170	250	205	45
Dues, subscriptions, and tuition	400	166	234	100	497	(397)
Tools and equipment expense	600	149	451	600	80	520
Lab fees	150	146	4	900	951	(51)
Vehicle expense - maintenance	600	132	468	600	132	468
Legal	500	117	383	500	117	383
Contract labor	--	28	(28)	--	--	--
Inspection expense	1,000	--	1,000	--	490	(490)
Engineer expense	--	--	--	--	200	(200)
Total expense	115,400	117,590	(2,190)	78,974	88,245	(9,271)
Net income	\$54,742	\$43,788	(\$10,954)	(\$43,553)	(\$50,282)	(\$6,729)
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
STATEMENT OF CASH FLOWS-WATER AND SEWER
Year ended September 30, 1993

EXHIBIT F

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$196,557
Interest received	2,784
Cash paid to suppliers and employees	(147,227)
Interest paid	(42,672)
Net Cash Provided (Used) by Operating Activities	<u>9,442</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:	
Transfer in from General Fund	10,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,000</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	(24,000)
Net Cash Provided (Used) by Financing Activities	<u>(24,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,558)
CASH AND CASH EQUIVALENTS, OCTOBER 1	36,081
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>31,523</u> =====
Reconciliation of net income to net cash provided by operating activities:	
Net income	(6,494)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	47,947
(Increase) decrease in accounts receivable	(2,976)
(Increase) decrease in interest receivable	3
(Increase) decrease in restricted - other deposits	(1,837)
Increase (decrease) in accrued liabilities	(2,075)
Increase (decrease) in other accounts payable	(40)
Increase (decrease) in water meter deposits	2,330
Increase (decrease) in interest payable	(393)
Increase (decrease) in due to other funds	(27,031)
Increase (decrease) in payroll taxes payable	4
Increase (decrease) in sales tax payable	4
Total adjustments	<u>15,936</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$9,442</u> =====

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 1993

A. SUMMARY OF ACCOUNTING POLICIES

The City of Tom Bean, Texas (the "City") operates under a council-mayor form of government and provides the following services: public safety (police), streets, sanitation, planning and zoning, and general administrative services. Other services include water and sewer operations. Fire protection is provided by the Tom Bean Volunteer Fire Department.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

1. Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Tom Bean.

The financial statements of the City include those of separately administered organizations that are controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the Tom Bean Waterworks and Sewer system are included in the accompanying financial statements; the Tom Bean Volunteer Fire Department is excluded from the accompanying financial statements.

2. Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and groups of accounts are used by the City:

Notes to the Financial Statements (Continued)

Governmental Fund Types:

General Fund

The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Proprietary Fund Types:

Enterprise Funds

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis is financed through user charges.

General Fixed Assets Account Group:

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds 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 financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings

Notes to the Financial Statements (Continued)

components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

4. Budget and Budgetary Accounting

The City Council adopts an annual budget for the General Fund and Enterprise Fund. The annual budget for the

Notes to the Financial Statements (Continued)

General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and expense items are not considered.

5. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. City property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. An allowance is established for delinquent taxes to the extent that their collectibility is improbable.

6. Property, Plant and Equipment

General Fixed Assets Account Group -

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Group of accounts, rather than in governmental funds.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Water and Sewer System -

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewal and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Notes to the Financial Statements (Continued)

Sewer system	35 years
Water works system	35 years
Buildings	20 years
Improvement to building	10 years
Furniture & fixtures	5 - 10 years
Machinery & equipment	5 - 10 years

7. Total Columns on Combined Statements - Overview

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles.

B. CHANGES IN FIXED ASSETS:

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the fiscal year:

	Oct. 1, 1992	Additions	Deductions	Sept. 30, 1993
Land	\$ 10,000	--	--	\$ 10,000
City park	46,223	--	--	46,223
Buildings	20,000	--	--	20,000
Improv. other than bldgs	70,000	--	--	70,000
Furniture & fixtures	5,078	--	--	5,077
Machinery & equipment	51,221	12,649	--	63,871
	202,522	12,649	--	215,171
Accumulated deprec.	(132,359)	(17,093)	--	(149,452)
	<u>\$ 70,163</u>	<u>(\$ 4,444)</u>	<u>\$ --</u>	<u>\$ 65,719</u>

Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at September 30, 1993:

Notes to the Financial Statements (Continued)

	Oct. 1, 1992	Additions	Deductions	Sept. 30, 1993
Land	\$ 2,500	--	--	\$ 2,500
Water works system	555,479	--	--	555,479
Water distrib improv	133,540	--	--	133,540
Water pump	7,935	--	--	7,935
Furniture & fixtures	5,006	--	--	5,006
Machinery & equipment	40,094	--	--	40,094
Sewer sys	<u>823,916</u>	<u>--</u>	<u>--</u>	<u>823,916</u>
	1,568,470	--	--	1,568,470
Accumulated deprec.	<u>(253,719)</u>	<u>--</u>	<u>--</u>	<u>(301,666)</u>
	<u>\$1,314,751</u>	<u>--</u>	<u>\$ --</u>	<u>\$1,266,804</u>

