

AUDITED FINANCIAL STATEMENTS

OF

CITY OF TOM BEAN
TOM BEAN, TEXAS

AT

SEPTEMBER 30, 1994

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, 1994

CITY OF TOM BEAN
Annual Financial Report
Fiscal Year Ended September 30, 1994

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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, 1994, 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, 1994, 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
December 23, 1994

CITY OF TOM BEAN, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 1994

ASSETS	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1994	1993
Cash in bank	\$22,311	\$44,085	--	--	\$66,396	\$57,827
Receivables (net of uncollectible accounts):						
Property taxes	2,587	--	--	--	2,587	1,896
Water/Sewer	--	16,363	--	--	16,363	18,095
Sanitation	--	2,345	--	--	2,345	2,275
Sundry	--	--	--	--	--	2,180
Interest receivable	42	69	--	--	111	72
Due from other funds	8,511	--	--	--	8,511	6,868
Total current assets:	33,451	62,862	--	--	96,313	89,213
Restricted assets (Note C):						
Deposits held by other agencies	--	88,486	--	--	88,486	81,094
Total restricted assets	--	88,486	--	--	88,486	81,094
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	103,965
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 improvements.	--	133,540	--	--	133,540	133,540
	--	1,568,470	215,171	--	1,783,641	1,783,641
Accumulated depreciation	--	(346,205)	(166,298)	--	(512,503)	(451,118)
	--	1,222,265	48,873	--	1,271,138	1,332,523
Amount to be provided	--	--	--	\$6,349	6,349	10,549
Total assets	\$33,451	\$1,373,613	\$48,873	\$6,349	\$1,462,286	\$1,513,379

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, 1994

	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1994	1993
LIABILITIES						
Accrued liabilities	\$7,617	\$7,462	--	--	\$15,079	\$18,350
Payroll taxes payable	--	--	--	--	--	29
Sales tax payable	--	506	--	--	506	493
Other accounts payable	--	2,110	--	--	2,110	2,035
Customer water deposits	--	10,389	--	--	10,389	8,240
Notes Payable - First Nat'l Bank	--	--	--	\$6,349	6,349	10,549
Due to other funds	--	8,511	--	--	8,511	6,868
Water and sewer bonds (current)	--	29,000	--	--	29,000	24,000
Bond interest payable	--	10,017	--	--	10,017	10,490
Deferred revenues (Note H)	2,587	--	--	--	2,587	1,896
Total curr. liabilities	10,204	67,995	--	6,349	84,548	82,950
Long-term debt:						
Water and sewer bonds- L.T.	--	525,000	--	--	525,000	559,000
Total liabilities	10,204	592,995	--	6,349	609,548	641,950
FUND EQUITY						
Investment in general fixed assets	--	--	\$48,873	--	48,873	65,719
Fund balance: unreserved	23,247	780,618	--	--	803,865	805,710
Total fund equity	23,247	780,618	48,873	--	852,738	871,429
Total liabilities and fund equity	\$33,451	\$1,373,613	\$48,873	\$6,349	\$1,462,286	\$1,513,379

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, 1994

	Governmental fund types	Totals (Memorandum only)	
	General	1994	1993
Revenues:			
Property tax revenue	\$54,866	\$54,866	\$52,994
Franchise permits	21,951	21,951	22,976
Sales tax revenue	12,910	12,910	14,300
Court fees income	16,966	16,966	7,925
Interest income	889	889	914
Property tax-penalty and interest	689	689	544
Miscellaneous income	402	402	551
Permit revenue	41	41	90
Donations	—	—	614
Total revenues	108,714	108,714	100,908
Expenditures:			
General:			
Salaries	20,555	20,555	19,572
Utilities	8,349	8,349	8,075
Payroll taxes & fringe benefits	4,973	4,973	4,956
Grant expense	4,500	4,500	—
Workers comp. insurance	2,841	2,841	2,029
Mayor expense	2,400	2,400	2,400
Insurance	2,050	2,050	1,612
Tools, equipment & uniforms	1,882	1,882	419
Office supplies and postage expense	1,211	1,211	1,108
Audit	950	950	1,008
Dues, subscriptions, & tuition	946	946	952
Legal	866	866	752
Appraisal district fees expense	854	854	789
Vehicle expense	817	817	748
Contributions	800	800	300
Miscellaneous expense	677	677	858
Tax collection fee	569	569	554
Advertising/professional	431	431	372
Election expense	336	336	255
Chemicals & lab fees	235	235	96
Repair and maintenance	226	226	864
Contract labor	87	87	600
Equipment purchases	25	25	117
Total general expenditures	\$56,580	\$56,580	\$48,436

