

**AUDITED FINANCIAL STATEMENTS  
OF  
CITY OF TOM BEAN  
TOM BEAN, TEXAS  
AT  
SEPTEMBER 30, 1996**

CITY OF TOM BEAN, TEXAS  
Annual Financial Report  
Fiscal Year Ended September 30, 1996

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## 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, 1996, 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, 1996, 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 24, 1997



CITY OF TOM BEAN, TEXAS  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
September 30, 1996

ASSETS	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1996	1995
Cash in bank	\$16,571	\$8,597	--	--	\$25,168	\$52,941
Receivables (net of allowance for doubtful accounts):						
Property taxes	1,424	--	--	--	1,424	2,466
Water/Sewer	--	15,623	--	--	15,623	16,075
Sanitation	2,864	--	--	--	2,864	2,803
Sundry	1,765	--	--	--	1,765	--
Interest receivable	--	--	--	--	--	50
Due from other funds	--	2,779	--	--	2,779	2,779
 Total current assets:	 22,624	 26,999	 --	 --	 49,623	 77,114
 Restricted assets:						
Deposits held by other agencies	--	92,957	--	--	92,957	92,300
 Total restricted assets	 --	 92,957	 --	 --	 92,957	 92,300
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	--	5,157	6,697	--	11,854	10,310
Sewer system	--	997,745	--	--	997,745	974,130
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
	--	1,742,450	216,791	--	1,959,241	1,934,082
Accumulated depreciation	--	(436,009)	(178,066)	--	(614,075)	(562,270)
	--	1,306,441	38,725	--	1,345,166	1,371,812
Amount to be provided	--	--	--	\$19,764	19,764	2,955
 Total assets	 \$22,624	 \$1,426,397	 \$38,725	 \$19,764	 \$1,507,510	 \$1,544,181

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, 1996

	Governmental fund type	Proprietary fund type	Account Groups		Totals (memorandum only)	
	General	Water and sewer	General fixed assets	General long-term debt	1996	
<b>LIABILITIES</b>						
Accrued liabilities	\$5,972	\$12,097	--	--	\$18,069	\$18,106
Payroll taxes payable	--	--	--	--	--	--
Sales tax payable	612	--	--	--	612	635
Other accounts payable	2,496	--	--	--	2,496	2,526
Customer water deposits	--	14,167	--	--	14,167	11,200
Notes Payable - First Nat'l Bank	--	--	--	\$19,764	19,764	2,955
Due to other funds	2,779	--	--	--	2,779	2,779
Water and sewer bonds (current)	--	30,000	--	--	30,000	30,000
Bond interest payable	--	10,017	--	--	10,017	10,017
Deferred revenues (Note G)	1,424	--	--	--	1,424	2,086
<b>Total curr. liabilities</b>	<b>13,283</b>	<b>66,281</b>	<b>--</b>	<b>19,764</b>	<b>99,328</b>	<b>80,304</b>
<b>Long-term debt:</b>						
Water and sewer bonds- L.T.	--	465,000	--	--	465,000	495,000
<b>Total liabilities</b>	<b>13,283</b>	<b>531,281</b>	<b>--</b>	<b>19,764</b>	<b>564,328</b>	<b>575,304</b>
<b>FUND EQUITY</b>						
Investment in general fixed assets	--	--	\$38,725	--	38,725	42,691
Fund balance: unreserved	9,341	895,116	--	--	904,457	926,186
<b>Total fund equity</b>	<b>9,341</b>	<b>895,116</b>	<b>38,725</b>	<b>--</b>	<b>943,182</b>	<b>968,877</b>
<b>Total liabilities and fund equity</b>	<b>\$22,624</b>	<b>\$1,426,397</b>	<b>\$38,725</b>	<b>\$19,764</b>	<b>\$1,507,510</b>	<b>\$1,544,181</b>