C. PROPRIETARY FUND CHANGES IN LONG-TERM DEBT

On June 9, 1980, the City of Tom Bean passed an ordinance to sell the previously authorized "Town of Tom Bean, Texas, Combination Tax and Waterworks and Sewer System Junior Lien Certificates of Obligation, Series 1980" in the principal sum of \$155,000.00. These Certificates of Obligation are subordinate to the "Town of Tom Bean Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1968". The net revenues of the system after all obligations of the prior bond issues, are pledged to the payment of these certificates with an additional provision for payment from a levy of ad valorem taxes if necessary. The ordinance also requires that a separate interest and sinking account be established at 1st City Bank of Austin and that payments be made to this account. The separate account at the bank has not been established. The 1968 issue requires several sinking fund reserves to be funded. To maximize interest income, the City has combined the 1968 and 1980 series sinking funds in a single bond maintenance and sinking fund at the 1st National Bank of Tom Bean. The aggregate funding requirements for all bond issues has been met at September 30, 1993.

The 1968 and 1980 bond funding requirements at September 30, 1993 are \$19,444. The 1988 bond funding requirement is \$49,420. The amounts funded are \$105,968, therefore, there is a surplus funding of \$37,104.

Notes to the Financial Statements (Continued)

		<u>Requirement</u>	<u>Funded</u>	<u>Surplus</u>
Junior Lien Sinking-P&I	'68 Series	\$1,420	\$ 1,816	\$ 396
Junior Lien Reserve	'68 Series	4,754	6,082	1,328
Revenue Bond Reserve	'80 Series	5,250	6,716	1,466
Replacement & Repair Reserve	'80 Series	3,100	3,966	866
Certificate Fund-P&I	'80 Series	4,920	6,294	1,374
Revenue Bond-P&I	'88 Series	5,328	14,262	8,934
Revenue Bond Reserve	'88 Series	<u>44,092</u>	<u>66,832</u>	<u>22,740</u>
		<u>\$68,864</u>	<u>\$105,968</u>	<u>\$37,104</u>

D. BONDS

The City of Tom Bean passed an ordinance to finance two wells by issuing 1988 series water/sewer revenue bonds of \$480,000. On or about October 1, 1988, the proceeds of the sale was received by the Greater Texoma Utility Authority (GTUA). The bond proceeds of \$480,000 are held by GTUA and are shown as a restricted asset reported as "deposits held by other agencies". The city made monthly payments to GTUA for the purpose of funding a reserve fund and an interest and principal sinking fund. At September 30, 1993 the reserve funding requirements of \$44,092 were met, and the interest and principle sinking fund requirements of \$5,328 were met. See EXHIBIT G for a schedule of debt retirement.

E. WATER LOSS RATE

The unaccounted water loss is 9,345,730 gallons or 19.23% for the year ending September 30, 1993.

F. TAX ROLLS

The general tax rolls for the City of Tom Bean, Texas are as follow:

<u>Tax Year</u>	<u>1992</u>	<u>1991</u>
Gross market value	\$ 14,853,312	\$ 15,260,072
Exemptions	<u>(523,908)</u>	<u>(537,016)</u>
Net taxable value	14,329,404	14,723,056
Tax rate per \$100	<u>.0038474</u>	<u>.0034753</u>
Tax levy	<u>\$ 55,136</u>	<u>\$ 51,167</u>

Notes to the Financial Statements (Continued)

G. WATER AND SEWER FUND

The combined water and sewer fund has been audited. Separation of sewer and water is shown for internal purposes only.

H. DEFERRED REVENUES

	<u>Amount</u>
General Fund	
Property taxes - current year	\$ 564
Property taxes - prior years	<u>1,332</u>
	<u>\$1,896</u>

I. INTERFUND TRANSFERS

On March 1, 1993, during Regular Session, the City Council accepted and approved a motion allowing the City Secretary to transfer \$10,000.00 from the General Fund to the Water Fund, cancelling part of the amount owed by the General Fund by the Water Fund.