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, 1994

	Governmental fund types	Totals (Memorandum only)	
	General	1994	1993
Fire department:			
Miscellaneous expense	\$1,300	\$1,300	\$1,400
Total fire department expenditures	1,300	1,300	1,400
Police department:			
Salaries	21,123	21,123	31,144
Vehicle expense	8,312	8,312	5,922
Municipal court expense	6,622	6,622	4,394
Employee fringe benefits	2,542	2,542	2,866
Utilities	1,356	1,356	1,356
Education and tuition	649	649	269
Miscellaneous expense	569	569	884
Office supplies expense	330	330	403
Repairs and maintenance	311	311	321
Total police department expenditures	41,814	41,814	47,559
Street department:			
Street repairs	9,031	9,031	13,430
Miscellaneous expense	140	140	1,714
Total street department expenditures	9,171	9,171	15,144
Park department:			
Utilities	130	130	133
Total park department expenditures	130	130	133
Total expenditures	108,995	108,995	112,672
Excess of revenues over (under) expenditures	(281)	(281)	(11,764)
Transfer out to water fund	-	-	(10,000)
Fund balances, beginning October 1	23,528	23,528	45,292
Fund balances, ending September 30	\$23,247	\$23,247	\$23,528

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, 1994

General Fund

	Budget	Actual	Variance- favorable (unfavorable)
Revenues:			
Property tax revenue - current	\$54,457	\$53,920	(\$537)
Franchise tax revenue	27,683	21,951	(5,732)
Sales tax revenue	14,027	12,910	(1,117)
Court fee revenue	8,732	16,966	8,234
Interest income	937	889	(48)
Property tax revenue - prior year	1,245	947	(298)
Miscellaneous revenue	572	401	(171)
Penalty & interest - property tax	500	689	189
Permit revenue	100	41	(59)
Total revenues	\$108,253	\$108,714	\$461

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, 1994

General Fund

	Budget	Actual	Variance- favorable (unfavorable)
Expenditures:			
General Expenses:			
Salaries - GF	\$20,580	\$20,555	\$25
Utilities	9,600	8,349	1,251
Grant expense	780	4,500	(3,720)
Payroll taxes	3,113	3,238	(125)
Workers comp insurance	2,705	2,841	(136)
Mayor expense	2,400	2,400	—
Property and liability insurance	2,150	2,050	100
Uniforms	1,380	1,818	(438)
Employee fringe benefits	1,568	1,735	(167)
Audit	900	950	(50)
Legal	1,000	866	134
Appraisal district fees	800	854	(54)
Contributions	2,000	800	1,200
Dues and subscriptions	900	763	137
Postage	600	692	(92)
Miscellaneous expense	700	677	23
Tax collection fees	600	569	31
Vehicle expense - fuel	426	481	(55)
Advertising	100	431	(331)
Supplies	300	347	(47)
Election expense	300	336	(36)
Vehicle expense - maintenance	300	336	(36)
Chemicals	150	235	(85)
Repair and maintenance	800	226	574
Education and tuition	100	183	(83)
Office expense	600	172	428
Contract labor	200	87	113
Tools and equipment	100	64	36
Equipment purchases	100	25	75
Professional fees other	50	—	50
Total general expenses	\$55,302	\$56,580	(\$1,278)

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, 1994

General Fund			
	Budget	Actual	Variance- favorable (unfavorable)
Fire department			
Miscellaneous	—	\$1,300	(\$1,300)
Police department			
Salaries	\$25,120	21,123	3,997
Municipal court	3,300	6,622	(3,322)
Vehicle expense - purchase	4,200	4,200	—
Vehicle expense - fuel	2,750	2,761	(11)
Employee fringe benefits	3,300	2,542	758
Utilities	1,426	1,356	70
Vehicle expense - maintenance	880	1,351	(471)
Education & tuition	325	649	(324)
Miscellaneous expense	500	569	(69)
Office expense	300	330	(30)
Repair & maintenance	200	311	(111)
	42,301	41,814	487
Street department			
Street repairs	10,000	9,031	969
Miscellaneous	500	140	360
	10,500	9,171	1,329
Parks department			
Utilities	150	130	20
	150	130	20
Total expenditures	108,253	108,995	(742)
Excess of revenues over (under) expenditures	\$0	(\$281)	(\$281)

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - PROPRIETARY FUND TYPE (WATER AND SEWER FUND)
Year ended September 30, 1994