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, 1996

	Governmental fund types	Totals (Memorandum only)	
	General	1996	1995
Revenues:			
Property tax revenue	\$60,673	\$60,673	\$58,372
Franchise permits	23,485	23,485	22,433
Court fees income	18,349	18,349	19,679
Sales tax revenue	14,799	14,799	13,389
Sanitation revenue	3,508	3,508	---
Interest income	925	925	1,364
Property tax-penalty and interest	904	904	1,106
Coffee / Coke machine revenue	206	206	427
Building permit revenue	150	150	180
Miscellaneous income	55	55	---
Total revenues	123,054	123,054	116,950
Expenditures:			
Salaries	19,925	19,925	21,164
Utilities	9,286	9,286	9,110
Payroll taxes & fringe benefits	5,570	5,570	5,237
Insurance	3,187	3,187	2,926
Mayor expense	2,400	2,400	2,400
Equipment purchases	2,285	2,285	1,034
Office supplies and postage expense	1,260	1,260	1,246
Repair and maintenance	1,245	1,245	1,451
Dues, subscriptions, & tuition	959	959	1,168
Audit	950	950	950
Appraisal district fees expense	867	867	880
Workers comp. insurance	793	793	2,064
Chemicals & lab fees	649	649	---
Vehicle expense	616	616	863
Tax collection fee	536	536	535
Advertising/professional	429	429	425
Election expense	309	309	352
Contributions	300	300	700
Tools, equipment & uniforms	213	213	1,306
Coffee/Coke machine expense	204	204	419
Professional fees	187	187	149
Miscellaneous expense	171	171	583
Returned check expense	73	73	---
Contract labor	57	57	1
Equipment rent	44	44	157
Grant expense	---	---	15,360
Legal	---	---	296
Total general expenditures	\$52,515	\$52,515	\$70,776

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, 1996

	Governmental fund types	Totals (Memorandum only)	
	General	1995	1994
Fire department:			
Miscellaneous expense	\$1,301	\$1,301	\$1,300
Total fire department expenditures	1,301	1,301	1,300
Police department:			
Salaries	35,336	35,336	29,910
Vehicle expense	14,298	14,298	12,723
Employee fringe benefits	3,455	3,455	2,790
Municipal court expense	2,400	2,400	2,400
Supplies	1,991	1,991	1,611
Utilities	1,662	1,662	1,366
Repairs and maintenance	1,541	1,541	517
Uniforms	750	750	---
Equipment rent	355	355	---
Office supplies expense	339	339	1,033
Education and tuition	229	229	467
Miscellaneous expense	5	5	---
Total police department expenditures	62,361	62,361	52,817
Street department:			
Street repairs	3,897	3,897	5,635
Miscellaneous expense	---	---	191
Total street department expenditures	3,897	3,897	5,826
Park department:			
Utilities	136	136	137
Total park department expenditures	136	136	137
Total expenditures	120,210	120,210	130,856
Excess of revenues over (under) expenditures	2,844	2,844	(13,906)
Transfer out to water fund	(2,844)	(2,844)	---
Fund balances, beginning October 1	9,341	9,341	23,247
Fund balances, ending September 30	\$9,341	\$9,341	\$9,341

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, 1996

General Fund			
	Budget	Actual	Variance- favorable (unfavorable)
Revenues:			
Property tax revenue	\$60,378	\$60,673	\$295
Franchise tax revenue	25,200	23,485	(1,715)
Court fee revenue	20,058	18,349	(1,709)
Sales tax revenue	12,800	14,799	1,999
Sanitation revenue	3,200	3,508	308
Interest income	1,500	925	(575)
Property tax - penalty and interest	600	904	304
Coffee / Coke machine revenue	350	206	(144)
Building permit revenue	200	150	(50)
Miscellaneous revenue	100	55	(45)
Total revenues	\$124,386	\$123,054	(\$1,332)

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, 1996

General Fund

	Budget	Actual	Variance- favorable (unfavorable)
Expenditures:			
General Expenses:			
Salaries	\$22,500	\$19,925	\$2,575
Utilities	9,600	9,286	314
Payroll taxes & fringe benefits	5,503	5,570	(67)
Insurance	3,000	3,187	(187)
Mayor expense	2,400	2,400	---
Workers comp insurance	2,000	793	1,207
Contributions	1,500	300	1,200
Dues and subscriptions & tuition	1,150	959	191
Audit	900	950	(50)
Equipment purchases	878	2,285	(1,407)
Appraisal district fees	875	867	8
Office supplies and postage expense	850	1,260	(410)
Vehicle expense	850	616	234
Legal	625	---	625
Tax collection fees	550	536	14
Repair and maintenance	400	1,245	(845)
Tools and equipment & uniforms	400	213	187
Miscellaneous expense	400	171	229
Election expense	350	309	41
Supplies	300	---	300
Coke machine, coffee	250	204	46
Advertising/Professional	200	616	(416)
Grant expense	100	---	100
Chemicals	50	649	(599)
Returned check expense	---	73	(73)
Contract labor	---	57	(57)
Equipment rent	---	44	(44)
Total general expenses	\$55,631	\$52,515	\$3,116