CITY OF TOM BEAN, TEXAS
WATERWORKS AND SEWER SYSTEM
SCHEDULE OF BOND REQUIREMENTS
YEAR ENDED SEPTEMBER 30, 1993

EXHIBIT G

YEAR ENDED SEPTEMBER 30	WATERWORKS & SEWER SYSTEM JUNIOR LIEN REVENUE BONDS SERIES 1968			COMBINATION TAX & WATERWORKS & SEWER SYSTEM JUNIOR LIEN CERTIF- ICATES OF OBLIGATION, SERIES 1980			CONTRACT REVENUE BONDS SERIES 1988			TOTAL REQUIREMENTS
	INTEREST DUE 12/1	INTEREST DUE 6/1	PRINCIPAL DUE 6/1	INTEREST DUE 12/1	INTEREST DUE 6/1	PRINCIPAL DUE 6/1	INTEREST DUE 1/1	INTEREST DUE 7/1	PRINCIPAL DUE 7/1	
1994	\$630	\$630	\$4,000	\$2,380	\$2,380	\$10,000	\$16,967	\$16,967	\$15,000	\$68,954
1995	540	540	4,000	2,100	2,100	10,000	16,514	16,514	15,000	67,308
1996	450	450	5,000	1,820	1,820	10,000	16,045	16,045	15,000	66,630
1997	337	338	5,000	1,540	1,540	10,000	15,561	15,561	15,000	64,877
1998	225	225	5,000	1,260	1,260	10,000	15,066	15,066	15,000	63,102
1999	113	112	5,000	980	980	10,000	14,560	14,560	15,000	61,305
2000				700	700	10,000	14,042	14,042	20,000	59,484
2001				420	420	15,000	13,342	13,342	20,000	62,524
2002							12,633	12,633	20,000	45,266
2003							11,913	11,913	25,000	48,826
2004							11,000	11,000	25,000	47,000
2005							10,081	10,081	25,000	45,162
2006							9,156	9,156	30,000	48,312
2007							8,039	8,039	30,000	46,078
2008							6,921	6,921	30,000	43,842
2009							5,804	5,804	35,000	46,608
2010							4,500	4,500	35,000	44,000
2011							3,188	3,188	40,000	46,376
2012							1,688	1,688	45,000	48,376
	<u>\$2,295</u>	<u>\$2,295</u>	<u>\$28,000</u>	<u>\$11,200</u>	<u>\$11,200</u>	<u>\$85,000</u>	<u>\$207,020</u>	<u>\$207,020</u>	<u>\$470,000</u>	<u>\$1,024,030</u>

NOTE: INTEREST RATE ON SERIES 1968 4.5%
INTEREST RATE ON SERIES 1980 5.6%
INTEREST RATE ON SERIES 1988 7.32%

77.02
827 63694

630
630
4000
5260

2380
2380
10000
14760

16967
16967
15000
48934
14760
63694
5260
726068954
4000
5260

The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
SCHEDULE OF CITY OFFICIALS
SEPTEMBER 30, 1993

Name	Position
Ralph Hall	Mayor
Jerry Harris	Mayor Pro Tempore
Bill Garner	Council Member
Warren Craig	Council Member
Don Neal	Council Member
Bobbie Moran	Council Member
Janet Dickey	Secretary

SCHEDULE OF WATER AND SEWER RATES
September 30, 1993

Connections	Water Rate	Sewer Rate
Within city limits:		
Water - 392	\$20.00 for 1st 2,000 gallons \$2.17 for each additional 1,000 gallons between 2,000 and 15,000 gallons.	\$4.32 for 1st 1,000 gallons. \$1.29 for each additional 1,000 gallons.
Sewer - 315	\$3.00 for each additional 1,000 gallons over 15,000 gallons.	
Outside city limits:		
Water - 17	\$25.00 for 1st 2,000 gallons \$3.23 for each additional 1,000 gallons between 2,000 and 15,000 gallons. \$4.40 for each additional 1,000 gallons over 15,000 gallons	
Sewer - 0		
New connections:	\$300 per connection	\$300 per connection
Deposit (refundable)	\$100	Not applicable

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
TOM BEAN, TEXAS 75489-0619

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Tom Bean, Texas

We have audited the general purpose financial statements of City of Tom Bean, Texas, for the year ended September 30, 1993, and have issued our report thereon dated January 5, 1994.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of City of Tom Bean, Texas, for the year ended September 30, 1993, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of City of Tom Bean, Texas, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

Cash and cash equivalents
Receivables
Property and equipment
Payables and accrued liabilities

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of City of Tom Bean, Texas, in a separate letter dated January 5, 1994.

This report is intended for the information of the audit committee, management, and appropriate federal agencies. However, this report is a matter of public record and its distribution is not limited.

Gugg & Company

Tom Bean, Texas
January 5, 1994

GREGG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
TOM BEAN, TEXAS 75489-0619

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Tom Bean, Texas

We have audited the general purpose financial statements of City of Tom Bean, Texas, as of and for the year ended September 30, 1993, and have issued our report thereon dated January 5, 1994.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to City of Tom Bean, Texas, is the responsibility of City of Tom Bean, Texas, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, City of Tom Bean, Texas, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management, and appropriate federal agencies. However, this report is a matter of public record and its distribution is not limited.

Gregg & Company

Tom Bean, Texas
January 5, 1994