	Waterworks	Sewer system	Total systems (NOTE G) 1994	1993
Revenues:				
Water/meter and sewer revenue	\$153,891	\$37,700	\$191,591	\$187,389
Interest income	8,604	—	8,604	2,784
Penalty and interest revenue	5,312	—	5,312	4,471
Sanitation	2,706	—	2,706	2,888
Water and sewer tie-on revenue	300	—	300	1,500
Reconnect fee revenue	149	—	149	160
Meter transfer fee	70	—	70	70
Returned check revenue	50	—	50	—
Miscellaneous water income	12	—	12	79
Total revenues	171,094	37,700	208,794	199,341
Expenses:				
Interest expense	34,495	4,760	39,255	42,672
Utilities	21,724	26,054	47,778	43,510
Depreciation expense (Note A)	20,999	23,540	44,539	47,947
Salaries	20,555	20,555	41,110	39,144
Payroll taxes & fringe benefits	3,283	3,283	6,566	5,995
Workers comp. insurance	2,841	2,841	5,682	4,058
Insurance	2,050	2,050	4,100	3,224
Repairs and maintenance	1,936	4,380	6,316	2,816
Chemicals, enzymes, lab expense	1,722	3,034	4,756	4,726
Inspection expense	1,716	—	1,716	490
Office, postage & cleaning expense	1,144	906	2,050	1,325
Audit	950	950	1,900	1,916
Vehicle expense	657	654	1,311	1,078
Uniforms & advertising expense	357	544	901	964
Legal, dues, subscriptions, education	350	314	664	897
Bad debt expense	330	—	330	683
Material and supplies	254	248	502	771
Equip rental expense & lease expense	198	245	443	2,350
Tools expense	169	55	224	229
Miscellaneous expense	5	210	215	812
Contract labor	—	—	—	28
Engineer expense	—	—	—	200
Total expenses	115,735	94,623	210,358	205,835
Net income	55,359	(56,923)	(1,564)	(6,494)
Other income				
Transfer in from general fund	—	—	—	10,000
Fund balances, beginning October 1	901,054	(122,378)	782,182	778,676
Fund balances, ending September 30	\$956,413	(\$179,301)	\$780,618	\$782,182

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)

	Water Fund			Sewer Fund		
	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)
Revenue:						
Water/meter and sewer revenue	\$155,000	\$153,891	(\$1,109)	\$36,206	\$37,700	\$1,494
Interest income	950	8,604	7,654	—	—	—
Penalty and interest revenue	4,516	5,312	796	—	—	—
Sanitation	2,804	2,706	(98)	—	—	—
Water and sewer tie-on revenue	600	300	(300)	600	—	(600)
Reconnect fee revenue	200	149	(51)	—	—	—
Meter transfer fee	70	70	—	—	—	—
Returned check fee	50	50	—	—	—	—
Miscellaneous water income	100	12	(88)	—	—	—
Total revenue	164,290	171,094	6,804	36,806	37,700	894
Expenses:						
Interest expense	54,194	34,495	19,699	14,760	4,760	10,000
Utilities	21,800	21,724	76	24,500	26,054	(1,554)
Depreciation expense (Note A)	—	20,999	(20,999)	—	23,540	(23,540)
Wages	20,580	20,555	25	20,580	20,555	25
Workers comp. insurance	2,705	2,841	(136)	2,705	2,841	(136)
Property and liability insurance	2,150	2,050	100	2,150	2,050	100
Repairs and maintenance	2,500	1,936	564	1,000	4,380	(3,380)
Employee fringe benefits	1,568	1,735	(167)	1,568	1,735	(167)
Inspection expense	1,000	1,716	(716)	500	—	500
Chemicals and enzymes	1,600	1,566	34	2,500	2,229	271
Payroll taxes	1,713	1,548	165	1,713	1,548	165
Audit	900	950	(50)	900	950	(50)
Office expense	250	575	(325)	250	337	(87)
Postage expense	600	569	31	450	569	(119)
Uniforms and advertising expense	380	357	23	480	544	(64)
Vehicle expense - fuel	450	354	96	450	354	96
Bad debt expense	400	330	70	—	—	—
Vehicle expense - maintenance	600	303	297	600	300	300
Material and supplies	600	254	346	250	248	2
Equipment rental and lease expense	200	173	27	200	245	(45)
Tools and equipment expense	200	169	31	200	55	145
Lab fees	160	156	4	1,000	805	195
Dues, subscriptions, and tuition	250	150	100	50	109	(59)
Education and tuition	100	116	(16)	200	121	79
Legal	500	84	416	500	84	416
Equipment purchase	500	25	475	500	—	500
Miscellaneous expense	350	5	345	400	210	190
Engineer expense	—	—	—	200	—	200
Total expense	116,250	115,735	515	78,606	94,623	(16,017)
Net income	\$48,040	\$55,359	\$7,319	(\$41,800)	(\$56,923)	(\$15,123)

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, 1994

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$200,190
Interest received	8,604
Cash paid to suppliers and employees	(127,977)
Interest paid	(39,255)

Net Cash Provided (Used) by Operating Activities	41,562
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CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on long-term debt	(29,000)
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Net Cash Provided (Used) by Financing Activities	(29,000)
--	----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,562
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CASH AND CASH EQUIVALENTS, OCTOBER 1	31,523
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CASH AND CASH EQUIVALENTS, SEPTEMBER 30	44,085
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Reconciliation of net income to net cash provided
by operating activities:

Net income	(1,564)
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Adjustments to reconcile net income to net
cash provided by operating activities:

Depreciation	44,539
(Increase) decrease in accounts receivable	1,662
(Increase) decrease in interest receivable	(22)
(Increase) decrease in restricted - other deposits	(7,392)
Increase (decrease) in accrued liabilities	952
Increase (decrease) in other accounts payable	75
Increase (decrease) in water meter deposits	2,149
Increase (decrease) in interest payable	(473)
Increase (decrease) in due to other funds	1,643
Increase (decrease) in payroll taxes payable	(20)
Increase (decrease) in sales tax payable	13

Total adjustments	43,126
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$41,562
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The accompanying notes are an integral part of the financial statements.

CITY OF TOM BEAN, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 1994

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 indicated 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, 1993	Additions	Deductions	Sept. 30, 1994
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	5,077	--	--	5,077
Machinery & equipment	63,871	--	--	63,871
	215,171	--	--	215,171
Accumulated deprec.	(149,452)	(16,846)	--	(166,298)
	<u>\$ 65,719</u>	<u>(\$16,846)</u>	<u>\$ --</u>	<u>\$ 48,873</u>

Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at September 30, 1994:

Notes to the Financial Statements (Continued)

	Oct. 1, 1993	Additions	Deductions	Sept. 30, 1994
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	823,916	--	--	823,916
	1,568,470	--	--	1,568,470
Accumulated deprec.	(301,666)	(44,539)	--	(346,205)
	<u>\$1,266,804</u>	<u>(\$44,539)</u>	<u>\$ --</u>	<u>\$1,222,265</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, 1994.

The 1968 and 1980 bond funding requirements at September 30, 1994 are \$19,197. The 1988 bond funding requirement is \$49,344. The amounts funded are \$114,250, therefore, there is a surplus funding of \$45,708.

Notes to the Financial Statements (Continued)

		<u>Requirement</u>	<u>Funded</u>	<u>Surplus</u>
Junior Lien Sinking-P&I	'68 Series	\$1,360	\$ 1,829	\$ 469
Junior Lien Reserve	'68 Series	4,754	6,389	1,635
Revenue Bond Reserve	'80 Series	5,250	7,034	1,784
Replacement & Repair Reserve	'80 Series	3,100	4,148	1,048
Certificate Fund-P&I	'80 Series	4,733	6,363	1,630
Revenue Bond-P&I	'88 Series	5,253	14,076	8,823
Revenue Bond Reserve	'88 Series	<u>44,092</u>	<u>74,411</u>	<u>30,319</u>
		<u>\$68,542</u>	<u>\$114,250</u>	<u>\$45,708</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, 1994 the reserve funding requirements of \$44,092 were met, and the interest and principle sinking fund requirements of \$5,253 were met. See EXHIBIT G for a schedule of debt retirement.

E. WATER LOSS RATE

The unaccounted water loss is 13,498,440 gallons or 25.09% for the year ending September 30, 1994.

F. TAX ROLLS

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

<u>Tax Year</u>	<u>1993</u>	<u>1992</u>
Gross market value	\$ 16,611,826	\$ 14,853,312
Exemptions	(1,938,556)	(523,908)
Net taxable value	14,673,270	14,329,404
Tax rate per \$100	.0039459	.0038474
Tax levy	<u>\$ 57,899</u>	<u>\$ 55,136</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	\$1,238
Property taxes - prior years	<u>1,349</u>
	<u>\$2,587</u>

WATERWORKS AND SEWER SYSTEM
SCHEDULE OF BOND REQUIREMENTS
YEAR ENDED SEPTEMBER 30, 1994

YEAR ENDED SEPT. 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	
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
TOTALS	\$1,665	\$1,665	\$24,000	\$8,820	\$8,820	\$75,000	\$190,053	\$190,053	\$455,000	\$955,076

NOTE: INTEREST RATE ON SERIES 1968 4.5%
INTEREST RATE ON SERIES 1980 5.6%
INTEREST RATE ON SERIES 1988 6.05%

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

CITY OF TOM BEAN, TEXAS
SCHEDULE OF CITY OFFICIALS
SEPTEMBER 30, 1994

Name _____	Position _____
Ralph Hall	Mayor
Jerry Harris	Mayor Pro Tempore
James Yowell	Council Member
Greg Reynolds	Council Member
Bill Garner	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 addition 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, 1994, and have issued our report thereon dated December 23, 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, 1994, 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 December 23, 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.

Gregg & Company

Tom Bean, Texas
December 23, 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, 1994, and have issued our report thereon dated December 23, 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
December 23, 1994