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, 1996

General Fund			
	Budget	Actual	Variance- favorable (unfavorable)
Fire department			
Miscellaneous	---	\$1,301	(\$1,301)
Police department			
Salaries	\$35,665	35,336	329
Vehicle expense	13,150	14,298	(1,148)
Employee fringe benefits	3,490	3,455	35
Municipal court expense	2,400	2,400	---
Utilities	1,250	1,662	(412)
Repair & maintenance	500	1,541	(1,041)
Education & tuition	500	229	271
Supplies	400	1,991	(1,591)
Uniforms	400	750	(350)
Office expense	300	339	(39)
Miscellaneous expense	100	5	95
Equipment rent	---	355	(355)
Tools and equipment	---	---	---
	58,155	62,361	(4,206)
Street department			
Street repairs	10,250	3,897	6,353
Miscellaneous	---	---	---
	10,250	3,897	6,353
Parks department			
Repair & maintenance	200	---	200
Utilities	150	136	14
	350	136	214
Total expenditures	124,386	120,210	4,176
Excess of revenues over (under) expenditures	\$0	\$2,844	\$2,844

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, 1996

EXHIBIT D

	Waterworks	Sewer system	Total systems (NOTE F) 1996	1995
Operating revenues:				
Water/meter and sewer revenue	\$147,835	\$39,290	\$187,125	\$185,034
Water and sewer tie-on revenue	1,310	300	1,610	2,750
Sales tax revenue	1,039	—	1,039	—
Reconnect fee revenue	270	—	270	231
Returned check revenue	100	—	100	110
Meter transfer fee	90	—	90	40
Miscellaneous water income	65	—	65	—
Sanitation	—	—	—	3,264
Total Operating revenues	150,709	39,590	190,299	191,429
Operating expenses:				
Utilities	24,091	16,249	40,340	41,088
Salaries	19,925	19,925	39,850	42,328
Depreciation expense	18,462	27,833	46,295	44,515
Repairs and maintenance	4,629	8,055	12,684	14,840
Contract labor	3,973	3,973	7,946	1,636
Chemicals, enzymes, lab expense	3,582	1,665	5,247	6,717
Insurance	3,187	3,187	6,374	5,500
Payroll taxes & fringe benefits	3,152	3,152	6,304	6,184
Workers comp. insurance	1,619	1,619	3,238	4,128
Audit	950	950	1,900	1,900
Material and supplies	924	1,452	2,376	1,132
Legal, dues, subscriptions, education	822	219	1,041	590
Office, postage & cleaning expense	800	806	1,606	1,875
Equip rental expense & lease expense	369	369	738	529
Vehicle expense	607	640	1,247	1,242
Inspection expense	542	1,125	1,667	1,747
Bad debt expense	436	—	436	97
Tools expense	300	255	555	759
Uniforms & advertising expense	293	143	436	1,164
Miscellaneous expense	—	1,740	1,740	397
Returned check expense	—	—	—	40
Total Operating expenses	88,663	93,357	182,020	178,408
Operating income (loss)	62,046	(53,767)	8,279	13,021
Nonoperating revenues				
Penalty and interest revenue	6,013	—	6,013	6,025
Grant income	5,786	—	5,786	167,214
Interest income	1,668	—	1,668	5,467
Gain on sale of assets	—	—	—	400
Total Nonoperating revenues:	13,467	—	13,467	179,106
Nonoperating expenses:				
Interest expense	32,893	3,640	36,533	38,073
Grant expense	9,786	—	9,786	17,000
Loss on disposal of assets	—	—	—	827
Total Nonoperating expenses:	42,679	3,640	46,319	55,900
Net Nonoperating income:	(29,212)	(3,640)	(32,852)	123,206
Net Income before transfers	32,834	(57,407)	(24,573)	136,227
Transfer in from general fund	2,844	—	2,844	—
Net Income	35,678	(57,407)	(21,729)	136,227
Fund balances, beginning October 1	901,054	(122,378)	916,845	780,618
Fund balances, ending September 30	\$936,732	(\$179,785)	\$895,116	\$916,845

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



CITY OF TOM BEAN, TEXAS  
STATEMENT OF REVENUES AND EXPENSES,  
BUDGET (GAAP BASIS) AND ACTUAL -  
PROPRIETARY FUND TYPE (WATER AND SEWER FUND)  
Year ended September 30, 1996

	Water Fund			Sewer Fund		
	Budget	Actual	Variance- favorable (unfavorable)	Budget	Actual	Variance- favorable (unfavorable)
<b>Revenue:</b>						
Water/meter and sewer revenue	\$163,200	\$147,835	(\$15,365)	\$38,217	\$39,290	\$1,073
Penalty and interest revenue	6,270	6,013	(257)	—	—	—
Interest income	2,000	1,668	(332)	—	—	—
Water and sewer tie-on revenue	1,200	1,310	110	900	300	(600)
Reconnect fee revenue	200	270	70	—	—	—
Returned check fee	95	100	5	—	—	—
Meter transfer fee	50	90	40	—	—	—
Grant income	—	5,786	5,786	—	—	—
Sales tax revenue	—	1,039	1,039	—	—	—
Miscellaneous	—	65	65	—	—	—
Sanitation	—	—	—	—	—	—
Gain on sale of assets	—	—	—	—	—	—
<b>Total revenue</b>	<b>173,015</b>	<b>164,176</b>	<b>(8,839)</b>	<b>39,117</b>	<b>39,590</b>	<b>473</b>
<b>Expenses:</b>						
Interest expense	32,990	32,893	97	3,640	3,640	—
Utilities	26,000	24,091	1,909	26,000	16,249	9,751
Salaries	22,500	19,925	2,575	22,500	19,925	2,575
Grant expense	7,000	9,786	(2,786)	—	—	—
Payroll taxes & fringe benefits	3,381	3,152	229	3,381	3,152	229
Property and liability insurance	3,000	3,187	(187)	3,000	3,187	(187)
Equipment purchase	3,000	—	3,000	250	—	250
Chemicals and enzymes and lab fees	2,900	3,582	(682)	833	1,665	(832)
Workers comp. insurance	2,000	1,619	381	2,000	1,619	381
Repairs and maintenance	1,000	4,629	(3,629)	2,500	8,055	(5,555)
Audit	900	950	(50)	900	950	(50)
Office, postage, & cleaning expense	825	800	25	825	806	19
Inspection expense	800	542	258	1,250	1,125	125
Vehicle expense	725	607	118	725	640	85
Uniforms & advertising	500	293	207	225	143	82
Dues, subscriptions & tuition	450	822	(372)	400	219	181
Tools and equipment	450	—	450	450	255	195
Bad debt expense	400	436	(36)	—	—	—
Equipment rental and lease	275	669	(394)	275	369	(94)
Supplies	225	924	(699)	225	1,452	(1,227)
Legal	100	—	100	100	—	100
Miscellaneous expense	100	—	100	300	1,740	(1,440)
Returned check expense	40	—	40	—	—	—
Depreciation expense (Note A)	—	18,462	(18,462)	—	27,833	(27,833)
Contract labor	—	3,973	(3,973)	—	3,973	(3,973)
Loss on disposal of assets	—	—	—	—	—	—
<b>Total expense</b>	<b>109,561</b>	<b>131,342</b>	<b>(21,781)</b>	<b>69,779</b>	<b>96,997</b>	<b>(27,218)</b>
<b>Net income</b>	<b>\$63,454</b>	<b>\$32,834</b>	<b>(\$30,620)</b>	<b>(\$30,662)</b>	<b>(\$57,407)</b>	<b>(\$26,745)</b>

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, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$248,051
Cash received from grant	5,786
Interest received	1,699
Cash paid to suppliers and employees	(194,815)
Interest paid	(32,893)
Net Cash Provided (Used) by Operating Activities	<u>27,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(23,615)
	<u>(23,615)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	(30,000)
Net Cash Provided (Used) by Financing Activities	<u>(30,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,787)
CASH AND CASH EQUIVALENTS, OCTOBER 1	34,384
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u><u>\$8,597</u></u>
Reconciliation of net income to net cash provided by operating activities:	
Net income	(21,729)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	46,295
(Increase) decrease in accounts receivable	3,257
(Increase) decrease in interest receivable	31
(Increase) decrease in restricted - other deposits	(657)
Increase (decrease) in accrued liabilities	825
Increase (decrease) in other accounts payable	(2,526)
Increase (decrease) in water meter deposits	2,967
Increase (decrease) in sales tax payable	(635)
Total adjustments	<u>49,557</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$27,828</u></u>

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

CITY OF TOM BEAN, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 1996

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

## Notes to the Financial Statements (Continued)

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:

### 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



## Notes to the Financial Statements (Continued)

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 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



## Notes to the Financial Statements (Continued)

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 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

## Notes to the Financial Statements (Continued)

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:

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.

### 8. Cash

For the purpose of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.

Notes to the Financial Statements (Continued)

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:

	<u>Oct. 1, 1995</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30, 1996</u>
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	5,153	\$1,544	--	6,697
Machinery & equipment	<u>63,871</u>	<u>--</u>	<u>--</u>	<u>63,871</u>
	215,247	1,544	--	216,791
Accumulated deprec.	<u>(172,556)</u>	<u>(5,510)</u>	<u>--</u>	<u>(178,066)</u>
	<u>\$42,691</u>	<u>(\$3,966)</u>	<u>--</u>	<u>\$38,725</u>

Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at September 30, 1996:

	<u>Oct. 1, 1995</u>	<u>Additions</u>	<u>Deductions</u>	<u>Sept. 30, 1996</u>
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	5,157	--	--	5,157
Machinery & equipment	40,094	--	--	40,094
Sewer sys	<u>974,130</u>	<u>23,615</u>	<u>--</u>	<u>997,745</u>
	1,718,835	23,615	--	1,742,450
Accumulated deprec.	<u>(389,714)</u>	<u>(46,295)</u>	<u>--</u>	<u>(436,009)</u>
	<u>\$1,329,121</u>	<u>(\$22,680)</u>	<u>--</u>	<u>\$1,306,441</u>



Notes to the Financial Statements (Continued)

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, 1980, and 1988 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, 1996.

The bond funding requirements for all bonds at September 30, 1995 are \$71,140. The amounts funded are \$101,553, therefore, there is a surplus funding of \$30,413.

		<u>Requirement</u>	<u>Funded</u>	<u>Surplus</u>
Junior Lien Sinking-P&I	'68 Series	\$1,550	\$ 2,213	\$ 663
Junior Lien Reserve	'68 Series	4,754	6,786	2,032
Revenue Bond Reserve	'80 Series	5,250	7,495	2,245
Replacement & Repair Reserve	'80 Series	3,100	4,425	1,325
Certificate Fund-P&I	'80 Series	4,546	6,489	1,943
Revenue Bond-P&I	'88 Series	7,848	11,204	3,356
Revenue Bond Reserve	'88 Series	<u>44,092</u>	<u>62,941</u>	<u>18,849</u>
		<u>\$71,140</u>	<u>\$101,553</u>	<u>\$30,413</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



Notes to the Financial Statements (Continued)

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, 1995 the reserve funding requirements of \$44,092 were met, and the interest and principle sinking fund requirements of \$5,348 were met. See EXHIBIT G for a schedule of debt retirement.

E. TAX ROLLS

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

<u>Tax Year</u>	<u>1996</u>	<u>1995</u>
Gross market value	\$14,909,296	\$14,699,700
Exemptions	(73,420)	(15,500)
Net taxable value	14,835,876	14,684,200
Tax rate per \$100	.0040228	0.0039459
Tax levy	<u>\$ 59.681</u>	<u>\$ 57.942</u>

F. WATER AND SEWER FUND

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

G. DEFERRED REVENUES

	<u>Amount</u>
General Fund	
Property taxes - current year	\$ 779
Property taxes - prior years	<u>645</u>
	<u>\$1,424</u>

## EXHIBIT G

WATERWORKS AND SEWER SYSTEM  
SCHEDULE OF BOND REQUIREMENTS  
YEAR ENDED SEPTEMBER 30, 1996

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	
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	\$675	\$675	\$15,000	\$4,900	\$4,900	\$55,000	\$157,494	\$157,494	\$425,000	\$821,138

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, 1996

<u>Name</u>	<u>Position</u>
Bill Garner	Mayor
James Yowell	Mayor Pro Tempore
Jerry Harris	Council Member
Bobbie Moran	Council Member
Sue Monks	Council Member
Ruby Barnes	Council Member
Janet Dickey	Secretary

Water & Sewer Rates

<u>Connections</u>	<u>Water Rate</u>	<u>Sewer Rate</u>
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.	
Sewer - 0	\$4.40 for each additional 1,000 gallons over 15,000 gallons.	
New connections:	\$300 per connection	\$300 per connection
Deposit (refundable)	\$100	Not applicable